

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

**FINANCIAL STATEMENTS, REQUIRED SUPPLEMENTARY
INFORMATION AND SUPPLEMENTARY INFORMATION**
(With Independent Auditors' Report Thereon)

YEAR ENDED JUNE 30, 2023

DRAFT

METROWEST REGIONAL TRANSIT AUTHORITY
(A COMPONENT UNIT OF THE MASSACHUSETTS DEPARTMENT OF TRANSPORTATION)

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report	1-3
Management's Discussion and Analysis – Required Supplementary Information	4-12
Basic Financial Statements	
Statement of Net Position	13
Statement of Revenues, Expenses and Changes in Net Position	14
Statement of Cash Flows	15
Notes to Financial Statements	16-32
Required Supplementary Information	
Schedule of Authority's Proportionate Share of the Net Pension Liability	33
Schedule of Pension Liability	34
Supplementary Information	
Budgetary Comparison Schedule	35
Schedule of Net Cost of Service	36
Schedule of Local Assessments	37

Bruce D. Norling, CPA, P.C.

INDEPENDENT AUDITORS' REPORT

To the Advisory Board
MetroWest Regional Transit Authority
Framingham, Massachusetts

Report on the Audit of the Financial Statements

Opinions

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the 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 4 to 12 and budgetary comparison information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying combining and individual nonmajor fund financial statements and 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 combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Emphasis of a Matter

The Authority's inability to timely issue its financial statements is a result of its participation in the Framingham Retirement System. The Authority is required by GASB 68 to report its proportionate share of the System's expense and net pension liability. The final audited report was received on 5/4/23. This date is well beyond the statutory filing time noted in Chapter 161B, the Authority's enabling legislation.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other 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 information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other 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 May 31, 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Bruce D. Norling, CPA, P.C.

Sudbury, Massachusetts
May 31, 2023

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

Required Supplementary Information
Management's Discussion and Analysis
June 30, 2023

The following is offered to the readers of the MetroWest Regional Transit Authority's financial statements. It is a narrative overview and analysis of the financial performance of the MetroWest Regional Transit Authority (the Authority) during the fiscal year ended June 30, 2023. Please read this discussion and analysis in conjunction with the Authority's financial statements which begin on page 13.

This financial report is designed to provide a general overview of the Authority's finances for all those with an interest in the Authority's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to James Nee, Administrator, MetroWest Regional Transit Authority, 15 Blandin Avenue, Framingham, Massachusetts, 01702.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. The Authority is a special-purpose government engaged in only business-type activities. As such, its financial statements consist of only those financial statements required for proprietary funds and the related notes.

Revenue is recorded when earned and expenses are recorded when incurred. The financial statements include a statement of net position, a statement of revenues, expenses and changes in net position, and a statement of cash flows. These are followed by the notes to the financial statements. In addition to the financial statements, this report also contains supplemental schedules pertaining to the net cost of service of the Authority.

The statement of net position presents information on the assets and liabilities, with the difference between the two reported 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.

The Statement of revenues, expenses and changes in net position reports the operating revenues and expenses and nonoperating revenues and expenses of the Authority for the fiscal year with the difference – the increase or decrease in net position – being combined with any capital grants to determine the net change in position for the fiscal year. That change combined with the previous year-end net position total reconciles to the net position total at the end of this fiscal year.

The statement of cash flows reports cash and investment activities for the fiscal year resulting from operating activities, capital and related activities, noncapital and related financing activities and investing activities. The net result of these activities added to the beginning of the year cash and investment balance reconciles to the cash and investment balance of the current fiscal year.

The notes to the financial statements provide additional information that is essential to the understanding of the data provided in the basic financial statements and can be found on pages 16 through 33 of the report.

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

Required Supplementary Information
Management's Discussion and Analysis
June 30, 2023

Condensed Financial Information

	<u>2023</u>	<u>2022</u>
Current assets	\$ 6,382,695	\$ 5,730,275
Restricted, non-current assets, deferred outflows	5,252,673	5,320,163
Capital assets, net	<u>23,549,929</u>	<u>24,320,954</u>
Total assets and deferred outflows	<u>35,185,297</u>	<u>35,371,392</u>
Current liabilities	1,933,209	1,128,317
Restricted, non-current liabilities, deferred inflows	10,484,464	10,133,793
Long-term Liabilities	<u>1,051,105</u>	<u>2,010,361</u>
Total liabilities and deferred inflows	<u>13,468,778</u>	<u>13,272,471</u>
Net position		
Invested in capital assets, net of related debt	23,549,929	24,320,954
Unrestricted	<u>(1,833,410)</u>	<u>(1,833,410)</u>
Total net position	<u>\$ 21,716,519</u>	<u>\$ 22,487,544</u>
Operating revenue		
Revenue from transportation	\$ 87,553	\$ 746
Other	<u>638,847</u>	<u>843,507</u>
Total operating revenues	<u>726,400</u>	<u>844,253</u>
Operating expenses		
Transportation services	8,668,367	8,065,244
Other operating expenses	<u>3,551,925</u>	<u>2,628,037</u>
Total operating expenses, excluding depreciation	12,220,292	10,693,281
Depreciation and amortization	<u>3,193,432</u>	<u>2,761,998</u>
Total operating expenses, including depreciation	15,413,724	13,455,279
Operating Loss	<u>(14,687,325)</u>	<u>(12,582,497)</u>
Net non-operating revenue	<u>11,493,893</u>	<u>10,209,122</u>
Loss before capital grants	<u>(3,193,432)</u>	<u>(2,373,375)</u>
Capital grants and contributions	<u>2,422,407</u>	<u>2,816,402</u>
Change in net position	<u>(771,025)</u>	<u>443,027</u>
Net position		
Beginning of year (As re-stated. See FN No.19)	<u>22,487,544</u>	<u>22,044,517</u>
End of year net position	<u>\$ 21,716,519</u>	<u>\$ 22,487,544</u>

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

Required Supplementary Information
Management's Discussion and Analysis
June 30, 2023

Financial Highlights

The assets of the Authority exceed its liabilities at the close of the most recent fiscal year by \$21,716,519. The Authority's total net position decreased by \$771,025, mainly due to an increase in operating expenses. The Authority's expenses, except for depreciation and amortization are fully funded annually through a combination of federal, state and local assistance.

The Authority's net position consists of its investment in capital assets (e.g., land, buildings, vehicles and other equipment). The Authority uses these capital assets to provide fixed route and paratransit services to individuals within its service area; consequently, these net assets are not available for future spending. Although the Authority's investment in capital assets is reported as net of related debt, it should be noted that the resources needed to repay any related debt outstanding must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Key factors in the changes in revenues and expenses are as follows:

- Passenger fares increased from \$746 to \$87,553, due to the recommencement of collecting fares.
- Total operating expenses, excluding depreciation, increased by \$1,556,171, or 14.6%.
- Revenues from assessments from member municipalities increased by 2.5% and the establishment of the new services as allowed by law.
- Federal operating assistance and state operating assistance increased. Federal and state capital assistance decreased.

Capital Assets and Debt

The Authority's capital assets as of June 30, 2023 amounted to \$23,549,929 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, transportation equipment, office and other equipment.

Capital asset additions during the fiscal year include the following:

Building and Improvements	\$ 2,367,826
Transit Equipment	2,037,435
Electronic Equipment	<u>294,228</u>
	<u>\$ 4,699,489</u>

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

Required Supplementary Information
Management's Discussion and Analysis
June 30, 2023

The Authority acquires its capital assets under federal capital grants and state matching funds.

At year end, the Authority had \$8,928,000 of notes outstanding, a decrease of \$29,000 over the prior period.

Economic Factors and Next Year's Budgets (FY2023)

The Authority's net cost of service (NCS) consists of all operating expenses less operating revenue without regard to local assessments and State contracted Assistance (SCA). The NCS is partially funded through local assessments to the member communities which usually increases no more than 2 1/2 % annually plus the member's share of any new services for the year then ended. The remaining balance of net cost of service is then funded by the Commonwealth's SCA. MGLA Ch. 1618 section 23 mandates "that fifty percent of the net cost of service of each Authority shall be paid by the Commonwealth and shall not be assessed upon the cities and towns constituting the Authority." Notwithstanding this statute, the Commonwealth still has not paid fifty percent of the net cost of service that it is obligated to pay for FY 2017, FY 2018 and FY2019. The Senate President's Office is aware of this issue.

Rather than operate at a deficit, this Authority's member communities have been assessed and are paying the "short fall" in the amount of \$168,598, \$658,255, and \$268,073 respectively. Therefore, these financial statements reflect a receivable of \$1,094,925 due from the Commonwealth in keeping with the requirements of the law, and will be adjusted for FY 2020 for an additional \$200,985 in FY 2021. In FY 2022 there is no shortfall.

The MWRTA has consolidated both its fixed route and demand response maintenance operations. This would include ADA paratransit vehicles, Council on Aging vehicles, Framingham State University vehicles, dial-a-ride vehicles, as well as the fixed route fleet. This goal was successfully met, and has continued to expand, allowing the MWRTA to underwrite some of its own maintenance expenses through collaboration with other non-profit agencies.

Our planned conversion of the fixed route fleet to compressed natural gas (CNG) has been completed and has helped defray the exorbitant rise in gasoline prices. The MWRTA had already fitted out the maintenance facility to comply with code and strict regulations to perform maintenance on CNG type vehicles. The Authority still has a commitment from several surrounding municipalities as well as Eversource to purchase CNG as some begin to convert their fleets. It has been noted that several private companies have also been using the CNG pumps for their

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

Required Supplementary Information
Management's Discussion and Analysis
June 30, 2023

vehicles. Additionally, MassDOT Highway District #3 is using the MWRTA facility as a satellite fueling station. The CNG facility has been fully constructed and is open for business 24/7, and records show a savings in MWRTA fuel costs.

The MWRTA will replace six Type "D" CNG vehicles with six new CNG Vehicles. The Fixed Route Fleet has grown to 40 vehicles, with a max pull out of 33 vehicles, giving us a 15 % spare ratio. The Authority's five-year plan is to replace and expand the fleet with five new type "D" CNG Vehicles next year and five each year thereafter, unless funding for growth dictates an increase in those numbers. The MWRTA will be distributing eight new type "E" vehicles into its ADA Demand Response Fleet this year with along with two new EV Transits. We will be surplusng eight vehicles from the current fleet. The Demand Response fleet has grown to 42 vehicles, max vehicle pull out of 32, for a spare ratio of 16%. The plan is to continue to replace the fleet over the next two to three years, with eight new type "E" Vehicles per year depending on need. Some of these vehicles will be directed to updating COA's, Employment Options, SMOC and other non-profits. The Authority is studying the viability of converting its entire demand response fleet to electric vehicles (EV). The Authority will be testing the range on the new EV Vehicle, which states capacity at 200 miles. If electric vehicles cannot reach the 200-mile benchmark the Authority would need to double the fleet which is not a sustainable capital plan.

Looking ahead to FY23, we will have flexibility in increasing fleet size, as we have targeted replacement of any and all eligible vehicles. Given that some DR vehicles will not meet mileage thresholds, there is a possibility (with MassDOT approval) that some of the programmed funds could be redirected to Fixed Route or used to purchase a different vehicle class than the 16 passenger 25 foot.

In 2016 MWRTA ended its free Class C Commercial Driver's License training program to focus on a new directive: to develop a creative approach to fund the Class C Program whereby eligible candidates identified by veteran and social service agencies could continue to be sent for training. In FY18, the MWRTA filed legislation to become a CDL Class B training school allowing it to charge Class B students in order to keep the Class C program free of charge and operational. The legislation was vetoed by the Administration as "unfair competition to private driving schools." In FY18, MWRTA persistently pursued the change in legislation with the help of Senator Spilka's office, and in FY19 worked with the RMV, DPL, and DPU to complete all necessary licensing requirements. The MWRTA Class "B" COL program is now open for business pending resolution of Covid-19 obstacles. Although still eligible to do this program, we are holding until driver market for Class C comes back to normal.

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

Required Supplementary Information
Management's Discussion and Analysis
June 30, 2023

Framingham State University (FSU) continues to collaborate with MWRTA in the provision of transportation services to the students and faculty for the tenth consecutive year, although somewhat hampered by Covid-19 restrictions and more virtual learning options. The Authority provides the vehicles, maintenance, training, and some oversight, while the FSU transit system is operated by students with direct oversight from the FSU Transportation Services Department. The Authority continues to develop robust technology integration with FSU Transit and MassBay Community College allowing for a more efficient use of resources to meet their demands. A spike in ridership was an indication of the success of the program prior to the pandemic. The Authority is still working very closely with MassBay Community College to promote an inter-collegiate transit system between its Wellesley and Framingham campuses as well as expanding service to and from the Green Line in Riverside with hopes of recovery after the Covid-19 crisis has abated. MassBay has begun construction of a new facility in Framingham on Franklin Street, along several of our fixed routes. MWRTA anticipates significant increases in ridership once the facility is operational.

Six years ago, as part of its mobility management plan, the Authority began its implementation of "centralized reservations" with the COA's of member communities. Sudbury, Natick, Hopedale, Wellesley, Framingham and Holliston's COA are now fully integrated. "Centralized reservations" is a system whereby a town's COA clients call the Authority's Call Center to book their trips. The Authority provides the COA with a manifest for trips the following day. The Authority is now better able to coordinate ridesharing within its system. The COA is no longer burdened with providing a call taker, scheduler, and handling cash transactions as the clients are part of the Authority's debit fare system. Last year, the Authority incorporated the Towns of Hopedale and Wellesley into its centralized reservations program. Other member towns are now considering joining. MWRTA has actively reached out and offered informational sessions regarding this innovative service.

In 2015, MWRTA created a presence at the Downtown Framingham Commuter Rail Station (FCRS). The Authority had received a five-year license from the MBTA to bring buses into the commuter rail parking lot, with some minor modifications. MWRTA moved the Concord and Howard Street bus stop to the FCRS, naming the stop the "Banana Lot", as part of a comprehensive downtown streetscape project.

At the suggestion of the Secretary of Transportation, in 2016, the Authority partnered with MassDOT, the MBTA, and Keolis to pilot a maintenance program at the Framingham Commuter Rail Station, which included oversight of the parking facilities, as well as developing additional parking spaces and providing maintenance. The MWRTA installed a 1930 vintage caboose at the FCRS to be used as office space for administration and security. In FY18, the MWRTA

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

Required Supplementary Information
Management's Discussion and Analysis
June 30, 2023

completed the rebuilding of the stairs at the station, which were deteriorating and unsafe, as well as upgraded and maintained the elevators, creating a functioning, safe, and enhanced facility. In FY19, the MWRTA completed the buildout of an additional 3,000 space parking lot in the Northside of the station, coupled with cameras, lighting, and informational signage. Negotiations with the City of Framingham for the potential takeover of the defunct Pearl Street municipal garage as well as the leased "Southside" parking lot have stalled given a change in Administration. The long-range plan would be to increase activity in the Intermodal area with the addition of more Intercity buses which hinges on covered parking. MWRTA also created an intermodal connection between the FCRS and the Blandin Facility by developing along with the City, a "rail with trail" element of the northern most section of the Framingham Secondary line, as well as upgrading the pedestrian access to the Commuter Rail area. The pedestrian access was named "Nau Way" and is continuously maintained with landscaping, trash removal, and safety enhancements by the MWRTA. The Authority hopes to continue the access from Blandin to Leland Street, opening up the environmental justice opportunities for the Southside neighborhood.

The Authority focused a great deal on shuttles in FY19, through revising them to become more efficient and providing additional marketing and outreach. Currently, MWRTA provides a Boston Hospital Shuttle to the Veteran's Administration in Jamaica Plain and West Roxbury, as well as the major hospitals in the Longwood Area, along with three commuter shuttles that run during peak commute hours. "First and Last Mile" shuttle service is a large area of concentration for the MWRTA, as it works to coordinate with the MBTA's commuter rail service and its operator, Keolis. MWRTA has also built a shuttle that runs between the MassBay College Campuses, and one that runs from the MassBay Wellesley Campus to the Riverside Green Line Station, transporting hundreds of students a week. All of the above have been curtailed as a result of Covid-19. Because of the driver shortage as well as rider demand, the shuttle service is making a slower than anticipated recovery.

Because the Authority was successful in winning a Discretionary Grant with FY19 funds, it has developed an application (App) which allows its customers to connect with shuttles even though the Commuter Rail trains are not on time. The APP has been launched and it has become the lynchpin of the new micro-transit project (Catch Connect) as this Authority moves forward and adapts to the changing face of public transportation. Given that micro-transit has many definitions at this juncture in its development, our philosophy is that it be a short trip feeder to our existing fixed route, shuttle, or commuter rail system as well as an option for short trips where none of these options exist.

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

Required Supplementary Information
Management's Discussion and Analysis
June 30, 2023

Catch Connect is an app based, on demand service that was created to enhance the travel options within the Authority's existing transit system. There are currently three Catch Connect pilots in service.

- In the town of Wellesley, utilizing three vehicles, microtransit service is available Monday- Friday from 6:45 AM - 6:45 PM. The funding source for this pilot has been through a FY21 Discretionary Grant and will continue through a Federal Community Connections Grant as the Discretionary Grant funding comes to a close.

- On Saturdays and Sundays, with four vehicles available, in the town of Natick, and the city of Framingham, riders can use the service from 8:00 AM - 6:00 PM. The funding source for this pilot has been through a FY21 Discretionary Grant and will continue through a Federal Community Connections Grant as the Discretionary Grant funding comes to a close.

- The town of Hudson, having two vehicles in use, offers service on Saturdays from 8:00 AM - 6:00 PM. The funding source for this pilot is from an Earmark through ARPA Funds appropriated by the Legislature.

All three pilots are in the data collection/assessment stages.

- Wellesley is showing promising ridership, especially with the addition of student commuters during the college school year, and the connection to the Woodland Green-line Station.

- Natick and Framingham have creditable ridership which continues to grow each week. The service offers connections to existing fixed route service available throughout the same general area, but continues on to points that the microtransit service does not access.

- Hudson microtransit service is the newest pilot in place, and while the ridership has been slow to build, the ridership numbers on the fixed route during the week indicates that a Saturday option for riders to access destinations within the town, that includes the option for a connection to fixed route in Marlborough, will make this service successful in time. Initial assessments point to the need of increased marketing and promotion of the new service.

The Administrator's designee serves on the Board of Directors for the 495/MetroWest Corridor Partnership, Inc., and the MetroWest Center for Independent Living, giving the Authority a voice in both the economic development and disabled community. He also serves on the MetroWest Vietnam Veteran's

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

Required Supplementary Information
Management's Discussion and Analysis
June 30, 2023

Monument Committee which is committed to galvanizing the veterans' community in the Metrowest area.

Despite the challenges of Covid-19, the Authority has continued to work with our local legislators and the administration to build a public transportation infrastructure in Metrowest which serves all of its citizens, and increases the economic opportunities for the citizens of the state's second largest payroll and revenue generator (over \$27B). The future of public transportation in the Metrowest region, because it is strategically placed between the two largest cities in New England, Boston and Worcester, depends on operating growth. Because the distribution of state contract assistance has been largely based on historical methodology between established RTAs, where the communities served by the Commonwealth's RTAs are not equally assessed or subsidized, MWRTA has struggled to grow, and will continue the need to have a significant increase in its percentage of state contract assistance to realize its potential and obtain equity among other RTAs. Hopefully, the Administrator's appointment, two years ago, to the Governor's Task Force has shed light on this problem.

On June 29, 2022, Administrator Ed Carr stepped down and after a nationwide search conducted by Community Paradigm Associates, LLC, he was succeeded by James Nee as the second Administrator of the MetroWest Regional Transit Authority in FY2023.

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

Statement of Net Position
June 30, 2023

Assets

Current assets	
Cash and cash equivalents (Note 3)	\$ 1,510,226
Receivables (Note 5)	5,171,648
Prepaid expenses	<u>150,683</u>
Total current assets	<u>6,832,557</u>
Restricted and noncurrent assets	
Capital assistance receivables (Note 5)	<u>1,037,801</u>
Total restricted assets	<u>1,037,801</u>
Receivables (Note 5)	3,765,010
Capital assets, net (Note 6)	<u>23,549,929</u>
Total restricted and non-current assets	<u>28,352,740</u>
Total assets	<u><u>35,185,297</u></u>

Liabilities and Deferred Inflow of Resources

Current liabilities	
Accounts payable and accrued expenses	1,476,671
Accrued interest payable	261,451
Accrued payroll	54,166
Compensated absences	<u>140,921</u>
Total current liabilities	<u>1,933,209</u>
Restricted and non-current liabilities	
Accounts payable from restricted assets	<u>774,159</u>
Total liabilities payable from restricted assets	774,159
Revenue anticipation notes (Note 7)	8,928,000
Net pension liability	<u>1,051,105</u>
Total restricted and non-current liabilities	<u>10,753,264</u>
Total liabilities	<u><u>12,686,473</u></u>
Deferred Inflow of resources	
Deferred inflows from pension plans	<u>782,305</u>
Total liabilities and deferred inflows of resources	<u><u>13,468,778</u></u>

Net Position

Invested in capital assets, net of related debt	23,549,929
Restricted	-
Unrestricted (Note 16)	<u>(1,833,410)</u>
Total net position	<u><u>\$ 21,716,519</u></u>

See accompanying notes to the financial statements

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

Statement of Revenues, Expenses and Changes in Net Position
June 30, 2023

Operating revenue		
Passenger fares	\$	87,553
Other income		<u>638,847</u>
Total operating revenues		<u>726,400</u>
Operating expenses		
Transit service		6,596,751
Maintenance		2,071,616
Intermodal center		221,091
General Administration		3,330,835
GASB 68 expense		-
		<u>12,220,293</u>
Depreciation		<u>3,193,432</u>
Total operating expenses		<u>15,413,725</u>
Operating loss		<u>(14,687,325)</u>
Non-operating revenues (expense)		
Operating assistance grants		
Federal		4,589,901
Commonwealth of Massachusetts		3,347,110
Local assessments		3,765,010
Interest income		13,913
Interest expense		<u>(222,041)</u>
Total non-operating revenues		<u>11,493,893</u>
Loss before capital contributions		<u>(3,193,432)</u>
Capital grants and contributions		
Federal		1,453,750
Commonwealth of Massachusetts		<u>968,657</u>
Total capital grants and contributions		<u>2,422,407</u>
Change in net position		<u>(771,025)</u>
Net position, beginning of year (As restated see FN # 18)		<u>22,487,544</u>
Net position, end of the year	\$	<u><u>21,716,519</u></u>

See accompanying notes to the financial statements

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

Notes to the Financial Statements
June 30, 2023

NOTE 1 – THE REPORTING ENTITY

The Authority, a political subdivision of the Commonwealth of Massachusetts (the Commonwealth), was established in accordance with Chapter 161B of the Massachusetts General Laws to provide a public transit system for the territory comprised of the cities of Framingham and Marlborough, and the towns of Ashland, Dover, Holliston, Hopedale, Hopkinton, Hudson, Milford, Natick, Sherborn, Southborough, Sudbury, Wayland, Wellesley and Weston. In accordance with requirements of Statement No. 14, *The Financial Reporting Entity*, of the Governmental Accounting Standards Board (GASB), the financial statements must present the Authority (the primary government) and its component units. Pursuant to this criterion, no component units were identified for inclusion in the accompanying financial statements. Additionally, the accompanying financial statements are incorporated into the financial statements of the Commonwealth as the Authority is a component unit of the Massachusetts Department of Transportation.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Accounting

The operations of the Authority are accounted for as an enterprise fund on an accrual basis in order to recognize the flow of economic resources. Under this basis, revenues are recognized in the period in which they are earned, expenses are recognized in the period in which they are incurred, depreciation of assets is recognized, and all assets and liabilities associated with the operation of the Authority are included in the Statements of Net Position. The principal revenues of the authority are fare box revenues received from patrons, elderly and handicapped fares. Operating expenses for the Authority include the costs of operating mass transit and demand response service, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

B. Budget

The Authority must establish an operating budget each year so that the amount will equal the sum of (a) the aggregate of all annual appropriations for expenditures and transfers, less (b) the aggregate of all revenue and transfers projected to be received by the Authority, including available surplus funds. The budget for all operations of the Authority is prepared by the Administrator and is acted upon by the Advisory Board. The budget is prepared on the accrual basis. Depreciation is not recognized as an expense, but capital outlays are recognized as expenses for budgetary control purposes. These expenses are reclassified for the purpose of preparing financial reports in accordance with GAAP.

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

Notes to the Financial Statements
June 30, 2023

C. Cash and Cash Equivalents

Cash includes amounts in demand deposits. Cash equivalents include all highly liquid deposits with an original maturity of three months or less when purchased. These deposits are fully collateralized or covered by federal deposit insurance except as stated in Note 2. The carrying amount of the cash equivalents is fair value. 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.

D. Compensated Absences

Employees of the Authority are entitled to paid vacations, paid sick days and personal days off, depending on job classification, length of service and other factors. The Authority's policy is to recognize the costs of compensated absences when earned, subject to accumulation limitations in accordance with personnel policies. Compensated absences at June 30, 2023 totaled \$123,593.

E. Capital Assets

Capital assets are stated at cost. Cost includes not only purchase price or construction cost, but also ancillary charges necessary to place the asset in condition for use. Capital assets are defined as assets with initial, individual costs exceeding \$5,000.

F. Depreciation

The Authority provides for depreciation using the straight-line method. Depreciation is intended to distribute the cost of depreciable properties over the following estimated average useful lives:

Building	30 years
Building improvements	10 years
Vehicles	3-6 years
Passenger shelters	5 years
Furniture, fixtures and equipment	5 years

A full month's depreciation is taken in the month an asset is placed in service. When property and equipment are disposed, depreciation is removed from the respective accounts, and the resulting gain or loss, if any, is recorded in operations.

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

Notes to the Financial Statements
June 30, 2023

G. 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.

H. 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, or NAV, which is equal to \$1.00 per share. MMDT has no redemption restrictions.

I. Concentration of Credit Risk

Financial instruments which potentially subject the Authority to concentrations of credit risk consist principally of investments, cash equivalents and grants receivable. The Authority's cash equivalents were with various credit-worthy financial institutions; investments consist of grants receivable from Federal and State operating assistance and local assessments. The Authority considers the credit risk associated with financial instruments to be minimal.

J. Available Unrestricted Resources

The Authority's policy is to utilize available unrestricted resources prior to restricted resources.

K. Statement of Net Position

The statement of net position presents all the Authority's assets and liabilities, with the difference reported as net position. Net position is reported in three categories:

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt that are attributed to the acquisition, construction or improvement of those assets.

Restricted net position results when constraints placed on net position use are either externally imposed by creditors, grantors, contributors, and the like, or imposed by law through enabling legislation.

Unrestricted net position consists of net position which does not meet the definition of the two preceding categories.

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

Notes to the Financial Statements
June 30, 2023

L. Restricted Assets and Restricted Liabilities

Restricted assets are restricted for the acquisition of capital assets and the reserve for extraordinary expense. Restricted liabilities are amounts payable from restricted assets.

M. Implementation of GASB Pronouncements

During fiscal 2023, the following GASB pronouncements were adopted and implemented, when necessary, by the Authority. The adoption of these statements did not have a material impact on the Authority's financial statements.

- No. 91 – *Conduit Debt Obligations*
- No. 94 – *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*
- No. 96 – *Subscription-Based Information Technology Arrangements*

The GASB has issued the following statement which requires adoption subsequent to June 30, 2023 and are applicable to the Authority. The Authority has not yet adopted this statement, and the implications on the Authority's fiscal practices and financial reports are being evaluated.

Statement No.		Adoption Required in Fiscal Year
101	<i>Compensated Absences</i>	2024

N. Pension Plans

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 Framingham Retirement System (FRS) and additions to/deductions from the FRS's fiduciary position have been determined on the same basis as they are reported by FRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

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

Notes to the Financial Statements
June 30, 2023

The Authority accounts for certain transactions that result in 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. For fiscal FY23, the Authority has reported deferred inflows that are related to its pension plan.

NOTE 3 – UNRESTRICTED CASH, RESTRICTED CASH AND SHORT-TERM INVESTMENTS

The following represents essential risk information about the Authority's deposits and investments.

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 Agencies, that have a maturity of less than one year from the date of purchase, repurchase agreements guaranteed by such securities with maturity dates of no more than 90 days from the date of purchase, and units in the Massachusetts Municipal Depository Trust (MMDT).

B. Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority does not have a deposit policy for custodial risk. As of June 30, 2023, \$1,260,226 of the Authority's bank balance of \$1,510,226 was exposed to custodial credit risk as uninsured and uncollateralized.

C. Interest Rate Risk

As of June 30, 2022, the Authority's primary short-term investment was in the State Treasurer's investment pool, MMDT. The fair value of the MMDT investment at June 30, 2023 was \$4,208 and its average maturity is less than one year.

D. Credit Risk

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

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

Notes to the Financial Statements
June 30, 2023

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.

Because MMDT is measured at net asset value, it is not required to be measured within the fair value hierarchy described above.

F. Restricted Cash

Restricted cash is segregated from operating cash due to being restricted for capital asset purchases.

NOTE 4 - GRANTS

Under various sections of the Fixing America's Surface Transportation (FAST) Act, the United States Department of Transportation approves capital grants to fund up to 80% of the Authority's capital improvement projects. The remaining portion of approximately 20% will be financed through the Commonwealth's Massachusetts Department of Transportation. Capital grants of the Authority are reported as revenue rather than contributed capital as required by GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*. In addition, the Federal government may fund up to 80% of the Authority's preventative maintenance and complementary ADA services costs, as defined.

The Authority has a contract with the Commonwealth for operating assistance as provided for in the enabling legislation, under which the Commonwealth will pay the Authority a portion of its net cost of service. The amount of this contract assistance for fiscal year 2023 was \$3,347,110.

NOTE 5 – RECEIVABLES

The receivables for operating and capital assistance are disaggregated as follows:

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

Notes to the Financial Statements
June 30, 2023

Commonwealth of Massachusetts			
State Operating Assistance	\$	1,094,925	
Operating Grants			
Local operating assistance billed buy the State to the communities consituting the Authority and paid by the State to the Authority		7,691,085	
Other		150,648	
Total Receivables		8,936,658	
Less Non-Current Receivables		3,765,010	
Current Receivables	\$	<u>5,171,648</u>	
Capital Assistance			
Federal Grants		888,931	
Commonwealth of Massachusetts		<u>148,870</u>	
Total Capital Grant Receivables	\$	<u>1,037,801</u>	

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

Notes to the Financial Statements
June 30, 2023

NOTE 6 – CAPITAL ASSETS

The following is a summary of changes in Capital Assets at June 30, 2023:

	Beginning Balance	Additions	Disposals	Ending Balance
Capital Assets not being depreciated				
Land	\$ 2,957,863	-	-	\$ 2,957,863
Construction in progress	2,251,204	-	2,251,204	-
Total capital assets not being depreciated	<u>5,209,067</u>	<u>-</u>	<u>2,251,204</u>	<u>2,957,863</u>
Other capital assets				
Buildings and improvements	17,214,787	2,367,826	-	19,582,613
Transit equipment	5,184,994	1,315,178	-	6,500,172
Electronic equipment	2,213,854	294,228	-	2,508,082
Passenger shelters	28,115	-	-	28,115
Furniture and fixtures	624,152	-	-	624,152
Service equipment	1,374,652	97,922	-	1,472,574
Service vehicle	543,209	55,987	-	599,196
MAP vehicles	4,623,729	568,348	74,955	5,117,122
Solar equipment	1,700,000	-	-	1,700,000
Total other capital asset at historical cost	<u>33,507,492</u>	<u>4,699,489</u>	<u>74,955</u>	<u>38,132,026</u>
Less accumulated depreciation for				
Buildings and improvements	5,800,008	1,299,258	-	7,099,266
Transit equipment	2,833,809	596,160	-	3,429,969
Electronic equipment	1,370,896	263,600	-	1,634,496
Passenger shelters	27,433	390	-	27,823
Furniture and fixtures	586,312	10,460	-	596,772
Service equipment	992,180	75,138	-	1,067,318
Service vehicle	225,262	54,166	-	279,428
MAP vehicles	2,144,150	780,927	49,077	2,876,000
Solar equipment	415,555	113,333	-	528,888
Total accumulated depreciation	<u>14,395,605</u>	<u>3,193,432</u>	<u>49,077</u>	<u>17,539,960</u>
Other capital assets, net	<u>19,111,887</u>	<u>1,506,057</u>	<u>25,878</u>	<u>20,592,066</u>
Total capital assets, net	<u>\$ 24,320,954</u>	<u>\$ 1,506,057</u>	<u>\$ 2,277,082</u>	<u>\$ 23,549,929</u>

NOTE 7 – REVENUE ANTICIPATION NOTES

At June 30, 2023, the Authority had \$8,928,000 of revenue anticipation notes (RAN) outstanding. The RANs have a weighted average net interest cost (NIC) of 3.75% and are due September 15, 2023.

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

Notes to the Financial Statements
June 30, 2023

Subsequent to year end, the Authority retired \$8,928,000 of the notes outstanding at prior year end. The retirement was financed by the borrowing of \$8,895,000 of revenue anticipation notes with a weighted average net interest cost of 3.9532% and are due September 13, 2024. The Authority uses the proceeds of these notes to fund its mass transit operations. The RAN is considered short-term debt that is expected to be refinanced and is included in the accompanying Statement of Net Position as a non-current liability.

NOTE 8 – BANK CREDIT LINE

The Authority has a line of credit with Eastern Bank for a revolving line of credit in the maximum amount of \$2,000,000 that is due on demand. The note contains a variable interest rate. The loan is secured by all assets of the Authority. The Authority owed \$0 at June 30, 2023.

NOTE 9 – RETIREMENT PLAN

General Information About the Pension Plan

A. Plan Description

The Framingham Retirement System (FRS) is a multiple employer, cost sharing, contributory defined benefit pension plan covering all employees of the government member units deemed eligible by the Framingham Retirement Board, with the exception of school department employees who serve in a teaching capacity. The pensions of such school employees are administered by the Commonwealth of Massachusetts Teachers' Retirement System. Membership in the System is mandatory upon the commencement of employment for all permanent employees working a minimum of 20 hours per week. Participating member units include the City of Framingham, the Framingham Housing Authority and the MetroWest Regional Transit Authority.

Chapter 32 of the Massachusetts General Laws (MGL) assigns authority to establish and amend benefit provisions of the plan. The Retirement System issues a publicly available financial report, which can be obtained by contacting the City Accountant located at 150 Concord Street, Framingham, Massachusetts, 01702.

B. Benefits Provided

The Retirement System provides retirement, disability and death benefits to plan members and beneficiaries. Massachusetts contributory retirement system benefits are uniform from system to system, with certain exceptions such as cost of living adjustments which can be adopted by the board from time to time. The System 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 persons who became members on or after April

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

Notes to the Financial Statements
June 30, 2023

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) proceeding retirement. Benefit payments are based upon a member's age, length of creditable service, level of compensation, and group classification. Members become vested after ten years of creditable service.

Employees who resign from service and who are not eligible to receive a retirement allowance or are under the age of 55 are entitled to request a refund of the accumulated total deductions. Survivor benefits are extended to eligible beneficiaries of members whose death occurs prior to or following retirement.

Cost-of-living adjustments granted between 1981 and 1997 and any increase in other benefits imposed by the Commonwealth's state law during those years are borne by the Commonwealth and are deposited into the pension fund. Cost-of-living adjustments granted after 1997 must be approved by the Board and are borne by the System.

C. Funding Policy

Chapter 32 of the MGL governs the contributions of plan members and member units. Active plan members are required to contribute at rates ranging from 5% to 9% of gross regular compensation with an additional 2% contribution required for compensation exceeding \$30,000. The percentage rate is keyed to the date upon which an employee's membership commences, as mandated by statute. The member units are required to pay into the System 100% of the actuarially determined contribution that, when combined with plan member contributions, is expected to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. The Authority's contribution to the Retirement System for the year ended June 30, 2022 was \$400,652, which equaled its required contribution for the year.

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

At June 30, 2022, the Authority reported a liability of \$1,051,105 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, 2021. 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, 2021, the Authority's proportion of net pension liability was 2.02%.

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

Notes to the Financial Statements
June 30, 2023

Since FRS performs an actuarial valuation bi-annually, there are no reported amounts for changes in benefit terms differences between expected and actual experience and changes in assumptions as of December 31, 2021.

In the FRS financial statements for the year ended December 31, 2021, in addition to assets, the statement of fiduciary net position will sometimes report a separate section for deferred outflow of resources. This separate financial statement element, *deferred outflow of resources*, represents a consumption of fiduciary net position that applies to a future period(s) and so will not be recognized as an outflow of resources (deduction) until then.

In addition to liabilities, the statement of fiduciary net position will sometimes report a separate section for deferred inflow of resources. This separate financial element, *deferred inflow of resources*, represents an acquisition of net position that applies to future period(s) and so will not be recognized as an inflow of resources (addition) until that time. The FRS did not have any items that qualify for reporting in this category.

For the year ended June 30, 2022, the Authority recognized pension expense of \$ 222,442. At June 30, 2022, the Authority deferred inflows related to pensions from the following sources:

	Deferred Inflows of resources
Assumption changes	\$ 229,128
Difference between expected and actual experience	(17,978)
Net difference between projected and actual investment earnings	(993,455)
Total Deferred inflows of resources	\$ (782,305)

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

Year ended June 30:	2022	\$ (151,056)
	2023	(281,830)
	2024	(196,101)
	2025	(158,570)
	2026	5,252

A. Actuarial Assumptions

The total pension liability in the January 1, 2022 actuarial valuation and the related rollback to December 31, 2021 (the measurement date), were determined using the following actuarial assumptions, applied to all periods included in the measurement.

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

Notes to the Financial Statements
June 30, 2023

Valuation date	January 1, 2022
Actuarial cost method	Entry age normal cost method
Amortization method	Increasing payments 5.5% per year
Remaining amortization period	Eight years from July 1, 2022
Asset valuation method	Market value
Investment rate of return	7.00% net of pension plan investment expense, including inflation
Inflation rate	2.5% per year
Salary increases	4.25% per year for Group 1 and 4.75% per year for Group 4
Cost of living adjustments	3.0% on the first \$16,000
Mortality rates:	Pre-Retirement-RP-2014 Blue Collar Employees Table projected generationally with Scale MP-2020 (gender distinct) Healthy Retiree-RP-2014 Blue Collar Healthy Annuitant Table projected generationally with Scale MP-2020 (gender distinct) Disabled Retiree-RP-2014 Blue Collar Healthy Annuitant Table projected generationally with Scale MP-2020 (gender distinct)

B. Investment Policy

The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the Board. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits through the pension plans.

The long-term expected real rate of return on pension 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. Best estimates of geometric real rates of return for each major asset class included in the pension plan's target asset allocation as of December 31, 2021, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	38.00%	4.22%

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

Notes to the Financial Statements
June 30, 2023

Fixed Income	23.00%	.70%
Private Equity	15.00%	7.70%
Real Estate	10.00%	3.60%
Timber/National Resources	4.00%	4.20%
Portfolio Completion Strategies	<u>10.00%</u>	<u>3.00%</u>
Total	<u>100.00%</u>	

C. Discount Rate

The discount rate used to measure the total pension liability was 7.00%. 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 contributions from employers will be made at actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

D. 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%, 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%) or 1 percentage point higher (8.00%) than the current rate:

	1% Decrease 6.00%	Discount Rate 7.00%	1% Increase 8.00%
Authority's proportionate share of net pension liability	\$ 2,182,610	\$ 1,051,105	\$ 92,920

E. Changes in Assumptions and Plan Provisions

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

Notes to the Financial Statements
June 30, 2023

Changes in Assumptions – None
Changes in Plan Provisions – None

NOTE 10 – RISK MANAGEMENT

In conjunction with its normal operations, the Authority is exposed to various risks related to the damage or destruction of its assets from both natural and man-made occurrences, tort/liability claims, errors and omissions claims and professional liability claims. As a result of these exposures, the Authority has developed a comprehensive risk management program. There have been no significant reductions in coverage from the prior year and settlements have not exceeded insurance coverage for the current year.

GASB Statement No. 10 *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, requires that liabilities for self-insured claims be reported if it is probable that a loss has been incurred and the amount can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported. The estimated liability for all self-insured losses incurred but not reported is not material at June 30, 2023.

Health insurance benefits for employees are provided through a health maintenance organization. The Authority contributes 50% of the premium cost for employees. In 2022, expenditures for the Authority's share of health insurance contributions were \$87,487. The Authority purchases insurance for worker's compensation for its employees.

NOTE 11 – COMMITMENTS AND CONTINGENT LIABILITIES

A. Capital Investment Program

The terms of the federal grant contracts require the Authority to, in part, utilize the equipment and facilities for the purposes specified in the grant agreement, maintain these items in operation for a specified time period, which normally approximates the useful life of the equipment, and to comply with the Equal Employment Opportunity and Affirmative Action programs required by Fixing America's Surface Transportation (FAST) Act. Failure to comply with these terms may jeopardize future funding and require the Authority to refund a portion of these grants to the Federal Transit Administration (FTA). In management's opinion, no events have occurred that would result in the termination of the grants or require the refund of a significant amount of funds received under these grants.

NOTE 12 – NET ASSETS - INVESTMENTS IN CAPITAL ASSESTS

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

Notes to the Financial Statements
June 30, 2023

This balance is represented by the amount invested in capital assets net of related debt. It is comprised of the following

Cost of Capital Assets Acquired	\$ 38,132,026
Less: Accumulated Depreciation	17,539,960
Less: Outstanding Debt Related to Capital Assets	-
Investments in Capital Assets	<u>\$ 23,549,929</u>

NOTE 13 – TRANSIT SERVICE

Fixed route services are provided by Kiessling Transit, Inc., a subsidiary of National Express Transit Corp., under a three-year contract effective July 1, 2020, that contains two additional one-year options. The contract is based on an hourly rate for providing specific revenue fixed route hours (less fuel, insurance and maintenance). The rates range from \$46.80 to \$52.69 per vehicle service hour through the extended fifth year.

ADA complementary paratransit and dial-a-ride demand response services are provided by Kiessling Transit, Inc. under a three-year contract effective July 1, 2020, that contains two additional one-year options. Both services are provided at an hourly rate. The first-year rate is \$42.98 per service vehicle hour. Subsequent year rates are adjusted based on monthly service hours.

The Authority also contracts with several member community Councils on Aging, as well as two non-profit agencies to provide service for ADA, elderly, disabled and journeys to work. For several years the Authority has been working with Framingham State University to develop an on-campus transportation system by providing rolling stock, training and collaborative management oversight. It will continue to develop and enhance this project while looking to expand its collegiate opportunities with MassBay Community College.

NOTE 14 – EXECUTIVE COMPENSATION

Administration and Finance regulations, 801 CMR 53.00, on Executive Compensation require that the Authority disclose in the annual financial statements the “salaries and other compensation of its executive director, officers, board members and other highly compensated employees.” Compensation is defined in the regulation, 801 CMR 53.04 (1) to include “base salary, bonuses, severance, retirement or deferred compensation packages and policies relative to the accrual and payment of sick and vacation time, including payouts for unused sick and vacation time.” The Administrator is the only individual for whom disclosure is required. Based on the above definition of compensation, the Administrator received \$130,300 during the fiscal year.

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

Notes to the Financial Statements
June 30, 2023

NOTE 15 – RELATED PARTY

The Authority is deemed to be a related party of the Commonwealth of Massachusetts and the Massachusetts Department of Transportation due to its status as a component unit. Related-party transactions consisted of Operating Assistance of \$3,347,110; State Capital Assistance of \$968,657; Federal pass-through funds of \$12,991; and Local Assessment of \$3,765,010 to be paid to the Authority by the Commonwealth. Related-party receivables consist of \$1,094,925 of State Contract Assistance, \$7,691,085 in operating assistance to be billed to the Communities constituting the Authority and \$148,870 of State Capital Assistance. The money due from State Contract Assistance is for prior year receivables due under Section 23 of MGL Chapter 161B. This section calls for the State to pay 50% of net costs and limit community assessments to 50%. Community assessments in those earlier years were greater than 50%.

NOTE 16 – UNRESTRICTED NET POSITION

The balance in the Unrestricted Net Position on the Statement of Net Position primarily reflects the effect of the presentation of the net pension liability by GASB 68 that is listed as a non-current liability. This requirement was effective with the fiscal year ended June 30, 2015. The effect as of June 30, 2023 is to reduce the unrestricted net position by \$1,833,410. **(This number will change when we finalize the pension numbers)**

NOTE 17 – COVID-19

During fiscal 2020 the Coronavirus epidemic significantly affected the Authority's operations. Most demand response services were discontinued, fare revenues were not collected and ridership decreased significantly. MWRTA was required to incur expenses for personal protection equipment, barriers and disinfectant related products and cleaning services. In response to the effects of COVID-19, the Coronavirus Aid Relief, and Economic Security Act (CARES Act) was signed into law. The purpose of that law was to help the Authority fully fund their revenue losses and cover the additional expenses required to protect employees and riders. The funding requires no local match. The Authority was awarded \$6,738,647.

In December of 2020 the Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA) was enacted to provide additional assistance. Funding was intended to support eligible expenses with priority given to payroll and operational needs. The grant awarded was for \$1,337,046.

In March of 2021 the American Rescue Plan Relief Act of 2021 (ARP) was enacted to provide ongoing assistance to ensure the ability of the Authority to provide services well into the future. The grant will assist with operating expenses related to maintaining day-

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

Notes to the Financial Statements
June 30, 2023

to-day operations, cleaning and sanitization, combating the spread of pathogens on transit systems and maintaining critical staffing levels. The award to MWRTA was in the amount of \$6,162,337.

The following table represents drawdowns made to June 30, 2023.

	<u>Grant Amount</u>	<u>Current Expenditures</u>	<u>Prior Expenditures</u>	<u>Remaining Balance</u>
CARES Act	\$ 6,738,647	638,647	6,100,000	-
CRRSAA	1,337,046	1,137,046	200,000	-
ARP	6,162,337	1,000,000	-	5,162,337
	\$ 14,238,030	2,775,693	6,300,000	5,162,337

NOTE 19 – SUBSEQUENT EVENTS

The Authority has evaluated events subsequent to June 30, 2022 through June 29, 2023 the date on which the financial statements were available to be issued, and determined that, other than the RAN refinancing in Note 7, there are no material items that would require recognition in the Authority's financial statements.

METROWEST REGIONAL TRANSIT AUTHORITY
(a Component Unit of the Massachusetts Department of Transportation)
Required Supplementary Information (Unaudited)
Schedule of Pension Contributions
Last 10 Fiscal Years

	Authority's proportion of net pension liability	Authority's proportionate share of the net pension liability A	Authority's covered-employee Payroll B	Authority's proportionate share of the net pension liability as a percentage of its covered-employee payroll A/B	Plan fiduciary net position as a percentage of total pension liability
2022	2.0200%	\$ 1,051,106	\$ 1,506,760	69.76%	89.90%
2021	2.2300%	2,010,361	1,596,836	125.90%	81.30%
2020	2.2900%	2,527,050	1,639,800	154.11%	76.29%
2019	2.3200%	3,028,000	1,538,000	196.88%	70.20%
2018	2.0200%	2,120,999	1,339,000	158.40%	75.20%
2017	1.4000%	1,785,280	897,126	199.00%	68.20%
2016	0.8200%	885,625	457,281	193.67%	70.50%

Notes to Required Supplementary Information

Measurement Date

The amounts presented in this schedule were determined as of December 31, 2021.

Schedule Presentation

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

Changes in Information

Since the Framingham Retirement System performs an actuarial valuation bi-annually, there are no reported amounts for the changes in benefits terms, differences between expected and actual experience and changes in assumptions as of December 31, 2021.

METROWEST REGIONAL TRANSIT AUTHORITY
(a Component Unit of the Massachusetts Department of Transportation)
Required Supplementary Information (Unaudited)
Schedule of Pension Contributions
Last 10 Fiscal Years

	Actuarially required contribution	Contributions in relation to the actuarially required contribution	Contribution deficiency (excess)	Covered-employee payroll	Contributions as a percentage of its covered-employee payroll
2022	\$400,652	\$400,652		\$1,506,760	26.59%
2021	413,562	413,562	-	1,596,836	25.90%
2020	402,549	402,549	-	1,639,800	24.55%
2019	380,000	381,000	(1,000)	1,538,000	24.71%
2018	312,406	312,406	-	1,339,000	23.33%
2017	191,610	191,610	-	897,126	21.36%
2016	\$106,885	\$106,885	-	\$457,281	23.37%

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

The Authority is required to pay an annual appropriation as established by the Massachusetts Contributory Retirement System. The total appropriation includes the amounts to pay the pension portion of each member's retirement allowance to amortize the actuarially determined unfunded liability to zero in accordance with adopted early retirement incentive programs.

See accompanying independent auditors' report

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

Budgetary Comparison Schedule

Year Ended June 30, 2023

Expense Description	Final Budget	Actual Expenses	Variance (Over)/Under
Administration			
Personnel	\$2,019,832	\$2,184,502	(164,671)
Professional Services	212,083	229,923	(17,839)
Operations Center	664,360	695,297	(30,938)
General & Admin	225,337	221,113	4,224
Intermodal Parking Lot	225,656	221,090	4,566
Debt Service – Interest	255,275	222,042	33,233
Transportation			
Fixed Route	4,756,638	4,376,412	380,226
Special Services	4,741,200	4,291,955	449,245
Total Expenses	\$13,100,380	\$12,442,334	\$ 658,046

See accompanying independent auditors' report

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

Schedule of Net Cost of Service

Year Ended June 30, 2023

OPERATING COSTS

MVRTA administrative costs	\$ 451,035
Purchased services	
Fixed route	4,376,412
Demand response	4,291,955
Call Center	518,847
Personnel	2,184,502
Operations center	176,451
Intermodal center	221,090
Debt service - interest	<u>222,042</u>
Total operating costs	<u>12,442,334</u>

FEDERAL OPERATING ASSISTANCE

FTA operating and administrative	4,442,963
Other federal	<u>146,938</u>
Total federal assistance	4,589,901

REVENUES

Operating	
Farebox revenue	87,553
Other Revenue	
Interest income	13,913
Miscellaneous	<u>638,847</u>
Total revenues	740,313

NET OPERATING DEFICIT ADJUSTMENTS

Extraordinary expenses

NET COST OF SERVICE 7,112,120

NET COST OF SERVICE FUNDING

Local assessments	3,765,010
State contract assistance to be funded	3,347,110
Less: State contract assistance received	
Balance requested from the State	-

UNREIMBURSED DEFICIT -

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

Schedule of Local Assessments

Year Ended June 30, 2023

The following table shows the local share that has been assessed upon each member municipality by the Commonwealth for fiscal year 2022 as well as the audited amount for fiscal 2023.

	Fiscal 2022 Audited	Fiscal 2023 Audited
Ashland	\$ 178,288	\$ 158,703
Dover	6,471	6,200
Framingham	1,555,265	1,512,801
Holliston	161,925	154,120
Hopedale	3,913	1,550
Hopkinton	59,881	57,028
Hudson	60,675	52,644
Marlborough	413,898	372,805
Milford	98,924	84,655
Natick	627,664	630,414
Sherborn	-	3,664
Southborough	108,483	94,898
Sudbury	118,128	130,606
Wayland	57,590	68,086
Wellesley	221,943	436,836
Weston	150	-
Totals	\$ 3,673,178	\$3,765,010