

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

Basic Financial Statements, Supplementary Data
June 30, 2025 and 2024

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

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NANTUCKET REGIONAL TRANSIT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED
JUNE 30, 2025

The Reporting Entity

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

Overview of the Financial Statements

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

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

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

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

NANTUCKET REGIONAL TRANSIT AUTHORITY
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JUNE 30, 2025

Condensed Financial Information

Statement of Net Position
(000 omitted)

	2025	2024	2023
Current assets	\$ 3,302	\$ 3,674	\$ 1,820
Capital assets, net	10,561	8,705	2,552
Right to leased asset	64	84	104
Restricted and other noncurrent assets	1,896	1,379	3,259
Total assets	15,823	13,842	7,735
Deferred outflows of resources	320	310	215
Total assets and deferred outflows of resources	16,143	14,152	7,950
Restricted and noncurrent liabilities	3,353	3,766	4,321
Current liabilities	946	663	336
Total liabilities	4,299	4,429	4,657
Deferred inflows of resources	155	208	80
Total liabilities and deferred inflows of resources	4,454	4,637	4,737
Net position			
Invested in capital assets	10,561	8,705	2,552
Restricted	462	324	583
Unrestricted	666	486	77
Total net position	\$ 11,689	\$ 9,515	\$ 3,212

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

	2025	2024	2023
Operating revenues			
Transportation services	\$ 527	\$ 607	\$ 615
Operating expenses			
Cost of services, maintenance and administration	5,116	4,555	3,602
Depreciation and amortization	1,252	1,011	729
	6,368	5,566	4,331
Operating loss	(5,841)	(4,959)	(3,716)
Nonoperating revenues			
Operating assistance	4,792	4,111	2,988
	4,792	4,111	2,988
Loss before capital contribution	(1,049)	(848)	(728)
Capital contributions	3,223	7,151	1,536
	3,223	7,151	1,536
Change in net position	2,174	6,303	808
Net position			
Beginning of year	9,515	3,212	2,404
End of year	\$ 11,689	\$ 9,515	\$ 3,212

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JUNE 30, 2025

FINANCIAL ANALYSIS

Fare Free Grant

The Authority has a free fare program; namely, riders were not charged to ride the buses. The objective of this program was to get individuals to try using transit in the hope of increasing transit usage. This program was funded by a Try Transit 3.0 Grant (fare free grant) from the Commonwealth in the amount of \$478,000.

Comparison of Financial Condition at June 30, 2025 and 2024

The assets and deferred outflows of resources of the Authority exceeded its liabilities and deferred inflows of resources at June 30, 2025 by \$11,689,000.

The Authority's net position increased by \$2,174,000 during the current year. This was due to operating assistance income of \$4,792,000 and capital contributions of \$3,223,000, less an operating loss of \$5,841,000.

The Authority's total assets and deferred outflows of resources increased in 2025 versus 2024 by \$1,991,000 (14%).

Total current assets decreased by \$372,000 (10%). This was caused by a decrease in cash of \$694,000, and increases in receivables for operating assistance of \$237,000 and other current assets of \$85,000.

Total net capital assets increased \$1,856,000 (21%). This was caused by the net effect of capital acquisitions of \$3,090,000 and depreciation of \$1,234,000.

Right to leased asset decreased by \$20,000 (24%).

Restricted and other noncurrent assets increased in 2025 versus 2024 by \$517,000 (37%). This was caused by a decrease in restricted assets of \$235,000 and an increase in the receivable for operating assistance of \$752,000.

Total debt and deferred inflows of resources decreased by \$377,000 (8%).

NANTUCKET REGIONAL TRANSIT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED
JUNE 30, 2025

Revenues

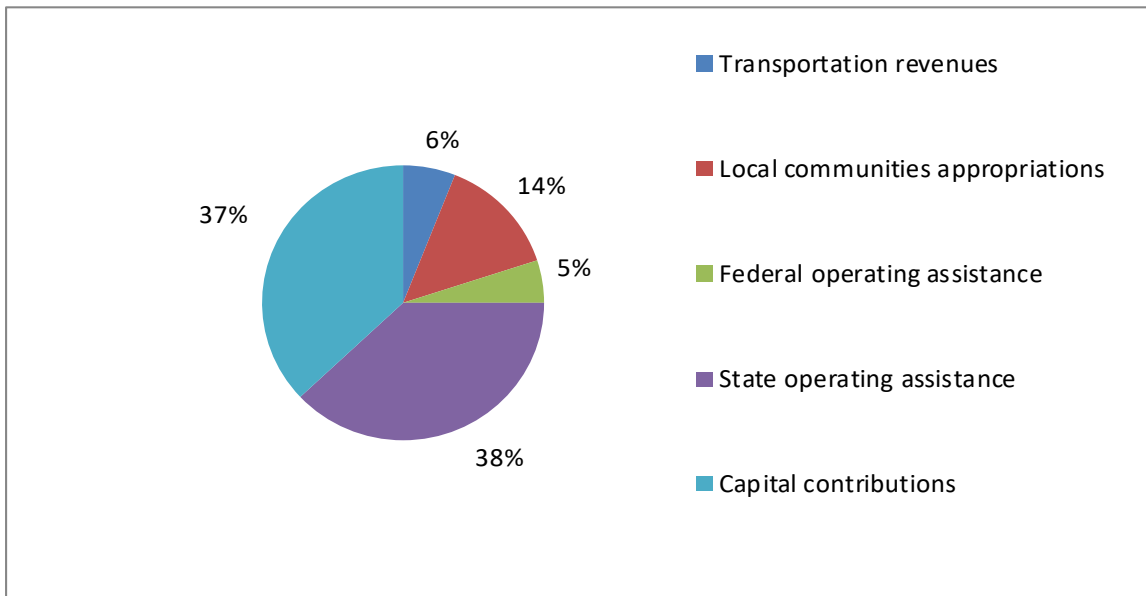
Total transportation service revenue decreased by \$80,000 (13%). This decrease was caused by the amount of funds provided by the fare free initiative (Try Transit 3.0 Grant).

Total operating assistance grants increased in 2025 versus 2024 by \$681,000 (17%). This was caused by increases in state and local funding of \$530,000 and federal funding and other of \$151,000.

Total capital contributions decreased in 2025 versus 2024 by \$3,928,000 (55%). This was caused by less capital asset acquisitions in 2025 vs. 2024.

The change in net position was an increase of \$2,174,000. This was caused by the net effect of operating assistance of \$4,792,000 and capital contributions \$3,223,000, less an operating loss of \$5,841,000.

Revenues by source:



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Operating Expenses

Total operating expenses increased in 2025 versus 2024 by \$802,000.

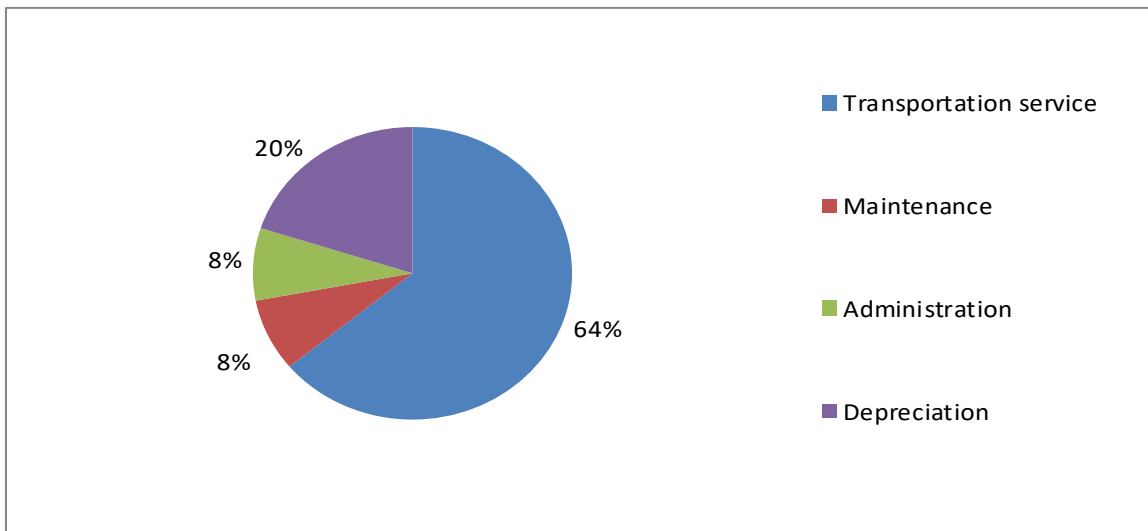
The cost of transportation service increased in 2025 versus 2024 by \$528,000 (15%). This was caused primarily by an increase in service due to the effect of the Covid-19 pandemic in prior years.

Maintenance expense increased in 2025 versus 2024 by \$44,000 (9%).

Administration expenses decreased in 2025 versus 2024 \$11,000 (2%). This was due to hiring a more appropriate administrative staff.

Depreciation expense increased in 2025 versus 2024 by \$241,000 (24%). This was primarily attributable to there being more asset acquisitions in 2025 to depreciate.

Expenses by source:



NANTUCKET REGIONAL TRANSIT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED
JUNE 30, 2025

FINANCIAL ANALYSIS

Fare Free Grant

During the current year, the authority initiated a free fare program; namely, riders were not charged to ride the buses. The objective of this program was to get individuals to try using transit in the hope of increasing transit usage. This program was funded by a Try Transit 3.0 Grant (fare free grant) from the Commonwealth in the amount of \$409,000.

Comparison of Financial Condition at June 30, 2024 and 2023

The assets and deferred outflows of resources of the Authority exceeded its liabilities and deferred inflows of resources at June 30, 2024 by \$9,321,000.

The Authority's net position increased by \$6,303,000 during the current year. This was due to operating assistance income of \$4,111,000 and capital contributions of \$7,151,000, less an operating loss of \$5,153,000.

The Authority's total assets and deferred outflows of resources increased in 2024 versus 2023 by \$6,202,000 (78%).

Total current assets increased by \$1,854,000 (102%). This was caused by increases in cash of \$782,000, receivables for operating assistance of \$745,000 and other current assets of \$327,000.

Total net capital assets increased \$6,153,000 (241%). This was caused by the net effect of capital acquisitions of \$7,144,000 and depreciation of \$991,000.

Right to leased asset decreased by \$20,000 (19%).

Restricted and other noncurrent assets decreased in 2024 versus 2023 by \$1,880,000 (58%). This was caused by decreases in restricted assets of \$448,000 and receivable for operating assistance of \$1,432,000.

Total debt decreased by \$34,000 (1%).

NANTUCKET REGIONAL TRANSIT AUTHORITY
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JUNE 30, 2025

Revenues

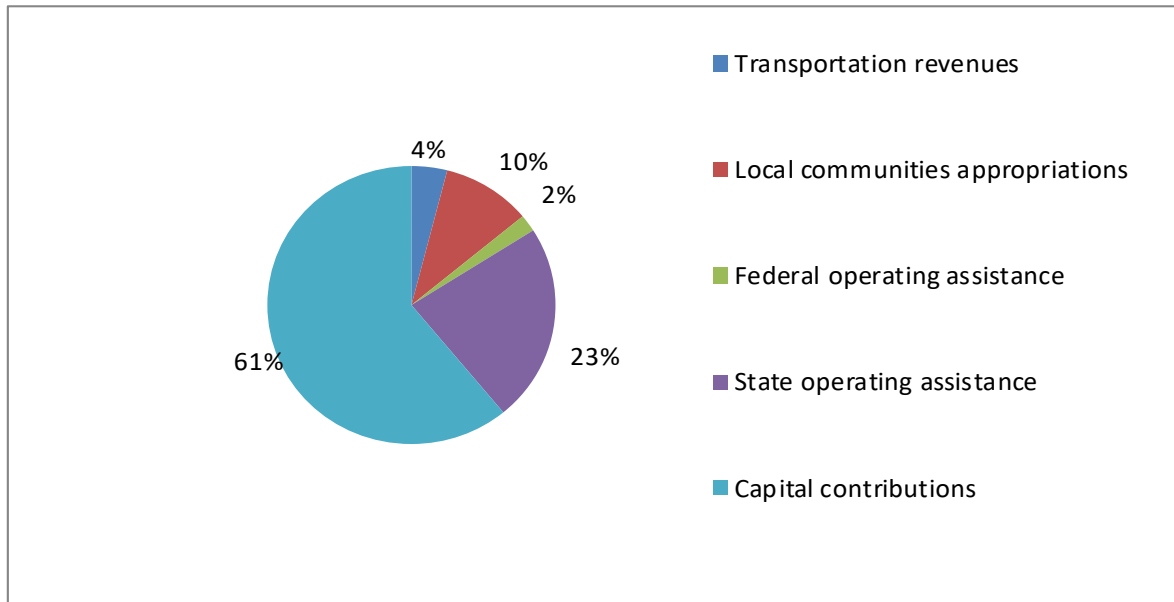
Total transportation service revenue decreased by \$202,000 (33%). This decrease was caused by providing free fares pursuant to the fare free initiative (Try Transit 3.0 Grant).

Total operating assistance grants increased in 2024 versus 2023 by \$1,123,000 (38%). This was caused by increases in state and local funding of \$2,168,000, less decreases in federal funding and other of \$1,045,000.

Total capital contributions increased in 2024 versus 2023 by \$5,615,000 (366%).

The change in net position was an increase of \$6,303,000. This was caused by increases in operating assistance of \$1,123,000 and capital contributions of \$5,614,000, less a decrease in operating losses of \$1,437,000.

Revenues by source:



NANTUCKET REGIONAL TRANSIT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED
JUNE 30, 2025

Operating Expenses

Total operating expenses increased in 2024 versus 2023 by \$1,235,000.

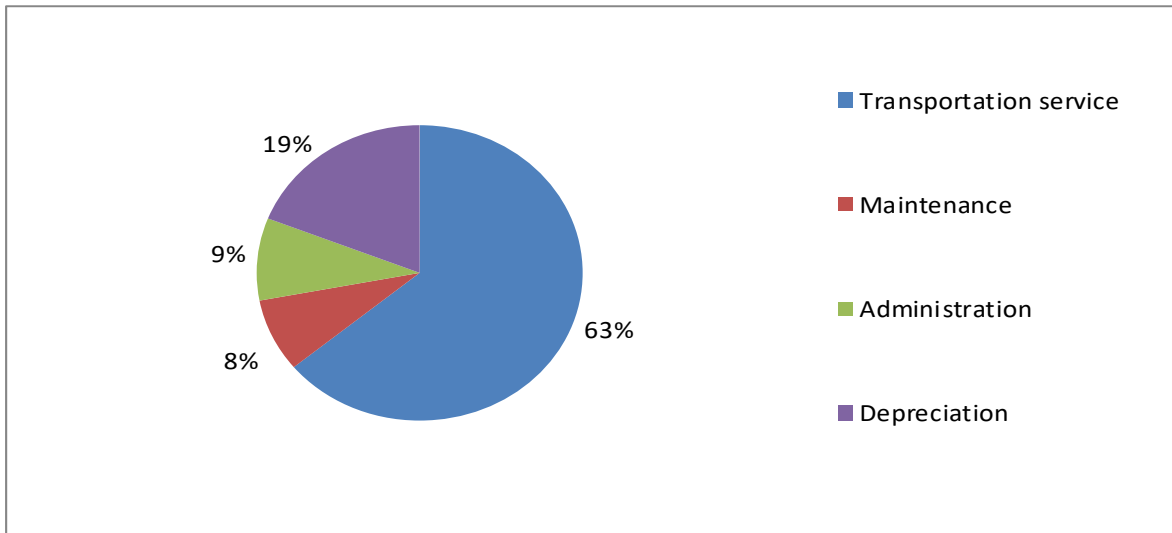
The cost of transportation service increased in 2024 versus 2023 by \$589,000 (20%). This was caused primarily by an increase in service due to the effect of the Covid-19 pandemic in prior years.

Maintenance expense increased in 2024 versus 2023 by \$119,000 (34%).

Administration expenses increased in 2024 versus 2023 \$245,000 (94%). This was due to hiring a more appropriate administrative staff.

Depreciation expense increased in 2024 versus 2023 by \$282,000 (39%). This was primarily attributable to there being more asset acquisitions in 2024 to depreciate.

Expenses by source:



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JUNE 30, 2025

Capital Assets

The Authority's capital assets as of June 30, 2025, amounted to \$10,561,000, net of accumulated depreciation. The Authority's investment in capital assets includes land, buildings and structures, vehicles, construction in progress, office and maintenance equipment, and intangible assets. During 2025, the Authority invested \$3,090,000 in various capital assets. Capital asset additions were funded through Federal and State capital grants.

More detailed information regarding the Authority's capital assets activities for 2025 can be found in the notes to the financial statements (Note 7).

Economic Factors

Funding for the Authority's net cost of service (noncapital expenses less all noncapital revenues except state contract assistance and member municipality assessments) is dependent primarily, 72%, from operating assistance from MassDOT and 28% by assessments to the member community.

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

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

	<u>2023</u>	<u>2024</u>	<u>2025</u>
Farebox revenue	\$568,000	\$551,000	\$483,000
Other revenue	47,000	56,000	44,000

Contacting the Authority's Financial Management

This financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the money it receives. If you have any questions or need additional information, contact Gary Roberts, Administrator, Nantucket Regional Transit Authority, 20 R South Water Street, Nantucket, MA 02554.

Bruce D. Norling, CPA, P.C.

INDEPENDENT AUDITORS' REPORT

To the Advisory Board
Nantucket Regional Transit Authority
Nantucket, Massachusetts

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of Nantucket Regional Transit Authority (the Authority), a component unit of the Massachusetts Department of Transportation, as of and for the years ended June 30, 2025 and 2024, 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, 2025, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and Government Auditing Standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages i-ix and required supplementary information on pages 26-30 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

In connection with our audit of the basic financial statements, our responsibility is to read the other supplementary information in Schedule 1 and consider whether a material inconsistency exists between the other supplementary information in Schedule 1 and the basic financial statements, or the other supplementary information in Schedule 1 otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other supplementary information in Schedule 1 exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2025 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, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Bruce D. Norling, CPA, P.C.

Sudbury, Massachusetts
December 19, 2025

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

Statement of Net Position

June 30, 2025 and 2024

	<u>2025</u>	<u>2024</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 469,350	\$ 1,163,455
Receivable for operating assistance	2,213,708	1,976,806
Other current assets	619,027	534,230
Total current assets	<u>3,302,085</u>	<u>3,674,491</u>
Restricted and noncurrent assets		
Restricted assets		
Cash and cash equivalents	332,128	324,633
Receivable capital assistance	714,064	955,900
Total restricted assets	<u>1,046,192</u>	<u>1,280,533</u>
Receivable for operating assistance	849,060	97,576
Capital assets, net	10,561,066	8,704,774
Right to use leased asset	64,362	84,166
Total restricted and noncurrent assets	<u>12,520,680</u>	<u>10,167,049</u>
Total assets	15,822,765	13,841,540
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows of resources related to OPEB	169,258	259,185
Deferred outflows of resources related to pension	151,014	51,596
	<u>320,272</u>	<u>310,781</u>
Total assets and deferred outflows of resources	<u>16,143,037</u>	<u>14,152,321</u>
LIABILITIES		
Current liabilities		
Accounts payable and accrued expense	710,778	408,962
Unearned revenue	214,462	234,772
Current maturities lease liability	20,338	18,942
Total current liabilities	<u>945,578</u>	<u>662,676</u>
Restricted and noncurrent liabilities		
Liabilities payable from restricted assets		
Accounts payable and accrued expense	584,162	535,749
Total liabilities payable from restricted assets	<u>584,162</u>	<u>535,749</u>
Net pension liability	510,512	387,429
Other postemployment benefits	807,578	769,027
Notes payable	1,401,866	2,004,583
Lease liability, less current maturities	48,740	69,792
Total restricted and noncurrent liabilities	<u>3,352,858</u>	<u>3,766,580</u>
Total liabilities	4,298,436	4,429,256
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows of resources related to OPEB	111,522	153,263
Deferred inflows of resources related to pension	43,931	54,628
Total deferred inflows of resources	<u>155,453</u>	<u>207,891</u>
Total liabilities and deferred inflows of resources	<u>4,453,889</u>	<u>4,637,147</u>
NET POSITION		
Invested in capital assets	10,561,066	8,704,774
Restricted	462,030	324,633
Unrestricted	666,052	485,767
Total net position	<u>\$ 11,689,148</u>	<u>\$ 9,515,174</u>

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

Statement of Revenues, Expenses and Changes in Net Position

Year Ended June 30, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Operating revenues		
Transportation services	\$ 483,440	\$ 590,323
Rent income	43,650	16,692
	<u>527,090</u>	<u>607,015</u>
Operating expenses		
Transportation service	4,103,449	3,575,565
Maintenance	516,106	471,923
General and administration	496,264	507,680
	<u>5,115,819</u>	<u>4,555,168</u>
Depreciation and amortization expense	1,252,145	1,011,209
	<u>6,367,964</u>	<u>5,566,377</u>
Operating loss	(5,840,874)	(4,959,362)
Nonoperating revenues and (expenses)		
Operating assistance grants		
Federal	392,969	241,498
Commonwealth of Massachusetts	3,242,719	2,728,095
Local	1,230,187	1,200,183
Interest expense	(73,721)	(58,865)
	<u>4,792,154</u>	<u>4,110,911</u>
Loss before capital contributions	(1,048,720)	(848,451)
Capital contributions		
Commonwealth of Massachusetts capital assistance grants	3,045,000	7,075,396
Federal	177,694	
Private Funding		76,000
	<u>3,222,694</u>	<u>7,151,396</u>
Change in net position	2,173,974	6,302,945
Net position		
Beginning of year	9,515,174	3,212,229
End of year	<u>\$ 11,689,148</u>	<u>\$ 9,515,174</u>

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

Statement of Cash Flows

Year Ended June 30, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Cash flows from operating activities		
Transportation services	\$ 527,090	\$ 607,015
Payments to vendors and suppliers	(3,994,157)	(4,128,468)
Payments to employees	(749,456)	(468,798)
Payments of fringe	(181,686)	(120,951)
Net cash used in operations	<u>(4,398,209)</u>	<u>(4,111,202)</u>
Cash flows from noncapital financing activities		
Proceeds from revenue anticipation notes	1,402,491	2,005,000
Repayment of revenue anticipation notes	(2,004,583)	(1,950,000)
Repayment of lease liability	(25,501)	(25,501)
Operating assistance grants	4,118,965	5,091,011
Interest expense	(84,764)	(92,110)
Net cash provided by noncapital financing activities	<u>3,406,608</u>	<u>5,028,400</u>
Cash flows from capital and related financing activities		
Acquisition of capital assets	(3,041,531)	(7,753,132)
Capital contributions		
Massachusetts Department of Transportation capital appropriations	3,331,780	
Proceeds from sale of assets	600	7,635,712
Net cash used in capital and related financing activities	<u>290,849</u>	<u>(117,420)</u>
Cash flows from investing activities		
Interest income	14,142	17,077
Net cash provided by investing activities	<u>14,142</u>	<u>17,077</u>
Net increase (decrease) in cash and cash equivalents	(686,610)	816,855
Cash and cash equivalents at beginning of year	1,488,088	671,233
Cash and cash equivalents at end of year	<u>\$ 801,478</u>	<u>\$ 1,488,088</u>
Reconciliation of operating loss to net cash provided by operations		
Operating loss	\$ (5,840,874)	\$ (4,959,362)
Adjustments to reconcile the operating loss to net cash used in operating activities:		
Depreciation expense	1,232,341	991,406
Amortization expense	19,804	19,803
Other post employment benefits	38,551	82,167
Pension expense	12,667	6,740
Prepaid rent funded by capital	132,750	
Other adjustments	44,942	
Changes in assets and liabilities:		
Other assets	(84,797)	(327,367)
Accounts payable and accrued expense, net of non-cash transaction	46,407	103,598
Unearned income		(28,187)
Net cash used in operations	<u>\$ (4,398,209)</u>	<u>\$ (4,111,202)</u>
Supplemental disclosures of noncash transactions		
Increase (decrease) in accounts payable related to capital expenditures	\$ 48,413	\$ (608,917)

NANTUCKET REGIONAL TRANSIT AUTHORITY
(a Component Unit of the Massachusetts Department of Transportation)
Notes to Financial Statements
June 30, 2025 and 2024

1. The Reporting Entity

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

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

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

Fare Free Grant

During the current year, the Authority initiated a free fare program; namely, riders were not charged a fare to ride the Authority's buses. This program was funded by a State Try Transit 3.0 grant in the amount of \$478,440.

2. Summary of Significant Accounting Policies

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

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

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2. Summary of Significant Accounting Policies (continued)

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

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

b) Adoption of New Accounting Pronouncements – The Governmental Accounting Standards Board (GASB) issued the following statements that require adoption during the current year:

GASB Statement No. 101, Compensated Absences – The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures.

The Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used, and (2) leave that has been used but not yet paid in cash or settled through noncash means. The liability should be recognized for leave that has not been used if the leave is attributable to services already rendered, the leave accumulates, and the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. GASB No. 101 requires that a liability for certain types of compensated absences, including military leave, parental leave, and jury duty leave, not be recognized until the leave commences.

Effective July 1, 2024, the Authority adopted a change in accounting estimate associated with the salary-related payment requirements of GASB No. 101. The adoption of this change resulted in the addition of accrued payroll tax and pension expense related to compensated absences in the accrued expense liability. According to GASB Statement No. 100, a change in accounting estimate is reported prospectively by recognizing the change in accounting estimate in the reporting period in which the change occurs. The inclusion of payroll tax and pension expense enhances the completeness of the Authority's financial reporting.

GASB Statement No. 102, Certain Risk Disclosures – State and local governments face a variety of risks that could negatively affect the level of service they provide or their ability to meet obligations as they come due. Although governments are required to disclose information about their exposure to some of those risks, essential information about other risks that are prevalent among state and local governments is not routinely disclosed because it is not explicitly required. The objective of this Statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. This Statement defines a concentration as a lack of diversity related to an aspect of a significant inflow of resources or outflow of resources.

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

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2. Summary of Significant Accounting Policies (continued)

b) Adoption of New Accounting Pronouncements (continued)

The Government Accounting Standards Board (GASB) also issued the following statements that require adoption subsequent to June 30, 2025 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>Required in Fiscal Year</u>
103	<i>Financial Reporting Model Improvements</i>	2026
104	<i>Disclosure of Certain Capital Assets</i>	2026

c) Change in Accounting Estimate – During the current year, the Authority decided to change the method of allocating Fare Free revenue between fiscal years (change in accounting estimate). Normally, a change in an accounting estimate is recorded prospectively by recognizing the change in the period in which the change occurs (6/30/2025). However, the Authority chose to report the change in the prior fiscal year as it made the information more comparable for making decisions and assessing accountability. The following 6/30/2024 accounts were effected by this change:

<u>Description</u>	<u>Previously Reported</u>	<u>Restated Adjustment</u>	<u>Balance</u>
Transportation Services	\$ 396,098	\$ 194,225	\$ 590,323
Unearned revenue	\$ 428,997	(\$ 194,225)	\$ 234,772
Net Position	\$9,320,949	\$ 194,225	\$9,320,949

d) 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*.

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

f) 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)

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

	<u>Years</u>
Building and structures	15 – 40
Vehicles	4 – 10
Equipment	5 – 7
Intangible assets	5

h) 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.

i) 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.

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

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

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

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

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2. Summary of Significant Accounting Policies (continued)

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

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

o) Deferred Outflows/Inflows of Resources - The Authority accounts for certain transactions that result in the consumption or acquisition of one period that are applicable to future periods as deferred outflows and inflows, respectively, to distinguish them from assets and liabilities. For fiscal 2025, the Authority has reported deferred outflows and inflows that are related to its pension and OPEB plans.

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

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

r) 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, plus ancillary charges necessary to place the lease into service. The right to use assets are amortized on a straight-line basis over the life of the related lease.

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

3. Cash, Cash Equivalents and Investments

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

a) Investment Policy

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

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3. Cash, Cash Equivalents and Investments (continued)

b) Custodial Credit Risk

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

The total amounts of Authority deposits in financial institutions, per the bank statements at June 30, 2025 and 2024, are fully insured by the FDIC or collateralized.

c) Interest Rate Risk

As of June 30, 2025, the Authority's primary short-term investment was in the State Treasurer's Investment Pool, MMDT. The fair value of this investment was \$214,242, and its average maturity is less than one year.

d) Credit Risk

As of June 30, 2025, the Authority's investment in the MMDT was not rated.

e) Fair Value Measurement

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

f) Liquidity

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

Cash and cash equivalents reported in the accompanying statement of net position as of June 30, 2025 and 2024 are as follows:

	<u>2025</u>	<u>2024</u>
Current asset - cash and cash equivalents	\$ 469,350	\$ 1,163,455
Restricted assets - cash and cash equivalents	332,128	324,633
	<u>\$ 801,478</u>	<u>\$ 1,488,088</u>

Restricted cash is segregated from operating cash as it is restricted for the reserve for extraordinary expense and the stabilization fund.

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4. Grants

The Federal government provides both operating and capital funding through the United States Department of Transportation. Further, MassDOT and the Town of Nantucket provide the local share of both operating and capital funding.

5. Receivable for Operating and Capital Assistance

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

	<u>2025</u>	<u>2024</u>
<u>Current</u>		
Operating assistance		
United States Department of Transportation -		
Pass-through grants through the Commonwealth		
Operating grants	\$ 634,467	\$
State Contract assistance - Ferry Connector	381,500	
Local operating assistance to be billed to		
the Towns constituting the Authority and		
paid by the Commonwealth to the Authority	<u>2,046,801</u>	<u>2,074,382</u>
Total operating assistance	3,062,768	2,074,382
Less noncurrent portion	<u>(849,060)</u>	<u>(97,576)</u>
Total current operating assistance	<u><u>\$ 2,213,708</u></u>	<u><u>\$ 1,976,806</u></u>
<u>Noncurrent</u>		
Capital assistance		
Commonwealth of Massachusetts	\$ 536,370	\$ 955,900
Federal	177,694	
Total capital assistance	<u><u>\$ 714,064</u></u>	<u><u>\$ 955,900</u></u>

6. Other Current Assets

The other current asset balance includes a motor vehicle parts and fuel inventory for 2025 and 2024 of approximately \$194,000 and \$168,000, respectively. This inventory is stated at the lower of cost or market on a first-in, first-out basis.

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7. Capital Assets and Depreciation

The capital asset activity for the year ended June 30, 2025 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Depreciable capital assets:				
Land	1,995,962	\$ -	-	\$ 1,995,962
Construction in progress	-	1,211,020	-	1,211,020
Building and structures	4,044,748	22,500	-	4,067,248
Vehicles	8,464,656	1,516,262	2,288,994	7,691,924
Equipment	742,870	119,545	36,939	825,476
Intangible asset	192,333	220,618	173,763	239,188
Subtotal	<u>15,440,569</u>	<u>\$3,089,945</u>	<u>2,499,696</u>	<u>16,030,818</u>
Accumulated depreciation	<u>6,735,795</u>	<u>1,232,341</u>	<u>2,498,384</u>	<u>5,469,752</u>
Net depreciable and net capital assets	<u>\$ 8,704,774</u>	<u>\$ 1,857,604</u>	<u>\$ 1,312</u>	<u>\$ 10,561,066</u>

The capital asset activity for the year ended June 30, 2024 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Depreciable capital assets:				
Land	\$ -	\$ 1,995,962	-	\$ 1,995,962
Building and structures	1,548,465	2,496,283	-	4,044,748
Vehicles	6,110,598	2,354,058	-	8,464,656
Equipment	475,966	266,904	-	742,870
Intangible asset	161,325	31,008	-	192,333
Subtotal	<u>8,296,354</u>	<u>\$7,144,215</u>	<u>-</u>	<u>15,440,569</u>
Accumulated depreciation	<u>5,744,389</u>	<u>991,406</u>	<u>-</u>	<u>6,735,795</u>
Net depreciable and net capital assets	<u>\$ 2,551,965</u>	<u>\$ 6,152,809</u>	<u>\$ -</u>	<u>\$ 8,704,774</u>

Depreciation expense for 2025 and 2024 was \$1,232,341 and \$991,406.

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8. Notes Payable

Revenue Anticipation Note

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
4.50% Revenue Anticipation Note, due May 22, 2026	\$ -	\$ 1,402,491	\$ 625	\$ 1,401,866
4.25% Revenue Anticipation Note	<u>2,004,583</u>		<u>2,004,583</u>	<u>-</u>
Total	<u>\$ 2,004,583</u>	<u>\$ 1,402,491</u>	<u>\$ 2,005,208</u>	<u>\$ 1,401,866</u>

The RAN outstanding at June 30, 2025, is guaranteed by the Commonwealth of Massachusetts. The interest rates delineated above are net interest costs. This note is expected to be refinanced upon maturity with generally the same terms as the note currently outstanding. Therefore, it is short-term debt expected to be refinanced and is thus classified as long-term debt. The above note balance at June 30, 2025 is inclusive of \$6,866 premium.

9. Restricted Net Position

Restricted net position is comprised of the total restricted net assets less liabilities payable from restricted net assets. The following delineates the expendable versus nonexpendable restricted net position for 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Expendable		
Restricted for capital assets	\$ 129,902	\$ -
Nonexpendable		
Restricted by enabling legislation		
Stabilization fund	92,091	92,091
Reserve for extraordinary expense	<u>240,037</u>	<u>232,542</u>
	<u>332,128</u>	<u>324,633</u>
	<u>\$ 462,030</u>	<u>\$ 324,633</u>

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10. Leases

Right to use asset

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

Right to use asset activity for the year ended June 30, 2025, was as follows:

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Right to use asset				
Land	\$ 143,577	\$ -	\$ -	\$ 143,577
Less: Accumulated amortization				
Land	(59,411)		19,804	(79,215)
Total	<u>\$ 84,166</u>	<u>\$ -</u>	<u>\$ 19,804</u>	<u>\$ 64,362</u>

Lease Liability

As indicated above, the liability has been recorded at the present value of the future minimum lease payments as of July 1, 2021. The agreement was executed on July 1, 2021 to lease land and requires 87 monthly payments of \$1,876. There is a CPI rent adjustment every 5 years. The lease liability is measured at a rate of 3.66%, which was the estimated incremental borrowing rate of the Authority. As a result of this lease, the Authority has recorded a lease liability.

Lease liability activity for the year ended June 30, 2025, was as follows:

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Lease liability	\$ 88,734	\$ -	\$ 19,656	\$ 69,078
Less: Current maturities				(20,338)
Long-term liability				<u>\$ 48,740</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, 2025, were as follows:

<u>Year</u>	<u>Principal Payments</u>	<u>Interest Payments</u>	<u>Total</u>
2026	\$ 20,338	\$ 2,174	\$ 22,512
2027	21,147	1,365	22,512
2028	22,136	376	22,512
2029	5,457	171	5,628
	<u>\$ 69,078</u>	<u>\$ 4,086</u>	<u>\$ 73,164</u>

11. Employee Retirement Benefits

Pension Plan

General Information about the Pension Plan

Plan Description – The Authority provides employees retirement benefits through the Barnstable County Retirement Association (BCRA). The Plan is a cost-sharing, multiple-employer contributory, defined benefit pension plan. The Plan is a member of the Massachusetts Contributory Retirement System and is governed by Massachusetts General Laws, Chapter 32. The Public Employees Retirement Commission (PERAC) is the state agency responsible for oversight of the Commonwealth's retirement system. Oversight of the BCRA is provided by a five-person Board of Retirement. The Plan issues a publicly available financial report that may be obtained by contacting the Plan located at 750 Attucks Lane, Hyannis, MA 02601.

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

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11. Employee Retirement Benefits (continued)

Pension Plan (continued)

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

Contributions – Pursuant to Massachusetts General Laws, Chapter 32, contribution requirements of the active employees and the participating employers are established and may be amended by the Massachusetts Contributory Retirement System. Plan members are required to pay into the Plan between 5% and 11% of their covered compensation, depending on plan entry date. The Authority's statutory required contribution rate for the year ended June 30, 2025, was 23.38% 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 \$59,309 for the year ended June 30, 2025.

At June 30, 2025 and 2024, the Authority reported a liability of \$510,512 and \$387,429, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2025. 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, 2024, the Authority's proportion of net pension liability was .067 percent.

For the year ended June 30, 2025 and 2024, the Authority recognized pension expense of \$71,936 and \$43,391, respectively, and reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience	\$ 12,719	\$ 707
Net difference between expected projected and actual investment income	14,407	-
Changes in assumptions	9,358	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	114,530	43,224
Total deferred outflows and inflows of resources	<u>\$ 151,014</u>	<u>\$ 43,931</u>

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11. Employee Retirement Benefits (continued)

Pension Plan (continued)

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

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

<u>Year</u>	
2026	\$ 24,017
2027	47,371
2028	2,791
2029	10,275
2030	22,629
	<u>\$ 107,083</u>

Actuarial Assumptions – The total pension liability as of December 31, 2024 was determined by an actuarial valuation as of January 1, 2025 using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial cost method	Entry age normal cost method
Inflation	3.25%
Salary increases	Varies by length of service with ultimate rates of 4.00%
Investment rate of return/ discount rate	6.90%
Cost of living adjustments	3.0 percent of first \$18,000
Mortality rates:	
Pre-retirement	The RP-2014 Blue Collar Employee Mortality Table projected generationally with Scale MP-2021.
Healthy Retiree	The RP-2014 Blue Collar Healthy Annuitant Mortality Table projected generationally with Scale MP-2021.
Disabled Retiree	The RP-2014 Blue Collar Healthy Annuitant Mortality Table set forward one year and projected generationally with Scale MP-2021.

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

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11. Employee Retirement Benefits (continued)

Pension Plan (continued)

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic Equity	23.50%	5.82%
International developed markets equity	9.00%	5.91%
International emerging markets equity	3.50%	7.06%
Core fixed income	15.00%	1.81%
High yield fixed income	9.00%	3.34%
Real estate	10.00%	3.34%
Commodities	4.00%	3.82%
Hedge fund	10.00%	2.77%
Private equity	16.00%	9.20%
Total	<u>100.00%</u>	

Discount rate – The discount rate used to measure the total pension liability was 6.90 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the actuarially determined contributions. For this purpose, only employer contributions that are intended to fund benefits for current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the Plan Fiduciary Net Position was projected to be available to make all projected future benefit payments for current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability as of December 31, 2024.

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11. Employee Retirement Benefits (continued)

Pension Plan (continued)

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

Sensitivity of the Authority's proportionate share of the net pension liability to changes in the discount rate – The following presents the Authority's proportionate share of the net pension liability calculated using the discount rate of 6.90 percent, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.90 percent) or 1-percentage-point higher (7.90 percent) than the current rate:

	Decrease (5.90%)	Discount Rate 6.90%	Increase (7.90%)
Authority's proportionate share of the net pension liability	\$ 704,837	\$ 510,512	\$ 347,181

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

Other Postemployment Benefits (OPEB)

Plan Description - The Authority has established a plan to provide postemployment healthcare benefits through the Barnstable County Postemployment Welfare Benefit Plan. The Plan provides benefits to eligible employees (1) hired before April 2, 2012, who render at least 10 years of service and attain age 55 while in service or 20 years of service at any age, until the employee is eligible for Medicare and (2) hired on or after April 2, 2012, who render at least 10 years of service and attain age 60 while in service, until the employee is eligible for Medicare. The benefit level, employee contributions, and employer contributions are governed by the Authority. At June 30, 2025, membership consisted of 5 active plan members and 2 retired plan members.

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

Contributions – Contributions are voluntary and determined by the Authority. Presently, contributions are on a pay-as-you-go basis. For the years ended June 30, 2025 and 2024, the Authority made contributions to the Plan of \$45,947 and \$8,829, respectively.

NANTUCKET REGIONAL TRANSIT AUTHORITY
(a Component Unit of the Massachusetts Department of Transportation)
Notes to Financial Statements
June 30, 2025 and 2024

11. Employee Retirement Benefits (continued)

Other Postemployment Benefits (OPEB)

Net OPEB Liability

The Authority's net OPEB liability was measured as of June 30, 2024, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of July 1, 2023.

Actuarial Assumptions – The total OPEB liability in the July 1, 2023 actuarial valuation and the related update to June 30, 2025 (the report date), were determined using the following actuarial assumptions, applied to all periods included in the measurement: the entry age normal cost method, an inflation rate of 2.50%, a 4.21% discount rate, projected salary increase of 3% annually, a long-term healthcare cost trend rate of 4.96% per year, municipal bond rate of 4.21% and mortality projected for both males and females using the RP-2014 Mortality Tables projected generationally with Scale MP-2016.

The actuarial assumptions used in the June 30, 2023 valuation were based on the results of an actuarial experience study for the period of July 1, 2021 through June 30, 2022.

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

Discount Rate – The discount rate used to measure the total OPEB liability was 4.21% as of June 30, 2024 and 2.25% as of the previous actuarial valuation. The projection of cash flows used to determine the discount rate assumed that contributions will be made in accordance with the Plan's funding policy. Because there is no funding policy, the discount rate was determined by a yield or index rate for 20-year, tax exempt general obligation municipal bonds with an average of AA/Aa or higher.

Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (Asset) (a) - (b)
Balance as reported 6/30/2024	\$ 769,027	\$ -	\$ 769,027
Changes for the year:			
Service Cost	50,935		50,935
Interest	33,563		33,563
Contributions		45,947	45,947
Benefit Payments	(45,947)	(45,947)	(91,894)
Net changes	38,551	-	38,551
Balance at 6/30/2025	\$ 807,578	\$ -	\$ 807,578

NANTUCKET REGIONAL TRANSIT AUTHORITY
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Notes to Financial Statements
June 30, 2025 and 2024

11. Employee Retirement Benefits (continued)

Post Employment Healthcare Benefits (continued)

Sensitivity of the net OPEB liability to changes in the discount rate - The following presents the net OPEB liability of the Authority if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate, for the measurement period ended June 30, 2024:

	1% Decrease 3.21%	Current Rate 4.21%	1% Increase Rate 5.21%
Net OPEB Liability	\$ 914,203	\$ 807,578	\$ 721,910

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates - The following presents the net OPEB liability calculated using the current healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates for the measurement period ended June 30, 2024:

	1% Decrease 3.21%	Current Rate 4.21%	1% Increase Rate 5.21%
Net OPEB Liability	\$ 720,804	\$ 807,578	\$ 913,653

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

For the year ended June 30, 2025, the Authority reported a net OPEB liability of \$807,578, OPEB expense of \$132,684 and reported deferred outflows of resources and deferred inflows of resources related OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 169,258	\$ -
Changes in assumptions		111,522
Balance at June 30, 2025	\$ 169,258	\$ 111,522

NANTUCKET REGIONAL TRANSIT AUTHORITY
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Notes to Financial Statements
June 30, 2025 and 2024

11. Employee Retirement Benefits (continued)

Post Employment Healthcare Benefits (continued)

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

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

<u>Year</u>	
2026	\$ 19,244
2027	19,244
2028	19,248
	<u>\$ 57,736</u>

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

12. Commitments and Contingencies

- a) Federal and State Grants - The Authority has received capital and operating financial assistance from Federal and State agencies in the form of grants. Expenditure of funds under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the Authority. In the opinion of Authority Management, liabilities resulting from such disallowed expenditures, if any, will not be material to the accompanying financial statements.

1. Certain Risk Disclosures

Subsequent to year-end, President Trump signed several Executive Orders (EOs) ordering the pause or termination of federal assistance for programs that do not align with the new administration’s policies. The Administration has tasked federal departments with evaluating all federal programs they administer to determine if the funding being provided falls under any of the EOs. During the year ended June 30, 2025, the Authority recognized federal financial assistance totaling \$570,663 and at June 30, 2025 had outstanding federal receivables of \$561,184. The Authority has not experienced any issues with the collectability of the receivables as a result of the EOs. As of the date of this report, the full impact of President Trump’s EOs on the organization’s financial position and results of operations is uncertain. Management is actively monitoring the situation and assessing the potential effects on the organization’s consolidated financial statements.

NANTUCKET REGIONAL TRANSIT AUTHORITY
(a Component Unit of the Massachusetts Department of Transportation)
Notes to Financial Statements
June 30, 2025 and 2024

12. Commitments and Contingencies (continued)

- b) Risk management – The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The Authority carries commercial insurance to cover these potential losses. Settlements have not exceeded coverages for each of the past three fiscal years.

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

- c) Purchase Commitments – As of June 30, 2025, the Authority has a purchase commitment related to the purchase of a building and land in the amount of \$1,050,000.

13. Reserve for Extraordinary Expense

In accordance with Section 6 of Chapter 161B of the General Laws of the Commonwealth, the Authority is allowed to establish a reserve account for the purpose of meeting the cost of extraordinary expenses in an amount not to exceed three percent of the prior year's local assessment. Any balance in the reserve account at the end of the fiscal year may be carried forward into the next fiscal year; provided, however, that the aggregate amount in the account does not exceed twenty percent of the prior year's local assessment. For fiscal years 2025 and 2024, the Authority increased the reserve by \$7,495 and \$35,127, respectively. The aggregate reserve balance at June 30, 2025 and 2024 was \$240,037 and \$232,542, respectively.

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

14. Subsequent Events

The Authority evaluated subsequent events through December 19, 2025, when the financial statements were available to be issued, and determined that there are no other material items that would require recognition or disclosure in the Authority's financial statements.

15. Compensation Disclosures (unaudited)

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

The Administrator's (CEO) base salary is \$178,000. In addition, the CEO is in a (1) health insurance plan contributing 10% of the premium, (2) a pension plan contributing 10% of regular salary and (3) a group life insurance plan contributing 50% of the premium.

Advisory Board members and related officers do not receive compensation.

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

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

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Authority's proportion of the net pension liability	0.067%	0.048%	0.057%	0.057%	0.057%	0.057%	0.057%	0.057%	0.057%	0.057%
Authority's proportionate share of the net pension liability	\$ 510,512	\$ 387,429	\$ 476,555	\$ 314,405	\$ 396,183	\$ 430,548	\$ 452,305	\$ 389,444	\$ 401,799	\$ 359,774
Authority's covered-employee payroll	\$ 253,620	\$ 173,747	\$ 192,570	\$ 184,688	\$ 183,842	\$ 176,248	\$ 169,888	\$ 162,906	\$ 161,804	\$ 158,446
Authority's proportionate share of the net pension liability as a percentage of its covered-employee payroll	201.29%	222.98%	247.47%	170.04%	215.50%	244.29%	266.24%	239.06%	248.32%	227.06%
Plan fiduciary net position as a percentage of the total pension liability	69.68%	66.58%	63.77%	75.07%	66.82%	62.34%	57.63%	61.86%	57.28%	58.10%

Notes to Required Supplementary Information

Significant Assumptions and Methods

For assumptions and methods, see note 11

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

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Statutory required contribution	\$ 59,309	\$ 40,175	\$ 45,523	\$ 42,846	\$ 39,893	\$ 37,732	\$ 36,639	\$ 34,789	\$ 33,027	\$ 31,438
Contributions in relation to the actuarially required contribution	(59,309)	(40,175)	(45,523)	(42,846)	(39,893)	(38,569)	(36,639)	(34,789)	(33,027)	(31,438)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (837)	\$ -	\$ -	\$ -	\$ -
Covered-employee payroll	\$ 253,620	\$ 173,747	\$ 192,570	\$ 184,688	\$ 183,842	\$ 176,248	\$ 169,888	\$ 162,906	\$ 161,804	\$ 158,446
Contributions as a percentage of its covered-employee payroll	23.38%	23.12%	23.64%	23.20%	21.70%	21.88%	21.57%	21.36%	20.41%	19.84%

Notes to Required Supplementary Information

Contributions

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

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

Required Supplementary Information
Schedule of Investment Returns (unaudited)
For the Measurement Periods Ended June 30, 2025

<u>Year</u>	<u>Annual money-weighted rate of return, net of investment expense</u>
2025	9.11%
2024	10.96%
2023	-11.28%
2022	19.75%
2021	12.20%
2020	16.09%
2019	-2.34%
2018	17.17%
2017	7.40%
2016	0.57%
2015	7.58%

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

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

Measurement Period	2025	2024	2023	2022	2021	2020	2019	2018	2017
Total OPEB Liability									
Service cost	\$ 50,935	\$ 21,823	\$ 19,793	\$ 17,665	\$ 18,094	\$ 17,229	\$ 16,490	\$ 16,747	\$ 16,747
Interest on the total OPEB liability	33,563	14,903	14,153	13,982	11,908	11,300	14,316	11,015	11,015
Changes in assumptions		(185,870)			119,550		80,811		(41,095)
Differences between actual and expected experience		282,094			47,987		(96,883)		
Contributions	(45,947)	(8,829)	(20,140)	(8,536)	(8,873)	(5,744)		(1,587)	(1,587)
Net change in OPEB liability	38,551	124,121	13,806	23,111	188,666	22,785	14,734	26,175	(14,920)
Total OPEB liability - beginning	769,027	644,906	631,100	607,989	419,323	396,538	381,804	355,629	370,549
Total OPEB liability - ending	807,578	769,027	644,906	631,100	607,989	419,323	396,538	381,804	355,629
Plan Fiduciary Net Position									
Contribution - employer	\$ 45,947	\$ 8,829	\$ 20,140	\$ 8,536	\$ 8,873	5,744	-	1,587	1,587
Administration expense	\$ (45,947)	\$ (8,829)	\$ (20,140)	\$ (8,536)	\$ (8,873)	(5,744)	-	(1,587)	(1,587)
Net change in plan fiduciary net position	-	-	-	-	-	-	-	-	-
Plan fiduciary net position - beginning	-	-	-	-	-	-	-	-	-
Plan fiduciary net position - ending	-	-	-	-	-	-	-	-	-
Net OPEB Liability - ending	\$ 807,578	\$ 769,027	\$ 644,906	\$ 631,100	\$ 607,989	\$ 419,323	\$ 396,538	\$ 381,804	\$ 355,629
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Covered-employee payroll	361,022	350,507	179,095	173,879	168,815	168,838	156,971	162,906	161,804
Net OPEB liability as a percentage of covered-employee payroll	223.69%	219.40%	360.09%	362.95%	360.15%	248.36%	252.62%	234.37%	219.79%

Notes to Required Supplementary Information

Schedule presentation

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

Significant assumptions and methods

For assumptions and methods used see Note 11.

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

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

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Actuarially determined contribution	82,659	52,033	38,726	36,549	36,286	36,288	35,549	1,587	1,587
Contributions in relation to the actuarially determined contribution	(45,947)	(8,829)	(20,140)	(8,536)	(8,873)	(5,744)	-	(1,587)	(1,587)
Contribution deficiency (excess)	<u>36,712</u>	<u>43,204</u>	<u>18,586</u>	<u>28,013</u>	<u>27,413</u>	<u>30,544</u>	<u>35,549</u>	<u>-</u>	<u>-</u>
Covered-employee payroll	361,022	350,507	179,095	173,879	168,815	168,838	156,971	162,906	161,804
Contributions as a percentage of its covered-employee payroll	12.73%	2.52%	11.25%	4.91%	5.26%	3.40%	0.00%	0.97%	0.98%

Notes to Required Supplementary Information

Schedule Presentation

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

Significant assumptions and methods

For assumptions and methods used see Note 11.

Changes in assumptions from last actuarial valuation

The discount rate changed from 2.25% to 4.21%, the expected long-term medical trend was 4.50%, and the mortality table was updated to the RP-2014 Mortality Table projected generationally with scale MP-2016 for both males and females.

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

Schedule 1

STATEMENT OF COSTS (Unaudited)
JUNE 30, 2025
FORM 1

	Rural Area <u>Service</u>
Operating Costs	
RTA administrative costs (excluding depreciation)	\$ 496,265
Purchased services	
Fixed route	4,234,105
Demand response	385,449
Debt Service	<u>87,161</u>
Total Operating Costs	5,202,980
Federal Operating Assistance	
FTA operating and administrative	392,969
Revenues	
Operating	
Farebox Revenue	483,440
Other Revenues	
Interest income	14,142
Rental income	<u>43,650</u>
Total Other Revenues	57,792
Net Operating Deficit	4,268,779
Adjustments	
Reserve for extraordinary expense	7,495
Pension, OPEB and leases	<u>196,632</u>
Total Adjustments	204,127
Net Cost of Service	4,472,906
Net Cost of Service Funding	
Local Assessments	1,230,187
State contract assistance	<u>3,242,719</u>
	<u><u>4,472,906</u></u>

Bruce D. Norling, CPA, P.C

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

The Advisory Board
Nantucket Regional Transit Authority
Hyannis, Massachusetts

We have audited, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Nantucket Regional Transit Authority (the Authority), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated December 19, 2025.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Bruce D. Norling, CPA, P.C.

Sudbury, Massachusetts
December 19, 2025