

ROSELLI, CLARK & ASSOCIATES
Certified Public Accountants

WORCESTER REGIONAL TRANSIT AUTHORITY

Basic Financial Statements
and
Additional Information

Year Ended June 30, 2026



WORCESTER REGIONAL TRANSIT AUTHORITY
(A Component Unit of the Massachusetts Department of Transportation)

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ROSELLI, CLARK & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

500 West Cummings Park
Suite 4900
Woburn, MA 01801

Telephone: (781) 933-0073

www.roselliclark.com

INDEPENDENT AUDITORS' REPORT

To the Administrator of
Worcester Regional Transit Authority
Worcester, Massachusetts

Opinions

We have audited the accompanying financial statements of the Worcester Regional Transit Authority (the "Authority"), a component unit of the Massachusetts Department of Transportation, as of and for the year ended June 30, 2026, 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 Authority as of June 30, 2026, and the respective changes in financial position and 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 Auditors' 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.

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the schedules listed under the required supplementary information section in the accompanying table of contents 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 opinion on the financial statements that comprise the Authority's basic financial statements. The schedules listed under the other information section in the accompanying table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. We have applied certain limited procedures to the other 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 18, 2026 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, contract, 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.

A handwritten signature in cursive script that reads "Roselli, Clark & Associates".

Roselli, Clark & Associates
Woburn, Massachusetts
September 18, 2026

MANAGEMENT’S DISCUSSION AND ANALYSIS

The purpose of management’s discussion and analysis (“MD&A”) is to help the member communities, riders and other stakeholders of the Worcester Regional Transit Authority (the “Authority”) understand what the financial statements and accompanying notes to the financial statements say about the Authority’s financial condition and how it changed from last year. It contains information drawn from other parts of the report, accompanied by explanations by finance staff knowledgeable of the Authority’s finances. If you have questions about this report or require further information, contact the Administrator of the Worcester Regional Transit Authority at 60 Foster Street, Worcester, Massachusetts 01608.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Authority is a component unit of the Massachusetts Department of Transportation (“Mass DOT”) and is a special purpose government engaged in a single business-type activity. The Authority follows enterprise fund reporting. Accordingly, the financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Enterprise fund statements offer short-term and long-term financial information about the activities and operations of the Authority. These basic financial statements are presented in a manner similar to a private business using the accrual basis of accounting.

This report consists of four parts – (1) MD&A; (2) the basic financial statements, (3) required supplementary information, and (4) other information.

The MD&A is intended to provide the user of these financial statements an objective and easily readable analysis of the Authority’s financial activities based on currently known facts, decisions or conditions.

The statement of net position presents information on all of the Authority’s assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference between those categories reported as net position. Over time, increases or 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 presents information showing how the Authority’s net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected member communities’ assessments).

The statement of cash flows presents information on the Authority’s cash receipts, cash payments and changes in cash resulting from operating, investing and financing activities.

The basic financial statements are accompanied by notes to the financial statements, which explain information in the basic financial statements in more detail.

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Authority’s progress in funding long-term obligations to its employees and retirees.

Finally, this report contains certain other information that is required by the Mass DOT.

FINANCIAL SUMMARY

The condensed comparative statements of net position for the two most recent years are as follows:

	June 30, 2026	June 30, 2025	Dollar Change	Percent Change
Assets:				
Current and other assets	\$ 18,165,931	\$ 15,219,425	\$ 2,946,506	19.4%
Capital assets, net	<u>108,767,247</u>	<u>97,405,288</u>	<u>11,361,959</u>	11.7%
Total Assets	<u>126,933,178</u>	<u>112,624,713</u>	<u>14,308,465</u>	12.7%
Deferred Outflows of Resources	<u>11,851,418</u>	<u>5,647,641</u>	<u>6,203,777</u>	109.8%
Liabilities:				
Long-term liabilities	28,681,110	26,528,298	2,152,812	8.1%
Other liabilities	<u>17,313,534</u>	<u>14,367,028</u>	<u>2,946,506</u>	20.5%
Total Liabilities	<u>45,994,644</u>	<u>40,895,326</u>	<u>5,099,318</u>	12.5%
Deferred Inflows of Resources	<u>1,542,090</u>	<u>784,639</u>	<u>757,451</u>	96.5%
Net Position:				
Net investment in capital assets	108,560,077	96,796,756	11,763,321	12.2%
Restricted	968,183	968,183	-	0.0%
Unrestricted	<u>(18,280,398)</u>	<u>(21,172,550)</u>	<u>2,892,152</u>	-13.7%
Total Net Position	<u>\$ 91,247,862</u>	<u>\$ 76,592,389</u>	<u>\$ 14,655,473</u>	19.1%

The condensed comparative statements of activities for the two most recent years are as follows:

	Fiscal Year Ended June 30, 2026	2025	Dollar Change	Percent Change
Revenues:				
Operating revenues	\$ 207,302	\$ 258,599	\$ (51,297)	-19.8%
Noncapital subsidies	40,912,783	35,317,454	5,595,329	15.8%
Nonoperating revenues:				
Capital assistance	19,453,854	2,960,188	16,493,666	557.2%
Interest income	<u>111,759</u>	<u>91,229</u>	<u>20,530</u>	22.5%
Total Revenues	<u>60,685,698</u>	<u>38,627,470</u>	<u>22,058,228</u>	57.1%
Expenses:				
Public transportation	35,431,174	34,288,216	1,142,958	3.3%
Administrative and professional	1,859,508	1,686,003	173,505	10.3%
Depreciation and amortization	8,091,894	7,026,874	1,065,020	15.2%
Interest	429,767	451,595	(21,828)	-4.8%
Other expenses	<u>217,882</u>	<u>195,476</u>	<u>22,406</u>	11.5%
Total Expenses	<u>46,030,225</u>	<u>43,648,164</u>	<u>2,382,061</u>	5.5%
Change in Net Position	14,655,473	(5,020,694)	19,676,167	-391.9%
Net Position:				
Beginning of year	<u>76,592,389</u>	<u>81,613,083</u>	<u>(5,020,694)</u>	
End of year	<u>\$ 91,247,862</u>	<u>\$ 76,592,389</u>	<u>\$ 14,655,473</u>	

DETAILED ANALYSES

Statement of Net Position

Total assets increased over \$14.3 million year-over-year. This increase was due primarily to a nearly \$11.4 million increase in capital assets, net of accumulated depreciation. Refer to the section of this MD&A entitled *Significant Capital Asset and Long-Term Financing Activity* for additional details and analysis.

Total liabilities increased nearly \$5.1 million year-over-year. This increase was due to nearly \$2.2 million in increased net liabilities associated with pension and other postemployment benefits, or OPEB. Additionally, other liabilities increased over \$2.9 million year-over-year, which was principally due to the deferral of more than \$2.0 million in intergovernmental grants received ahead of performance obligations.

Overall net position increased nearly \$14.7 million year-over-year. This increase was due primarily to a nearly \$11.8 million increase in net investment in capital assets, which increased due to significant capital additions. Again, refer to the section of this MD&A entitled *Significant Capital Asset and Long-Term Financing Activity* for additional details and analysis.

Statement of Activities

Operating revenues continue to be insignificant to the Authority as it suspended fare collections in March 2020. Noncapital subsidies, which are principally in the form of state and federal operating assistance as well as member communities' assessments, increased nearly \$5.6 million year-over-year. This increase was due to higher operating costs, which have been funded through federal CARES and ARPA grants as well as increased state operating assistance.

Capital assistance from the federal and state government increased significantly in 2026. Refer to the section of this MD&A entitled *Significant Capital Asset and Long-Term Financing Activity* for additional details and analysis.

Total expenses increased nearly \$2.4 million, or 5.5%, year-over-year. This increase was due to higher operating costs, particularly in the areas of personnel and fuel.

SIGNIFICANT CAPITAL ASSET AND LONG-TERM FINANCING ACTIVITY

Capital Assets

As illustrated in Note II.C. to the financial statements, the Authority expended nearly \$19.3 million in capital in fiscal year 2026. Of this total, over \$17.9 million was expended for transportation equipment (i.e., new buses). The Authority purchased 13 new buses in fiscal year 2026, a number of which were hybrid/electric. These purchases were principally financed through federal grants. Additional information on the Authority's capital assets can be found in the notes to the basic financial statements.

Long-Term Financing Activity

The Authority does not maintain any long-term debt. The Authority issued a revenue anticipation note ("RAN") totaling \$12,400,000 in June 2026 with a stated interest rate of 4.0%. This RAN is scheduled to mature in June 2027. Additional information on the Authority's long-term debt can be found in the notes to the basic financial statements.

CURRENTLY KNOWN FACTS, DECISIONS OR CONDITIONS

The Authority is aware of the following matters that will have an impact on its future finances and affect next year's budget:

- Fare-free services are expected for all fiscal year 2027.
- Member communities' assessment are expected to increase by 2.5% in fiscal year 2027.
- State operating assistance is expected to be approximately \$21.7 million in fiscal year 2027.
- The Authority has approximately \$18.9 million in federal CARES and ARPA awards available to draw as of June 30, 2026.
- The principal operator of buses for the Authority is Central Mass Transit Management, Inc., or CMTM. The vast majority of CMTM employees are subject to a collective bargaining agreement that was renewed in August 2026 and calls for an approximate 7% pay raise for fiscal year 2027.

WORCESTER REGIONAL TRANSIT AUTHORITY
(A Component Unit of the Massachusetts Department of Transportation)

STATEMENT OF NET POSITION
JUNE 30, 2026

Assets:

Current Assets:

Cash and cash equivalents	\$ 2,618,699
Receivables, net of allowances:	
Intergovernmental	5,814,176
Member communities	9,709,897
Other	18,067
Prepaid items	<u>5,092</u>
Total Current Assets	<u>18,165,931</u>

Noncurrent Assets:

Land and land improvements	20,919,303
Depreciable capital assets, net	<u>87,847,944</u>
Total Noncurrent Assets	<u>108,767,247</u>

Total Assets	<u>126,933,178</u>
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Deferred Outflows of Resources:

Related to OPEB	1,210,997
Related to pensions	<u>10,640,421</u>

Total Deferred Outflows of Resources	<u>11,851,418</u>
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WORCESTER REGIONAL TRANSIT AUTHORITY
(A Component Unit of the Massachusetts Department of Transportation)

STATEMENT OF NET POSITION
JUNE 30, 2026

Liabilities:

Current Liabilities:

Accounts payable	\$ 1,976,854
Accrued payroll and related costs	26,668
Accrued expenses	37,000
Accrued interest	115,911
Unearned revenues	2,757,101
Revenue anticipation note payable	<u>12,400,000</u>
Total Current Liabilities	<u>17,313,534</u>

Noncurrent liabilities:

Net OPEB liability	8,446,634
Net pension liabilities	<u>20,234,476</u>
Total Noncurrent Liabilities	<u>28,681,110</u>

Total Liabilities	<u>45,994,644</u>
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Deferred Inflows of Resources:

Related to OPEB	760,067
Related to pensions	<u>782,023</u>
Total Deferred Inflows of Resources	<u>1,542,090</u>

Net Position:

Net investment in capital assets	108,560,077
Restricted for extraordinary expenses	968,183
Unrestricted	<u>(18,280,398)</u>
Total Net Position	<u>\$ 91,247,862</u>

(concluded)

See accompanying notes to basic financial statements.

WORCESTER REGIONAL TRANSIT AUTHORITY
(A Component Unit of the Massachusetts Department of Transportation)

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
AS OF AND FOR THE YEAR ENDED JUNE 30, 2026

Operating Revenues	\$ 207,302
Operating Expenses:	
Public transportation	35,431,174
Administrative payroll and related expenses	1,191,862
Professional and other services	667,646
Depreciation and amortization	8,091,894
Other operating expenses	<u>217,882</u>
Total Operating Expenses	<u>45,600,458</u>
Operating Loss	<u>(45,393,156)</u>
Noncapital Subsidies:	
Member communities' assessments	6,312,223
State assistance	27,044,582
Federal assistance	<u>7,555,978</u>
Total Noncapital Subsidies	<u>40,912,783</u>
Total Operating Loss and Noncapital Subsidies	<u>(4,480,373)</u>
Nonoperating Revenues (Expenses):	
Capital assistance - federal and state governments	20,833,932
Capital assistance - member municipality and other	345,032
Transfer of Union Station projects	(1,725,110)
Investment income	111,759
Interest expense	<u>(429,767)</u>
Total Nonoperating Revenues (Expenses)	<u>19,135,846</u>
Change in Net Position	<u>14,655,473</u>
Net Position:	
Beginning of the year	<u>76,592,389</u>
End of the year	<u><u>\$ 91,247,862</u></u>

See accompanying notes to basic financial statements.

WORCESTER REGIONAL TRANSIT AUTHORITY
(A Component Unit of the Massachusetts Department of Transportation)

STATEMENT OF CASH FLOWS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2026

Cash Flows from Operating Activities:

Receipts from operating revenues	\$ 2,571,890
Payments to employees	(1,187,737)
Payments to vendors	<u>(39,443,977)</u>
Net Cash Used In Operating Activities	<u>(38,059,824)</u>

Cash Flows from Noncapital Financial Activities:

Proceeds from federal and state operating grants	29,803,580
Proceeds from member communities' assessments	<u>6,004,937</u>
Net Cash Provided By Noncapital Financing Activities	<u>35,808,517</u>

Cash Flows from Capital and Related Financing Activities:

Proceeds from capital grants	19,453,854
Proceeds from the issuance of short-term debt	12,400,000
Acquisition and construction of capital assets	(19,453,853)
Repayments on short-term debt	(12,000,000)
Interest payments	<u>(405,242)</u>
Net Cash Used In Capital and Related Financing Activities	<u>(5,241)</u>

Cash Flow from Investing Activities:

Investment income	<u>111,759</u>
Net Cash Provided by Investing Activities	<u>111,759</u>

Change in Cash and Cash Equivalents	(2,144,789)
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Cash and Cash Equivalents:

Beginning of the year	<u>4,763,488</u>
End of the year	<u>\$ 2,618,699</u>

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WORCESTER REGIONAL TRANSIT AUTHORITY
(A Component Unit of the Massachusetts Department of Transportation)

STATEMENT OF CASH FLOWS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2026

Reconciliation of Operating Loss to Net Cash Used in Operating Activities:

Operating Loss	\$ (45,393,156)
Adjustments to Reconcile Operating Loss to Net Cash Used In Operating Activities:	
Depreciation expense	8,091,894
Changes in assets, deferred outflows (inflows) of resources and liabilities:	
Receivables and other current assets	12,971
Deferred outflows (inflows) of resources	(5,446,326)
Accounts payable and other current liabilities	2,521,981
Net OPEB and pension liabilities	<u>2,152,812</u>
Net Cash Used in Operating Activities	<u>\$ (38,059,824)</u>
	<i>(concluded)</i>

See accompanying notes to basic financial statements.

WORCESTER REGIONAL TRANSIT AUTHORITY
(A Component Unit of the Massachusetts Department of Transportation)

NOTES TO BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2026

I. Summary of Significant Accounting Policies

The basic financial statements of the Worcester Regional Transit Authority (the “Authority”) have been prepared in conformity with generally accepted accounting principles in the United States of America, or GAAP, as applied to state and local governments. GAAP is prescribed by the Governmental Accounting Standards Board (“GASB”), which is the primary standard-setting body for state and local governmental entities. The following is a summary of the more significant policies and practices used by the Authority.

A. Reporting Entity

The Authority, a political subdivision of the Commonwealth of Massachusetts (the “Commonwealth”), provides public mass transportation in the City of Worcester and other communities within Worcester County. The Authority is primarily funded through member communities’ assessments and federal and state operating and capital subsidies.

The Authority is governed by an advisory board (the “Board”) comprised of representatives from member communities. The Board appoints an administrator to manage the Authority’s day-to-day operations. While legally separate, the Authority is considered a component unit of the Commonwealth of Massachusetts Department of Transportation (“Mass DOT”), which is a component unit of the Commonwealth, for financial reporting purposes.

B. Basis of Accounting and Financial Statement Presentation

The Authority is a special purpose government engaged in a single business-type activity. The Authority’s financial statements are reported using the accrual basis of accounting. Revenues and expenses are recorded when incurred, regardless of the timing of related cash flows.

The Authority’s financial statements distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing mass transit services to the public. Operating revenues are not significant to the Authority. Operating expenses primarily consist of the cost of transit services provided by third parties (see below), salaries and wages, administrative expenses and depreciation. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. The Authority is exempt from all federal and state income taxes as well as local property taxes.

The cost of transit services provided by third parties primarily represents contracted services with Transdev North America, Inc. (formerly First Transit, Inc.) and its wholly-owned subsidiaries Central Mass Transit Management, Inc. and Paratransit Brokerage Services TM, Inc. These entities manage and operate the Authority’s fixed route and certain demand response transit services. The majority of the employees of Central Mass Transit Management, Inc. are subject to a collective bargaining agreement, which expires in August 2028.

C. Assets, Liabilities, and Deferred Outflows/Inflows of Resources and Net Position

Deposits – The Authority’s cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. The Authority reports its investments at fair value.

Receivables – Member communities’ assessments are generally collected subsequent to the year of assessment; accordingly, the Authority reports receivables from member communities’ assessments at year end. Additionally, intergovernmental receivables are reported at year end.

Federal and State Contract Assistance – The Federal Transit Administration (“FTA”) approved the use of federal capital funds for operating expenses for the fiscal year ended June 30, 2026. Any amounts unallowed by the FTA will be ultimately due from the Commonwealth and the member communities. Generally, state contract assistance ranges between 50% and 75% of the Authority’s net cost of service (as defined under Mass DOT guidelines), unless otherwise agreed upon by the parties.

Member Communities’ Assessments – Annual increases to member communities’ assessments are limited to 2.5% plus their proportionate share of new transit service costs incurred during the year.

Prepaid Items – Certain payments to vendors reflect costs applicable to future accounting periods and may be recorded as prepaid items in the financial statements.

Capital Assets – Capital assets, which include land, construction in-progress, buildings and improvements, transportation equipment (e.g., buses and vans) and office equipment are reported at historical cost. All material purchases and construction costs are capitalized at the date of acquisition or construction, respectively, if expected lives are deemed greater than two years. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets’ lives are not capitalized.

Capital assets (excluding land and construction in-progress) are depreciated by the Authority on a straight-line basis over the following estimated useful lives:

Buildings and improvements	3 to 40 years
Transportation equipment	5 to 12 years
Office equipment and other	5 to 15 years

Revenue Recognition – Revenue is recognized when services are performed and the Authority has completed all performance obligations. Unearned revenue represents receipts for which the Authority has not met all revenue recognition criteria.

Long-Term Debt – Long-term debt is reported as liabilities in these basic financial statements. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method, if material. The Authority did not maintain any long-term debt instruments at any time during fiscal year 2026.

Deferred Outflows/Inflows of Resources – In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The Authority reports deferred outflows of resources relative to other postemployment benefits (“OPEB”) and pension-related transactions. The Authority expects to recognize the reported deferred outflows of resources relative to these personnel-related transactions over the next six years.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Authority reports deferred inflows of resources relative to OPEB and pension-related transactions and expects to recognize these amounts over the next six years against personnel-related transactions.

Net Position – Net position reported as net investment in capital assets includes capital assets, net of accumulated depreciation, less the principal balance of outstanding debt used to acquire capital assets. Unspent proceeds of capital related debt are not considered to be capital related debt.

Restricted net position is comprised of a reserve for extraordinary costs and expenses, which is permissible under Section 6 of Massachusetts General Law (“MGL”) Chapter 161B. This reserve fund consists of annual payments made by the Authority in amounts not to exceed 3% of the prior year’s member communities’ assessments, provided that the total reserve fund cannot exceed 20% of the prior year’s member communities’ assessment. Expenditures from this fund are subject to the approval of the Mass DOT.

Net position that does not meet the definitions above is reported as unrestricted.

D. Postemployment Retirement Benefits

Certain employees of Central Mass Transit Management, Inc. are eligible to participate in a defined benefit pension plan and a retiree health and life insurance plan. These plans are accounted for and presented in the Authority’s financial statements as the Authority is responsible for funding these postemployment benefit plans. Each plan issues annual audited financial statements, which can be obtained by contacting the chief financial officer of Central Mass Transit Management, Inc., 42 Quinsigamond Avenue, Worcester, MA 01610.

The Authority became a participating employer to the Worcester Regional Retirement System in fiscal year 2023. The Worcester Regional Retirement System issues annual audited financial statements, which can be obtained by contacting its executive secretary at 455 Main Street, Room 103, Worcester, MA 01608.

E. Use of Estimates

The preparation of basic financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure for contingent assets and liabilities at the date of the basic financial statements and the reported amounts of the revenues and expenses during the fiscal year. Actual results could vary from estimates used.

II. Detailed Notes to All Funds

A. Deposits

State laws and regulations require the Authority to invest funds only in preapproved investment instruments which include, but are not necessarily limited to, bank deposits, money markets, certificates of deposit, U.S. treasury bonds, repurchase agreements, and the State Treasurer's investment pool, which is administered by the Massachusetts Municipal Depository Trust, or MMDT. In addition, the statutes impose various limitations on the amount and length of investments and deposits.

Custodial Credit Risk: Deposits – In the case of deposits, this is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority relies on depository insurance coverage at each financial institution to address this risk. At June 30, 2026, approximately \$3.1 million in bank deposits were uninsured.

B. Receivables

Receivables as of June 30, 2026, net of applicable allowances for uncollectible accounts, were as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
Intergovernmental:			
Commonwealth of Massachusetts	\$ 1,543,234	\$ -	\$ 1,543,234
Federal government	4,270,942	-	4,270,942
Member communities' assessments	9,709,897	-	9,709,897
Other	18,067	-	18,067
	<u>\$ 15,542,140</u>	<u>\$ -</u>	<u>\$ 15,542,140</u>

C. Capital Assets

Capital asset activity for the year ended June 30, 2026 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land and land improvements	\$ 20,919,303	\$ -	\$ -	\$ 20,919,303
Capital assets being depreciated:				
Buildings and improvements	81,261,981	1,216,508	(27,648)	82,450,841
Transportation equipment	54,932,701	17,904,833	(20,578,572)	52,258,962
Office equipment and other	<u>2,968,858</u>	<u>332,512</u>	<u>(284,074)</u>	<u>3,017,296</u>
Total capital assets being depreciated	<u>139,163,540</u>	<u>19,453,853</u>	<u>(20,890,294)</u>	<u>137,727,099</u>
Less accumulated depreciation for:				
Buildings and improvements	(21,840,250)	(2,533,755)	27,648	(24,346,357)
Transportation equipment	(38,287,709)	(5,293,817)	20,578,573	(23,002,953)
Office equipment and other	<u>(2,549,596)</u>	<u>(264,322)</u>	<u>284,073</u>	<u>(2,529,845)</u>
Total accumulated depreciation	<u>(62,677,555)</u>	<u>(8,091,894)</u>	<u>20,890,294</u>	<u>(49,879,155)</u>
Total capital assets being depreciated, net	<u>76,485,985</u>	<u>11,361,959</u>	<u>-</u>	<u>87,847,944</u>
Total capital assets, net	<u>\$ 97,405,288</u>	<u>\$ 11,361,959</u>	<u>\$ -</u>	<u>\$ 108,767,247</u>

During the fiscal year ended June 30, 2026, the Authority procured \$1,725,110 in capital assets on behalf of the Worcester Redevelopment Authority through federal awards. These capital assets are not reflected in the activity above as the capital assets are not owned or under the control of the Authority.

D. Temporary Debt

The Authority is authorized to borrow on a temporary or short-term basis. Temporary borrowing activity for the year ended June 30, 2026 was as follows:

Type	Interest Rate	Maturity Date	Beginning Balance	Increases	Decreases	Ending Balance
Revenue anticipation note	4.25%	matured	\$ 12,000,000	\$ -	\$ (12,000,000)	\$ -
Revenue anticipation note	4.00%	6/17/2027	<u>-</u>	<u>12,400,000</u>	<u>-</u>	<u>12,400,000</u>
			<u>\$ 12,000,000</u>	<u>\$ 12,400,000</u>	<u>\$ (12,000,000)</u>	<u>\$ 12,400,000</u>

E. Long-Term Obligations

The Authority issues general obligation bonds and notes payable to provide funds for the acquisition and construction of major capital facilities as needed. Additionally, the Authority incurs various other long-term obligations relative to postemployment personnel costs. The following table reflects the activity in the Authority's long-term liability accounts for the year ended June 30, 2026:

Description of Issue	Beginning Balance	Increases	Decreases	Ending Balance
Net OPEB liability	\$ 8,786,649	\$ 2,753,904	\$ (3,093,919)	\$ 8,446,634
Net pension liabilities	<u>17,741,649</u>	<u>13,730,524</u>	<u>(11,237,697)</u>	<u>20,234,476</u>
	<u>\$ 26,528,298</u>	<u>\$ 16,484,428</u>	<u>\$ (14,331,616)</u>	<u>\$ 28,681,110</u>

No amounts were due within one year for the long-term obligations detailed above.

Authorized But Unissued Debt – At June 30, 2026, there were no amounts authorized but unissued for long-term debt.

III. Other Information

A. CMTM Defined Benefit Pension Plan

The union employees of Central Mass Transit Management, Inc. participate in a defined benefit pension plan administered by Central Mass Transit Management, Inc. (the "Pension Plan"). However, the financial responsibility and burden of the Pension Plan rests with the Authority and the employees' union. Accordingly, the Authority's proportionate share of the pension expense, net pension liability and associated deferred outflows and inflows of resources related to the Pension Plan are accounted and reported on the Authority's financial statements. Stand-alone financial statements are issued annually.

Current membership in the Pension Plan as of December 31, 2025 (the measurement and reporting date of the pension plan) was as follows:

Active plan members	192
Inactive vested plan members	29
Retirees and beneficiaries	<u>104</u>
	<u>325</u>

In a January 2, 1996 letter, the Pension Benefit Guaranty Corporation ruled that the Pension Plan is a governmental pension plan within the meaning of Section 4021(b)(2) of the Employee Retirement Income Security Act of 1974, or ERISA. Accordingly, as a governmental pension plan, the Pension Plan is not subject to the minimum funding requirements of ERISA as contained in Internal Revenue Code Section 412.

Pension Plan Benefits – The Pension Plan provides for regular retirement benefits as well as accidental disability and preretirement death benefits. Participants are completely vested in the Pension Plan after five years’ creditable service. Under the terms of the Pension Plan, the normal retirement age is 65. The Pension Plan permits early retirement at age 55 with a minimum of five years’ credited service. Participants’ retirement benefits vary depending on years of credited service, age at retirement and retirement option selected by participants at the time of their retirement. The minimum annual retirement benefit is \$1,440.

Participants are eligible for disability retirement benefits if after completing five years’ creditable service a participant is determined to be totally and permanently disabled. Disability benefits vary depending on a disabled participants age at the time of disability. The minimum annual disability benefit is \$1,380.

Beneficiaries of participants who died and who have not yet vested in the Pension Plan will be paid the deceased participant’s accumulated contributions plus interest. For vested participants, the surviving beneficiary may elect a variety of retirement benefit options, which are determined based on the age and creditable service of the deceased participant.

Contributions – Employee contribution rates vary based on when an employee commenced their creditable service. Active participants with less than five years’ creditable service or while in a salary progression contribute 9.5% of their total compensation; all other participants contribute 11.5% of their total compensation. Central Mass Transit Management, Inc. matches all employee contributions dollar-for-dollar effective September 2025. Additionally, in September 2025, a one-time \$1,300,000 contribution was made to the Pension Plan. Employer contributions for the year ended December 31, 2025 totaled \$3,173,836.

Net Pension Liability – At June 30, 2026, the Authority reported a net pension liability of \$19,577,476. The net pension liability was measured as of January 1, 2026 by an actuarial valuation as of that date and rolled back to December 31, 2025. There were no significant changes to key actuarial assumptions in the most recent actuarial valuation.

The Authority’s proportion of the net pension liability is based on a projection of its long-term share of contributions to the Pension Plan.

Fiduciary Net Position – The elements of the Pension Plan’s basic financial statements (that is, all information about the Pension Plan’s assets, deferred outflows of resources, liabilities, deferred inflows of resources and fiduciary net position) can be found in the Pension Plan’s full financial statements as of and for the year ended December 31, 2025, which can be obtained by contacting Central Mass Transit Management, Inc.

The Pension Plan’s fiduciary net position was determined using the accrual basis of accounting. The Pension Plan’s accounting records are maintained on a calendar-year basis. Contributions from employers and employees are recognized in the period in which they become due pursuant to formal commitments or contractual requirements. Benefit payments (including refunds of employee contributions) are recorded when incurred, regardless of the timing of payment. Investments are reported at fair value; fair value is determined as the price one would receive in an orderly transaction between market participants at a measurement date.

Pension Expense – The Authority recognized \$1,259,385 in pension expense in fiscal year 2026.

Deferred Outflows of Resources and Deferred Inflows of Resources – At June 30, 2026, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,374,499	\$ 187,052
Net difference between projected and actual earnings on pension plan investments	-	436,903
Changes in proportion share of contributions	6,329,948	-
Contributions subsequent to the measurement date	<u>2,242,379</u>	<u>-</u>
	<u>\$ 9,946,826</u>	<u>\$ 623,955</u>

The deferred outflows and inflows of resources are expected to be recognized in the Authority's pension expense as follows:

Year ended June 30,

2027	\$ 4,526,152
2028	1,539,582
2029	1,092,839
2030	1,139,801
2031	<u>1,024,497</u>
	<u>\$ 9,322,871</u>

Actuarial Valuation – The measurement of the Pension Plan’s total pension liability is developed by an independent actuary. The latest actuarial valuation was performed as of January 1, 2026 and rolled back to December 31, 2025. The significant actuarial assumptions used in this actuarial valuation included:

Actuarial cost method	Entry age normal
Investment rate of return	7.5% per year, net of expenses
Compensation increases	3.0% per year
Employee termination	6.6% at age 20 grading to 0.3% at age 55; based on Table T-3 of the Actuary's Pension Handbook (less rates of mortality from 1951 Group Annuity Mortality Table)
Retirement age - males	2.0% at age 55 grading to 100% at age 70
Retirement age - females	5.5% at age 55 grading to 100% at age 70
Annual rate of disability	0.02% at age 20 grading up to 0.62% at age 60
Mortality	RP-2000 Mortality Table with improvements through 2015 using Scale AA for both pre-retirement and post-retirement
Pre-death benefit	Calculated using the aforementioned mortality, interest and termination assumptions and on the assumption that 100% of the participants have spouses; male participants are assumed to have spouses three years younger and female participants are assumed to have spouses three years older

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 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 rates of return by the target asset allocation percentage and by adding expected inflation. Target allocations by asset class to achieve the long-term expected rate of return on Pension Plan investments as of December 31, 2025 were:

<u>Asset Class</u>	<u>Target Allocation</u>
Domestic equity mutual funds	30% to 50%
Fixed income mutual funds	25% to 40%
International equity mutual funds	10% to 25%

Discount Rate – The discount rate used to measure the total pension liability in the December 31, 2025 actuarial valuation report was 7.5%, which was unchanged from the prior year. The projection of cash flows used to determine the discount rate assumed plan member contributions were made at the current contribution rate and that employer contributions will be made at rates equal to the actuarially determined contribution rates and the member rate. 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. A twenty-five-year funding schedule was developed by the Pension Plan’s independent actuary for the year ended December 21, 2025 based on the funding goal as described in the collective bargaining agreement.

Sensitivity Analysis – The following presents the Authority’s proportionate share of the net pension liability calculated using the discount rate of 7.5% as well as its proportionate share of the net pension liability using a discount rate that is 1% lower or higher than the current rate:

Current Discount Rate	Net Pension Liability At		
	1% Decrease	Current Rate	1% Increase
7.50%	\$ 22,445,619	\$ 19,557,476	\$ 17,091,275

B. Worcester Retirement System Defined Benefit Pension Plan

The Authority is a member and contributes to the Worcester Retirement System (the “Retirement System” or “WRS”), a cost-sharing multiple-employer defined benefit pension plan. The Retirement System was established under Chapter 32 of MGL. The Retirement System is administered by the Worcester Retirement Board (the “Retirement Board”). Stand-alone financial statements for the year ended December 31, 2025 were issued and are available by submitting a request to the Retirement System.

Current membership in the Retirement System as of December 31, 2025 was as follows:

	WRS	
	Total	Authority
Active plan members	4,119	9
Retirees and beneficiaries	2,752	-
Inactive unvested plan members	1,556	-
Inactive vested plan members	171	-
	<u>8,598</u>	<u>9</u>

Benefit Terms – Membership in the Retirement System is mandatory for all full-time employees and nonseasonal, part-time employees who, in general, regularly work more than twenty hours per week. Members of the Retirement System do not participate in the federal Social Security retirement system.

Massachusetts contributory retirement system benefits are uniform for all Massachusetts public pension systems. The Retirement System provides for retirement allowance benefits up to a maximum of 80% of a participant’s highest three-year or five-year average annual rate of regular compensation, depending on the participant’s date of hire. Benefit payments are based upon a participant’s age, length of creditable service, level of compensation and job classification.

The most common benefits paid by the Retirement System include normal retirement, disability retirement and survivor benefits.

- Normal retirement generally occurs at age 65. However, participants may retire after twenty years of service or at any time after attaining age 55, if hired prior to April 2, 2012 or at any time after attaining age 60 if hired on or after April 2, 2012. Participants with hire dates subsequent to January 1, 1978 must have a minimum of ten years' creditable service in order to retire at age 55. Participants become vested after ten years of service. Benefits commencing before age 65 are provided at a reduced rate. Members working in certain occupations may retire with full benefits earlier than age 65.
- Ordinary disability retirement is where a participant is permanently incapacitated from a cause unrelated to employment. Accidental disability retirement is where the disability is the result of an injury or illness received or aggravated in the performance of duty. The amount of benefits to be received in such cases is dependent upon several factors, including the age at which the disability retirement occurs, the years of service, average compensation and veteran status.
- Survivor benefits are extended to eligible beneficiaries of participants whose death occurs prior to or following retirement.

The Retirement System may be amended or terminated in whole or in part at any time by the Massachusetts Legislature, provided that no such modification, amendment or termination shall be made that would deprive a current member of superannuation pension rights or benefits provided under applicable laws of Massachusetts, if such member has paid the stipulated contributions specified in sections or provisions of such laws. There were no significant changes to the Retirement System's benefit terms in fiscal year 2026.

Contributions Requirements – Under current MGL, the Retirement System is required to be fully funded by June 30, 2040. Participating employers to the Retirement System are assessed their proportionate share of the total annual pension appropriation. The Authority contributed \$166,082 to the Retirement System in fiscal year 2026, which equaled the actuarially-determined contribution requirement for the fiscal year. The Authority's contribution as a percentage of covered payroll was approximately 26% in fiscal year 2026.

Net Pension Liability – At June 30, 2026, the Authority reported a liability of \$677,000 for its proportionate share of the net pension liability. The net pension liability was measured as of January 1, 2026 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. These figures were updated by the independent actuary and rolled back to December 31, 2025. There were no material changes to the Retirement System's benefit terms since the actuarial valuation. There were no significant changes in actuarial assumptions in the latest actuarial valuation.

The Authority's proportion of the net pension liability is based on a projection of the Authority's long-term share of contributions to the Retirement System relative to the projected contributions of all employers. The Authority's proportionate share was approximately 0.2295% and 0.1796%, respectively, at December 31, 2025 and 2024.

Fiduciary Net Position – The elements of the Retirement System’s basic financial statements (that is, all information about the Retirement System’s assets, deferred outflows of resources, liabilities, deferred inflows of resources and fiduciary net position) can be found in the Retirement System’s full financial statements as of and for the year ended December 31, 2025, which can be obtained by contacting the Retirement Board.

The Retirement System’s fiduciary net position was determined using the accrual basis of accounting. The Retirement System’s accounting records are maintained on a calendar-year basis in accordance with the standards and procedures established by the Massachusetts Public Employee Retirement Administration Commission, or PERAC. Contributions from employers and employees are recognized in the period in which they become due pursuant to formal commitments, statutory or contractual requirements. Benefit payments (including refunds of employee contributions) are recorded when incurred, regardless of the timing of payment. Investments are reported at fair value; fair value is determined as the price one would receive in an orderly transaction between market participants at a measurement date.

Pension Expense – The Authority recognized \$199,122 in pension expense in the statement of activities in fiscal year 2025.

Deferred Outflows of Resources and Deferred Inflows of Resources – At June 30, 2026, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 27,204	\$ 13,478
Changes of assumptions	40,234	-
Net difference between projected and actual earnings on pension plan investments	-	144,590
Changes in proportion share of contributions	626,157	-
	<u>\$ 693,595</u>	<u>\$ 158,068</u>

The deferred outflows of resources and deferred inflows of resources are expected to be recognized in the Authority’s pension expense as follows:

Year ended June 30,

2027	\$ 165,157
2028	80,535
2029	101,910
2030	114,026
2031	37,563
2032	36,336
	<u>\$ 535,527</u>

Actuarial Valuation – The measurement of the Retirement System’s total pension liability is developed by an independent actuary. The significant actuarial assumptions used in the latest actuarial valuation included:

Actuarial cost method	Entry age normal
Investment rate of return	6.7% per year, net of expenses (previously 6.8%)
Inflation	3.0% per year
Compensation increases	4.0% per year
Mortality	Pre-retirement based on the RP-2014 Blue Collar Employee Mortality Table projected generationally with Scale MP-2021 Healthy retiree based on the RP-2014 Blue Collar Healthy Annuitant Mortality Table projected generationally with Scale MP-2021 Disables retiree based on the RP-2014 Blue Collar Healthy Annuitant Mortality Table set forward one year and projected generationally with Scale MP-2021

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 rates of returns (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 rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in the Retirement System’s target allocation as of December 31, 2025 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return</u>
Domestic equities	17%	5.76%
International equities - developed markets	8%	5.85%
International equities - emerging markets	3%	7.12%
Core fixed income	12%	1.85%
Value-added fixed income	4%	2.92%
Real estate	4%	3.71%
Private equity	7%	9.27%
PRIT general allocation (core) fund	35%	not available
Portfolio completion strategies	3%	2.63%
Infrastructure	7%	5.85%

Discount Rate – The discount rate used to measure the total pension liability was 6.7%, which was a reduction from the prior year’s discount rate of 6.8%. The projection of cash flows used to determine the discount rate assumed plan member contributions were made at the current contribution rate and that employer contributions will be made in accordance with MGL. Based on those assumptions, the Retirement System’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.

Sensitivity Analysis – The following presents the Authority’s proportionate share of the net pension liability calculated using the discount rate used in the respective entity’s year-end actuarial valuation report and the net pension liability using a discount rate that is 1% lower or higher than the current rate:

Current Discount Rate	Net Pension Liability At		
	1% Decrease	Current Rate	1% Increase
6.7%	\$ 1,181,806	\$ 677,000	\$ 253,089

C. Other Postemployment Benefits

The union employees of Central Mass Transit Management, Inc. participate in a postemployment medical and life insurance benefit plan administered by Central Mass Transit Management, Inc. (the “OPEB Plan”). However, the financial responsibility and burden of the OPEB Plan rests with the Authority. Accordingly, the Authority accounts for and reports the OPEB expense, net OPEB liability and associated deferred outflows and inflows of resources related to the OPEB Plan. Stand-alone financial statements are issued annually.

Current membership in the OPEB Plan is as follows:

Active employees	165
Retirees and survivors	<u>173</u>
	<u>338</u>

Contributions – Retiree and survivor contributions to medical insurance vary depending on age, creditable service and retirement date and are collectively bargained. The monthly medical insurance benefit an individual retiree can receive cannot exceed their monthly pension benefit. The Company pays 100% of life insurance costs. The face values of the life insurance benefit range from \$3,000 to \$5,000 depending on the retiree’s years of creditable service. Central Mass Transit Management, Inc. is responsible for the cost of administering the OPEB Plan.

Net OPEB Liability – The Authority’s net OPEB liability was determined using an actuarial valuation as of July 1, 2026, which was rolled back to June 30, 2026 (the measurement date). The components of the net OPEB liability of the Authority at June 30, 2026 were as follows:

Total OPEB liability	\$ 13,782,235
Less Plan fiduciary net position	<u>5,335,601</u>
Net OPEB liability	<u>\$ 8,446,634</u>
Plan fiduciary net position as a percentage of the total OPEB liability	38.7%

The total OPEB liability in the most recent actuarial valuation was determined using the following key actuarial assumptions applied to all periods included in the measurement, unless otherwise specified:

Actuarial cost method	Entry age normal
Asset valuation method	Market value on the reporting date
Investment rate of return	7.5% per year, net of expenses
Healthcare cost trend rates	4.5% per year
Participation	65% of future retirees are assumed to participate in the retiree medical insurance plan; 100% of future retirees are expected to participate in the life insurance plan
Marital status	50% of employees are assumed to have a covered spouse at retirement; wives are assumed to be three years younger than their husbands
Mortality	The 2008 IRS Static Mortality Table; for period after disability retirement, the RP-2000 Combined Healthy with improvements based on MP-2015

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

Asset Class	Target	
	Allocation	Benchmark Index
Fixed income mutual funds	40%	Barclays Aggregate
Domestic equity mutual funds	40%	Russell 3000
International equity mutual funds	20%	MSCI ACWI excluding USA

Discount Rate – The discount rate used to measure the total OPEB liability was 7.5%.

Investment Policy – The OPEB Plan adopted an investment policy in December 2010. Under this policy, the investment objective is to invest OPEB Plan assets using sound investment practices emphasizing long-term investment fundamentals, including portfolio diversification.

Rate of Return – The money-weighted rate of return on OPEB Plan investments expresses investment performance, net of investment expense, adjusted for changing amounts actually invested. The money-weighted rate of return for the OPEB Plan was 15.06% in fiscal year 2026.

Changes in the Net OPEB Liability – The following table summarizes the changes in the net OPEB liability for the year ended June 30, 2026:

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
	(a)	(b)	(a) - (b)
Balances at June 30, 2025	\$ 13,258,154	\$ 4,471,505	\$ 8,786,649
Changes for the year:			
Service cost	134,180	-	134,180
Interest	969,426	-	969,426
Experience differences	370,957	-	370,957
Employer contributions	-	1,130,482	(1,130,482)
Net investment income	-	684,096	(684,096)
Benefit payments	(950,482)	(950,482)	-
Net changes	524,081	864,096	(340,015)
Balances at June 30, 2026	<u>\$ 13,782,235</u>	<u>\$ 5,335,601</u>	<u>\$ 8,446,634</u>

Sensitivity Analyses – The following presents the Authority’s net OPEB liability calculated using the current discount rate of 7.5% as well as what the Authority’s net OPEB liability using a discount rate that is 1% lower or higher than the current rate:

	Net OPEB Liability At			
Current Rate	1% Decrease	Current Rate	1% Increase	
7.50%	\$ 9,972,092	\$ 8,446,634	\$ 7,186,911	

The following presents the Authority’s net OPEB liability calculated using the current healthcare trend rate assumption of 4.5% as well as what the Authority’s net OPEB liability using a healthcare trend rate that is 1% lower or higher than the current rate:

	Net OPEB Liability At			
Current Rate	1% Decrease	Current Rate	1% Increase	
4.50%	\$ 7,153,560	\$ 8,446,634	\$ 9,909,684	

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB – For the year ended June 30, 2026, the Authority recognized OPEB expense of \$985,161. Deferred outflows of resources and deferred inflows of resources related to OPEB at June 30, 2026 were reported as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,210,997	\$ 205,025
Net difference between projected and actual earnings on OPEB Plan investments	<u>-</u>	<u>555,042</u>
	<u>\$ 1,210,997</u>	<u>\$ 760,067</u>

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

Year ended June 30:

2027	\$ 8,227
2028	151,357
2029	235,851
2030	(18,221)
2031	59,448
2032	<u>14,268</u>
	<u>\$ 450,930</u>

D. Risk Financing

The Authority is exposed to various risks of loss related to torts; theft, damage, and destruction of assets; errors and omissions; and natural disasters for which the Authority carries commercial insurance. The amount of claim settlements has not exceeded insurances coverage in any of the previous three years.

E. Commitments and Contingencies

General – The Authority may be party to certain legal terms that arise during the normal course of operations. These legal claims are subject to many uncertainties, the outcome of which is not always predictable. The Authority does not believe any such material claims currently exist.

Environmental – The former property owner of the land where the Authority's maintenance and operations facility is located was required to complete certain environmental remediation at no cost to the Authority, which was completed in fiscal year 2019. The Authority is responsible for ongoing monitoring. No provision has been made in these financial statements for any environmental matters as the Authority does not believe that its ongoing monitoring costs and efforts are material at this time.

Grants – Other amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal and state governments. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the Authority expects such amounts, if any, to be immaterial.

Fare Free Services – The Authority suspended and waived passenger fares effective March 2020. Fare-free passenger services are expected to continue for the foreseeable future. The Authority covers these revenues losses through federal and state operating subsidies.

The Authority expects that it will continue to use federal and state subsidies to assist in covering these revenue losses. However, any loss or reduction of federal and state subsidies will have a material adverse effect on the Authority.

F. Economic Dependence

Operating assistance from the Commonwealth and federal government totaled approximately 45% and 44%, respectively, of total fiscal year 2026 operating and nonoperating revenues. Member communities' assessments totaled approximately 10% of total fiscal year 2026 operating and nonoperating revenues.

IV. Implementation of New GASB Pronouncements

A. Current Year Implementations

In April 2024, the GASB issued GASB Statement No. 103, *Financial Reporting Model Improvements*. The objective of this Statement was to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. The provisions of this Statement became effective in fiscal year 2026. The adoption of this accounting pronouncement did have a material effect on the Authority's financial statements.

In September 2024, the GASB issued GASB Statement No. 104, *Disclosure of Certain Capital Assets*. The objective of this Statements was to provide users of government financial statements with essential information about certain types of capital assets. The provisions of this Statement became effective in fiscal year 2026. The adoption of this accounting pronouncement did have a material effect on the Authority's financial statements.

B. Future Year Implementations

In December 2025, the GASB Issued GASB Statement No. 105, *Subsequent Events*. The objective of this Statement is to improve the financial reporting requirements for subsequent events and enhance consistency in application to better meet the information needs of financial statement users. The provisions of this Statement are effective for financial reporting periods beginning after June 15, 2026 (fiscal year 2027). The Authority is currently evaluating whether adoption will have a material impact on the financial statements.

WORCESTER REGIONAL TRANSIT AUTHORITY
(A Component Unit of the Massachusetts Department of Transportation)

REQUIRED SUPPLEMENTARY INFORMATION
CMTM PENSION PLAN

SCHEDULE OF THE AUTHORITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
(dollar amounts are in thousands)

Year Ended June 30,	Proportion of the Net Pension Liability	Proportionate Share of the Net Pension Liability	Covered Payroll	Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2026	67.0%	\$ 19,557	\$ 13,421	145.7%	30.7%
2025	55.9%	17,050	12,185	139.9%	25.7%
2024	55.9%	17,592	11,979	146.9%	23.0%
2023	52.2%	16,257	11,591	140.3%	20.6%
2022	50.0%	13,542	10,558	128.3%	27.7%
2021	50.0%	13,031	10,215	127.6%	27.1%
2020	50.0%	13,179	10,191	129.3%	23.8%
2019	50.0%	12,532	9,784	128.1%	22.5%
2018	50.0%	12,138	9,006	134.8%	25.5%
2017	50.0%	11,979	9,419	127.2%	24.3%

SCHEDULE OF THE AUTHORITY'S CONTRIBUTIONS TO THE PENSION PLAN
(dollar amounts are in thousands)

Year Ended June 30,	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
2026	\$ 3,978	\$ 3,174	\$ 804	\$ 13,421	23.6%
2025	1,963	1,826	137	12,185	15.0%
2024	1,963	1,756	207	11,979	14.7%
2023	1,635	1,457	178	11,591	12.6%
2022	1,120	1,232	(112)	10,558	11.7%
2021	1,120	1,215	(95)	10,215	11.9%
2020	989	1,104	(115)	10,191	10.8%
2019	1,038	1,053	(15)	9,784	10.8%
2018	891	1,031	(140)	9,006	11.4%
2017	969	962	7	9,419	10.2%

See accompanying independent auditors' report.

WORCESTER REGIONAL TRANSIT AUTHORITY
(A Component Unit of the Massachusetts Department of Transportation)

REQUIRED SUPPLEMENTARY INFORMATION
WORCESTER RETIREMENT SYSTEM

SCHEDULE OF THE AUTHORITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
(dollar amounts are in thousands)

Year Ended June 30,	Proportion of the Net Pension Liability	Proportionate Share of the Net Pension Liability	Covered Payroll	Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2026	0.2295%	\$ 677	\$ 643	105.3%	84.5%
2025	0.1796%	691	472	146.4%	78.8%
2024	0.1795%	776	431	180.0%	75.5%

SCHEDULE OF THE AUTHORITY'S CONTRIBUTIONS TO THE PENSION PLAN
(dollar amounts are in thousands)

Year Ended June 30,	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
2026	\$ 166	\$ 166	\$ -	\$ 643	25.8%
2025	126	126	-	472	26.7%
2024	120	120	-	431	27.8%

This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is completed, information is presented for those years in which information is available.

See accompanying independent auditors' report.

WORCESTER REGIONAL TRANSIT AUTHORITY
(A Component Unit of the Massachusetts Department of Transportation)

REQUIRED SUPPLEMENTARY INFORMATION
OTHER POSTEMPLOYMENT BENEFITS PLAN

SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS
(dollar amounts are in thousands)

	Year Ended June 30,									
	2026	2025	2024	2023	2022	2021	2020	2019	2018	2017
Total OPEB Liability:										
Service cost	\$ 134	\$ 129	\$ 129	\$ 124	\$ 129	\$ 121	\$ 113	\$ 108	\$ 115	\$ 110
Interest	969	956	814	790	870	858	790	782	810	792
Experience differences	371	-	1,811	-	(1,037)	-	747	-	(136)	-
Changes in assumptions	-	-	-	-	-	-	-	-	274	-
Benefit payments	(950)	(875)	(848)	(789)	(832)	(786)	(749)	(805)	(711)	(667)
Net Change in Total OPEB Liability	524	210	1,906	125	(870)	193	901	85	352	235
Total OPEB Liability:										
Beginning of year	13,259	13,049	11,143	11,018	11,888	11,695	10,794	10,709	10,357	10,122
End of year (a)	<u>\$ 13,783</u>	<u>\$ 13,259</u>	<u>\$ 13,049</u>	<u>\$ 11,143</u>	<u>\$ 11,018</u>	<u>\$ 11,888</u>	<u>\$ 11,695</u>	<u>\$ 10,794</u>	<u>\$ 10,709</u>	<u>\$ 10,357</u>
Plan Fiduciary Net Position:										
Contributions	\$ 1,130	\$ 1,056	\$ 1,028	\$ 979	\$ 1,012	\$ 970	\$ 946	\$ 950	\$ 891	\$ 842
Net investment income (loss)	684	441	514	221	(624)	573	103	130	110	138
Benefit payments	(950)	(876)	(848)	(799)	(832)	(786)	(749)	(770)	(711)	(661)
Net Change in Plan Fiduciary Net Position	864	621	694	401	(444)	757	300	310	290	319
Plan Fiduciary Net Position:										
Beginning of year	4,472	3,851	3,157	2,756	3,200	2,443	2,143	1,833	1,543	1,224
End of year (b)	<u>\$ 5,336</u>	<u>\$ 4,472</u>	<u>\$ 3,851</u>	<u>\$ 3,157</u>	<u>\$ 2,756</u>	<u>\$ 3,200</u>	<u>\$ 2,443</u>	<u>\$ 2,143</u>	<u>\$ 1,833</u>	<u>\$ 1,543</u>
Net OPEB Liability — End of Year (a) - (b)	<u>\$ 8,447</u>	<u>\$ 8,787</u>	<u>\$ 9,198</u>	<u>\$ 7,986</u>	<u>\$ 8,262</u>	<u>\$ 8,688</u>	<u>\$ 9,252</u>	<u>\$ 8,651</u>	<u>\$ 8,876</u>	<u>\$ 8,814</u>
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	38.7%	33.7%	29.5%	28.3%	25.0%	26.9%	20.9%	19.9%	17.1%	14.9%
Covered payroll	\$ 13,390	\$ 10,736	\$ 10,373	\$ 10,888	\$ 10,520	\$ 10,146	\$ 9,803	\$ 9,072	\$ 9,072	\$ 7,715
Net OPEB Liability as a Percentage of Covered Payroll	63.1%	81.8%	88.7%	73.3%	78.5%	85.6%	94.4%	95.4%	97.8%	114.2%

See accompanying independent auditors' report.

WORCESTER REGIONAL TRANSIT AUTHORITY
(A Component Unit of the Massachusetts Department of Transportation)

REQUIRED SUPPLEMENTARY INFORMATION
OTHER POSTEMPLOYMENT BENEFITS PLAN

SCHEDULE OF CONTRIBUTIONS

(dollar amounts are in thousands)

Year Ended June 30,	Actuarially Determined Contribution	Contributions in Relation to the Actuarially- Determined Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contribution as a Percentage of Covered Payroll
2026	\$ 1,056	\$ 1,130	\$ (74)	\$ 13,390	8.4%
2025	1,087	1,056	31	10,736	9.8%
2024	1,065	1,028	37	10,373	9.9%
2023	936	979	(43)	10,888	9.0%
2022	924	1,012	(88)	10,520	9.6%
2021	962	970	(8)	10,146	9.6%
2020	961	924	37	9,803	9.4%
2019	1,251	950	301	9,072	10.5%
2018	1,282	891	391	9,072	9.8%
2017	1,247	842	405	7,715	10.9%

Notes to Schedule:

Asset valuation method	Market value on the reporting date
Actuarial cost method	Entry age normal
Investment rate of return	7.5% per year
Healthcare cost trend rates	4.5% per year
Participation	65% of future retirees are assumed to participate in the retiree medical plan; 100% of future retirees are expected to participate in the life insurance plan
Mortality	The 2008 IRS Static Mortality Table; for the period after disability retirement, the RP-2000 Combined Healthy with improvements based on MP-2015

SCHEDULE OF INVESTMENT RETURNS

Year Ended June 30,	Annual Money- Weighted Rate of Return (net of investment expenses)
2026	15.06%
2025	11.23%
2024	15.91%
2023	7.81%
2022	-18.35%
2021	23.13%
2020	4.95%
2019	6.77%
2018	6.73%
2017	10.60%

See accompanying independent auditors' report.

WORCESTER REGIONAL TRANSIT AUTHORITY
(A Component Unit of the Massachusetts Department of Transportation)

OTHER INFORMATION
SCHEDULE OF NET COST OF SERVICE

I. Operating Costs		
A.	RTA Administrative Costs (Excluding Depreciation)	\$ 2,070,805
B.	Purchased Services	
	Fixed Route	26,983,686
	Demand Response	8,451,089
	Brokerage	-
C.	Debt Service	429,767
D.	Less GASB Statement #68 and #75 Adjustment	<u>3,293,514</u>
	Total Operating Costs	\$ 41,228,861
II. Federal Operating Assistance:		
A.	FTA Operating	7,294,686
B.	Other Federal	<u>-</u>
	Total Federal Assistance	7,294,686
III. Revenues		
A.	Operating:	
	1. Fare Box Revenue	-
B.	Brokerage Service Reimbursement	-
C.	Other State Assistance	5,584,030
D.	Other Revenues:	
	1. Advertising	106,273
	2. Parking	-
	3. Sale of Capital Assets	30,188
	4. Interest Income	111,759
	5. Miscellaneous	<u>67,858</u>
	Total Revenues	<u>13,194,794</u>
IV. Net Operating Deficit (I-II-III)		28,034,067
V. Adjustments:		
A.	Extraordinary Expenses (Not to Exceed 3% of Prior Year's Local Assessment)	<u>-</u>
VI. Net Operating Deficit After Adjustment		28,034,067
VII. Net Cost of Service Funding		
A.	Local Assessments	6,312,223
B.	State Contract Assistance	21,721,844
	1. Less: Adjustment For Exceeding 2 1/2% Cap on Prior Year Net Operating Expenses	<u>-</u>
C.	State Contract Assistance to be Funded	-
	1. Less: Forward Funding Made by DOT Before July 1,	<u>-</u>
D.	Balance Requested From (Due To) State	<u>\$ -</u>
VIII. Unreimbursed Deficit (Surplus) (IV-VLA-VIC)		<u>\$ -</u>

See accompanying independent auditors' report.

WORCESTER REGIONAL TRANSIT AUTHORITY
(A Component Unit of the Massachusetts Department of Transportation)

OTHER INFORMATION
SCHEDULE OF NET COST OF SERVICE BY MUNICIPALITY

	2026 Actual	Cherry Sheet	Increase (Decrease)	2025 Actual	Increase (Decrease)
	Assessments	Estimates	in Cherry Sheet	Assessments	in Actual
			Estimates		Assessments
Auburn	\$ 275,434	\$ 288,995	\$ (13,561)	\$ 281,946	\$ (6,512)
Barre	3,578	2,903	675	2,832	746
Boylston	6	465	(459)	454	(448)
Brimfield	1,158	906	252	884	274
Brookfield	11,358	9,480	1,878	9,249	2,109
Charlton	102,405	106,348	(3,943)	103,754	(1,349)
Clinton	18,532	16,345	2,187	15,946	2,586
Douglas	4,154	3,625	529	3,537	617
Dudley	50,587	34,974	15,613	34,121	16,466
East Brookfield	18,277	18,935	(658)	18,473	(196)
Grafton	140,493	104,451	36,042	101,903	38,590
Holden	11,619	12,046	(427)	11,752	(133)
Holland	4,973	3,607	1,366	3,519	1,454
Leicester	123,751	138,052	(14,301)	134,685	(10,934)
Millbury	121,871	129,907	(8,036)	126,739	(4,868)
New Braintree	449	-	449	-	449
Northborough	29,193	26,584	2,609	25,936	3,257
Northbridge	196,375	142,113	54,262	138,647	57,728
North Brookfield	3,463	2,168	1,295	2,115	1,348
Oakham	2,856	3,043	(187)	2,969	(113)
Oxford	108,215	100,953	7,262	98,491	9,724
Paxton	5,506	2,921	2,585	2,850	2,656
Princeton	1,110	968	142	944	166
Rutland	5,640	7,030	(1,390)	6,859	(1,219)
Shrewsbury	144,569	155,169	(10,600)	151,384	(6,815)
Southbridge	159,408	139,504	19,904	136,101	23,307
Spencer	105,431	110,090	(4,659)	107,405	(1,974)
Sturbridge	55,366	60,768	(5,402)	59,286	(3,920)
Sutton	4,991	4,440	551	4,332	659
Wales	61	98	(37)	96	(35)
Warren	12,037	7,593	4,444	7,408	4,629
Webster	94,467	88,791	5,676	86,625	7,842
Westborough	27,064	11,286	15,778	11,011	16,053
West Boylston	84,989	85,202	(213)	83,124	1,865
West Brookfield	4,494	5,750	(1,256)	5,610	(1,116)
Worcester	4,378,342	4,486,711	(108,369)	4,377,279	1,063
	<u>\$ 6,312,223</u>	<u>\$ 6,312,223</u>	<u>\$ -</u>	<u>\$ 6,158,266</u>	<u>\$ 153,957</u>

See accompanying independent auditors' report.