

CAPE ANN  
TRANSPORTATION AUTHORITY  
(A Component Unit of the Massachusetts Department of Transportation)  
ANNUAL FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2025

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## INDEPENDENT AUDITOR'S REPORT

To the Advisory Board of the  
Cape Ann Transportation Authority  
Gloucester, Massachusetts

### ***Report on the Audit of the Financial Statements***

#### ***Opinion***

We have audited the accompanying financial statements of the business-type activities of Cape Ann Transportation 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 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 business-type activities of the Cape Ann Transportation Authority as of June 30, 2025, and the respective changes in financial position and cash flows thereof for year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinion***

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 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 opinion.

#### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of these 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 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 (located on pages 4 through 10) and certain pension information (located on pages 32 through 33) 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, 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 an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying Schedule of Net Cost of Service and Schedule of Local Assessments are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Net Cost of Service and Schedule of Local Assessments are fairly stated, in all material respects, in relation to the financial statements as a whole.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 30, 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, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.



Grassi & Co., CPAs, P.C.  
Chelmsford, Massachusetts  
March 30, 2026

**CAPE ANN TRANSPORTATION AUTHORITY**  
(A Component Unit of the Massachusetts Department of Transportation)  
Required Supplementary Information  
Management's Discussion and Analysis - Unaudited

The following is offered to the readers of the Cape Ann Transportation Authority's financial statements. It is a narrative overview and analysis of the financial performance of the Cape Ann Transportation Authority (the Authority) during the fiscal year ended June 30, 2025. Please read this discussion and analysis in conjunction with the Authority's financial statements.

This financial report is designed to provide a general overview of the Authority's finances for all those with an interest in the Authority's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Cape Ann Transportation Authority, 3 Pond Road, Gloucester, Massachusetts, 01930.

### **Overview of the Financial Statements**

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

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

The statement of net position presents information on the assets and liabilities, with the difference between the two reported as net position. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

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

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

The notes to the financial statements provide additional information that is essential to the understanding of the data provided in the basic financial statements.

**CAPE ANN TRANSPORTATION AUTHORITY**  
(A Component Unit of the Massachusetts Department of Transportation)

Required Supplementary Information

Management's Discussion and Analysis - Unaudited

**Financial Summary**

Condensed financial information as of and for the years ended June 30, 2025 and 2024 are as follows:

	<u>2025</u>	<u>2024</u>
Current assets	\$ 6,206,159	\$ 4,111,384
Restricted and noncurrent assets	600,250	700,610
Deferred outflows	291,853	312,908
Capital assets, net	10,788,345	7,179,987
Total assets	<u>17,886,607</u>	<u>12,304,889</u>
Current liabilities	2,482,588	266,259
Deferred inflows	175,521	263,282
Restricted and noncurrent liabilities	5,799,019	4,769,443
Total liabilities	<u>8,457,128</u>	<u>5,298,984</u>
Net position:		
Invested in capital assets, net of related debt	9,567,320	7,071,708
Restricted	-	-
Unrestricted	(137,841)	(65,803)
Total net position	<u>\$ 9,429,479</u>	<u>\$ 7,005,905</u>
Operating revenue		
Revenue from transportation	\$ 148,164	\$ 714,046
Other income	223,795	107,825
Total operating revenues	<u>371,959</u>	<u>821,871</u>
Operating expenses:		
Transportation services	4,410,823	4,239,949
Other operating expenses	631,183	942,472
Total operating expenses, excluding depreciation	<u>5,042,006</u>	<u>5,182,421</u>
Depreciation and amortization	625,580	577,506
Total operating expenses, including depreciation	<u>5,667,586</u>	<u>5,759,927</u>
Operating loss	<u>(5,295,627)</u>	<u>(4,938,056)</u>
Net nonoperating revenue	4,598,009	3,965,147
Capital grants	3,121,192	1,249,718
Change in net position	2,423,574	276,809
Beginning of year net position	7,005,905	8,804,782
Prior period adjustment	-	(2,075,686)
End of year net position	<u>\$ 9,429,479</u>	<u>\$ 7,005,905</u>

**CAPE ANN TRANSPORTATION AUTHORITY**  
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Required Supplementary Information

Management's Discussion and Analysis - Unaudited

**Detailed Analysis**

The assets of the Authority exceed its liabilities at the close of the most recent fiscal year by \$9,429,479. The Authorities total net assets increased by \$2,423,574 mainly due to an increase in the acquisition of capital assets. The Authority's expenses, except for depreciation, amortization and unfunded pension costs, are fully funded annually through a combination of federal, state, and local assistance.

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

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

- Passenger fares decreased \$42,648, or 22.35%, due to the decision to go fare free during the year.
- Total operating expenses, excluding depreciation, decreased by \$140,415, due to better control of expenses.
- Revenues from assessments from member municipalities increased 2.5% as allowed by law.
- State capital assistance increased; state operating assistance increased; federal capital and operating assistance decreased.

**Significant Capital Asset and Long-Term Financing Activity**

The Authority's capital assets as of June 30, 2025 amounted to \$10,788,345 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, transportation equipment, office, and other equipment.

Capital asset additions and adjustments during the fiscal year include the following:

Construction in Progress	\$ 2,191,532
Transit Equipment	\$ 901,500
Service Vehicles	<u>28,160</u>
	<u>\$ 3,121,192</u>

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

At year-end, the Authority had \$2,515,000 of notes outstanding, an increase of \$15,000 over the prior year.

**CAPE ANN TRANSPORTATION AUTHORITY**  
(A Component Unit of the Massachusetts Department of Transportation)

Required Supplementary Information

Management’s Discussion and Analysis – Unaudited

**Currently Known Facts, Decisions or Conditions**

The Cape Ann Transportation Authority (CATA) saw a slight decrease in ridership in FY25 as compared to FY24, primarily due to a strike by the Gloucester Public School Teachers in the fall of 2024 and a decrease in ADA and senior dial-a-ride trips. In FY25, CATA provided a total of 218,332 trips, a decrease of 3% from FY24’s total trips of 225,990. This includes ridership on all CATA services, fixed route, ADA and senior dial-a-ride, CATA On Demand, all three summer services (Stage Fort Park Trolley, Rockport Trolley, and Ipswich/Essex Explorer), and the Beverly Shuttle.

Fixed route ridership continues to recover from COVID-19, with FY25 ridership of 161,376, almost level with FY24 ridership of 161,828.

ADA and Senior Dial-a-Ride decreased, with FY25 ridership of 16,937 compared to FY24’s ridership of 22,600, a decrease of 5,723. While the decrease in trips is significant, it could be attributed to a handful of regular ADA and senior dial-a-ride customers not using the service as frequently due to a change in health status or the death of several regular riders. CATA On Demand ridership continues to be strong with 40,019 trips provided in FY25, an equivalent number as provided in FY24 41,503.

Beverly Shuttle saw an increase in ridership, with 16,389 trips provided in FY25 compared to 14,139 trips provided in FY24, an increase of 2,250.

The summer seasonal routes (Stage Fort Park Trolley, Rockport Trolley, and Ipswich/Essex Explorer) are beginning to show an increase. FY24 summer ridership was 11,641 and FY25 summer ridership was 11,187, however, CY2025 ridership (includes July and August 2025) was 14,513 whereas CY2024 ridership was 11,029.

CATA Service Ridership	FY25	FY24	Difference between FY25 & FY24	FY23	Difference between FY25 & FY23
Fixed Route	161,376	161,828	-452	127,691	33,685
ADA and Senior Dial-a-Ride	16,937	22,660	-5,723	18,461	1,524
CATA On Demand	40,019	41,503	-1,484	33,985	6,034
Beverly Shuttle	16,389	14,139	2,250	9,447	6,942
Seasonal Services	11,187 (CY25 14,513)	11,641 (CY24 11,029)	-454 (CY 3,484)	10,822 (CY23 10,822)	365 (CY 3,691)

**CAPE ANN TRANSPORTATION AUTHORITY**  
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Management’s Discussion and Analysis – Unaudited

In FY23, CATA received funding through a MassDOT grant, along with most other Regional Transit Authorities, to support fare free service. CATA opted to provide fare free service in December 2022 and 2023 and saw an increase of 4,081 trips provided in December 2023 (13,591) compared to December 2022 (9,510). CATA received additional funding through MassDOT, along with other Regional Transit Authorities, to provide fare free service December 2024 and throughout Calendar Year 2025. Detailed ridership information is included below, months in bold italics were fare free months on Fixed Route, Beverly Shuttle, ADA, and senior Dial-a-Ride. CATA On Demand was not included in the fare free service.

There was an increase in fixed route ridership in April, May, and June of FY25 compared to April, May, and June FY24. FY25 April, May, and June were included in the fare free period on fixed route whereas April, May, June 2024 were not fare free.

<b>CATA Fixed Route Ridership (includes Beverly Shuttle)</b>	<b>FY25</b>	<b>FY24</b>	<b>Difference between FY25 &amp; FY24</b>
July	12,535	11,954	581
Aug	12,189	13,117	-928
Sept	13,886	15,154	-1,268
Oct	13,783	14,014	-231
Nov	8,820	12,743	-3,923
<b>Dec</b>	<b>12,297</b>	<b>13,591</b>	<b>-1,294</b>
<b>Jan</b>	<b>13,773</b>	<b>13,990</b>	<b>-217</b>
<b>Feb</b>	<b>12,028</b>	<b>12,790</b>	<b>-762</b>
<b>March</b>	<b>15,037</b>	<b>14,636</b>	<b>401</b>
<b>April</b>	<b>14,330</b>	<b>13,056</b>	<b>1,274</b>
<b>May</b>	<b>16,539</b>	<b>15,443</b>	<b>1,096</b>
<b>June</b>	<b>16,159</b>	<b>11,340</b>	<b>4,819</b>

There was an overall decrease in ADA and senior Dial-a-Ride service in FY25 when compared to FY24. There was no apparent impact of fare free service on ADA and Dial-a-Ride ridership. ADA and Dial-a-Ride ridership could be lower overall due to heavy users of the service declining in health and not using the service as frequently.

**CAPE ANN TRANSPORTATION AUTHORITY**  
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Required Supplementary Information

Management's Discussion and Analysis – Unaudited

CATA ADA, Dial-a-Ride, & On Demand Ridership	FY25	FY24	Difference between FY25 & FY24
July	1,681	1,625	56
Aug	1,710	1,857	-147
Sept	1,477	1,906	-429
Oct	1,570	2,226	-656
Nov	1,291	1,940	-649
<b>Dec</b>	<b>1,257</b>	<b>1,877</b>	<b>-620</b>
<b>Jan</b>	<b>1,256</b>	<b>1,983</b>	<b>-727</b>
<b>Feb</b>	<b>1,106</b>	<b>1,866</b>	<b>-760</b>
<b>March</b>	<b>1,372</b>	<b>2,130</b>	<b>-758</b>
<b>April</b>	<b>1,405</b>	<b>1,804</b>	<b>-399</b>
<b>May</b>	<b>1,476</b>	<b>1,862</b>	<b>-386</b>
<b>June</b>	<b>1,336</b>	<b>1,583</b>	<b>-247</b>

In accordance with MGL 161(b), CATA contracts with a private company for the management and operation of the transit services. The management contract was awarded to First Transit, Inc., effective January 1, 2022. First Transit, Inc. was acquired by Transdev, Inc. in March 2023. The management contract is a three-year contract with two one-year options that can be exercised at the sole discretion of the Authority. Calendar Year 2025 is the first option year of the contract.

CATA received three (3) 29' low floor Gillig diesel buses in FY25, with a fourth bus arriving in July 2025, to replace the 2015 and 2016 International H/C Series body-on-chassis vehicles. CATA also finalized the order of three (3) replacement 29' low floor diesel buses, expected to arrive in FY26. CATA took delivery of six (6) low floor Frontrunner vans in spring of FY25, these vans were originally due in FY24. These six vans replaced older vans that had reached the end of their useful life. CATA also received three (3) electric Karsan eJest minibuses in the spring of 2025. These are the first electric vehicles in CATA's fleet and they will be mostly used on Demand Response services (ADA, Dial-a-Ride, and CATA On Demand).

CATA was scheduled to receive an additional four (4) high-floor vans in FY25, but those were delayed into FY26.

CATA procured a new ADA, Dial-a-Ride, and On Demand (microtransit) software provider and platform in FY25. CATA capitalized the software and associated subscription costs for a five-year period, there are no additional subscription costs.

**CAPE ANN TRANSPORTATION AUTHORITY**  
(A Component Unit of the Massachusetts Department of Transportation)

Required Supplementary Information

Management's Discussion and Analysis – Unaudited

**Discussion and Analysis of Significant Budget Variances**

CATA saw an increase in State Contract Assistance as well as MassDOT grant funding in FY25 over that originally included in the budget.

**Revenues:** The amount of State Contract Assistance received increased as did funding through several MassDOT grant programs, including fare free and the Community Transit Grant program. The amount of revenue from Contract Transportation (DPH, DDS, DMA, and Adult Day Care) decreased due to these services not being provided.

**Expenditures:** The Operator Wage line item and Payroll Tax line item increased, reflecting the increase primarily in demand response service hours. The Administration line item increased due to grant-related expenses paid through the Administration.

**Currently Known Facts, Decisions, or Conditions**

CATA's Federal formula funding decreased by ~\$30,000 in FFY25 compared to FFY24. CATA continues to closely monitor the potential for future impacts to transportation funding and interest rates. Funding from the Commonwealth is stable. The FY26 State Budget includes an additional \$35 million to support fare free transit along with grant opportunities for improvements in connectivity (\$10M) and microtransit services (\$10M). CATA works to support RTA advocacy for future increases in RTA funding from the Commonwealth from the recently created Education and Transportation Fund.

In SFY26, MGL 161(b) Section 6 was amended to require Regional Transit Authorities to operate fare free service on both fixed route and complementary ADA paratransit services, *Section 6A. (a) Notwithstanding any general or special law to the contrary, an authority established pursuant to this chapter shall not, subject to appropriation, charge passenger fare for a trip on regularly scheduled fixed route service, or for a trip on complementary paratransit service that an authority is required to provide pursuant to the Americans with Disabilities Act, 42 U.S.C. 12143. The Massachusetts Department of Transportation shall, subject to appropriation, reimburse an authority for lost fare revenue attributable to providing fare-free service pursuant to this section. (b) An authority shall collect and report ridership data to the Massachusetts Department of Transportation in such form and with such frequency as the department may prescribe. (c) The Massachusetts Department of Transportation may promulgate regulations to implement this section.*

**CAPE ANN TRANSPORTATION AUTHORITY**  
(A Component Unit of the Massachusetts Department of Transportation)

Statement of Net Position

June 30, 2025

**Assets and Deferred Outflows of Resources**

Current assets:	
Cash and cash equivalents (Note 3)	\$ 50,103
Short-term investments (Note 3)	1,901,068
Receivables (Note 4)	3,862,812
Lease receivable (Note 5)	97,592
Inventories	45,767
Prepaid expenses	248,817
Total current assets	6,206,159
Restricted and noncurrent assets:	
Receivables from cities and towns	507,769
Lease receivable (Note 5)	92,481
Capital assets, net (Note 7)	10,788,345
Total restricted and noncurrent assets	11,388,595
Total assets	17,594,754
Deferred outflows of resources related to pension (Note 9)	291,853
Total assets and deferred outflows of resources	\$ 17,886,607

**Liabilities and Deferred Inflows of Resources**

Current liabilities:	
Accounts payable	\$ 2,147,285
Accrued expenses	8,000
Accrued payroll	22,097
Accrued interest payable	112,861
Commonwealth of Massachusetts liens (Note 18)	192,345
Total current liabilities	2,482,588
Restricted and noncurrent liabilities:	
Unearned revenue	1,825,645
Revenue anticipation notes (Note 8)	2,515,000
Commonwealth of Massachusetts liens (Note 18)	1,028,680
Net pension liabilities	429,694
Total restricted and noncurrent liabilities	5,799,019
Total liabilities	8,281,607
Deferred inflows of resources related to leases	175,521
Total liabilities and deferred inflows of resources	\$ 8,457,128

**Net Position**

Invested in capital assets, net of related debt	\$ 9,567,320
Unrestricted - Pension	(137,841)
Unrestricted - OPEB	-
Total Net Position	\$ 9,429,479

*See accompanying notes to the financial statements*

**CAPE ANN TRANSPORTATION AUTHORITY**  
(A Component Unit of the Massachusetts Department of Transportation)  
Statement of Revenues, Expenses, and Changes in Net Position  
Year Ended June 30, 2025

Operating Revenues:	
Passenger fares	\$ 148,164
Other transit services	223,795
Total operating revenues	371,959
Operating Expenses:	
Motor bus	2,445,087
Demand response	1,965,736
General Administration	631,183
Total operating expenses excluding depreciation	5,042,006
Depreciation	625,580
Total operating expenses including depreciation	5,667,586
Operating loss	(5,295,627)
Nonoperating revenues (expense)	
Operating assistance grants	
Federal	606,240
Commonwealth of Massachusetts	2,291,690
Local Assessments	856,041
Other state assistance	745,713
Lease income	87,761
Interest income	104,392
Advertising	14,650
Interest expense	(108,478)
Total nonoperating revenues	4,598,009
Loss before reserves and capital grants	(697,618)
Capital grants	3,121,192
Change in net position	2,423,574
Net position, beginning of year	7,005,905
Net position, end of year	\$ 9,429,479

*See accompanying notes to the financial statements*

**CAPE ANN TRANSPORTATION AUTHORITY**  
(A Component Unit of the Massachusetts Department of Transportation)

Statement of Cash Flows

Year ended June 30, 2025

Cash flows from operating activities:	
Passenger fares	\$ 148,164
Other transit services	629,277
Other cash receipts	326,204
Payments to operators	(4,263,727)
Payments to other vendors	(176,981)
Payments to employees for services	(230,007)
Net cash used in operating activities	<u>(3,567,070)</u>
Cash flows from noncapital financing activities:	
Proceeds from sale of revenue anticipation notes	2,515,000
Principal paid on revenue anticipation notes	(2,500,000)
Interest paid on revenue anticipation notes	(106,867)
Increase in short-term investments	(333,364)
Operating and contract assistance	2,681,877
Net cash provided by noncapital financing activities	<u>2,256,646</u>
Cash flows from investing activities	
Interest income	104,392
Current year increase in state liens	1,193,226
Reduction of state liens	(80,480)
Capital grant activity	(86,332)
Net cash used by investing activities	<u>1,130,806</u>
Change in cash and cash equivalents	(179,618)
Cash and cash equivalents, beginning of year	<u>229,721</u>
Cash and cash equivalents, end of year	<u>\$ 50,103</u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (5,295,627)
Adjustments to reconcile net loss to net cash used in operating activities:	
Depreciation	625,580
Pension expense	72,038
Changes in assets and liabilities	
Receivables, net	1,188,800
Accounts payable and accrued expenses	(157,861)
Net cash used in operating activities	<u>\$ (3,567,070)</u>
Supplemental disclosures of noncash transactions	
Capital assets purchased on behalf of Member Communities of the Authority by the Commonwealth of Massachusetts	\$ 1,193,226

*See accompanying notes to the financial statements*

**CAPE ANN TRANSPORTATION AUTHORITY**  
(A Component Unit of the Massachusetts Department of Transportation)

Notes to Financial Statements

June 30, 2025

**Note 1. The Reporting Entity**

The Authority, a political subdivision of the Commonwealth of Massachusetts (the Commonwealth), was established in accordance with Chapter 161B of the Massachusetts General Laws to provide a public transit system for the territory comprised of the City of Gloucester and the Towns of Rockport, Ipswich, Essex, and Hamilton and Manchester-by-the-Sea. In accordance with requirements of Statement No. 14, *The Financial Reporting Entity, of the Governmental Accounting Standards Board* (GASB), the financial statements must present the Authority (the primary government) and its component units. Pursuant to this criterion, no component units were identified for inclusion in the accompanying financial statements. Additionally, the accompanying financial statements are incorporated into the financial statements of the Commonwealth as the Authority is a component unit of the Massachusetts Department of Transportation.

**Note 2. Summary of Significant Accounting Policies**

**A. Basis of Accounting**

The operations of the Authority are accounted for as an enterprise fund on an accrual basis in order to recognize the flow of economic resources. Under this basis, revenues are recognized in the period in which they are earned, expenses are recognized in the period in which they are incurred, depreciation of assets is recognized, and all assets and liabilities associated with the operation of the Authority are included in the Statements of Net Assets. The principal revenues of the Authority are fare box revenues received from patrons. The Authority also recognizes as operating revenue the rental fees received from vendors from operating leases of Authority property. Operating expenses for the Authority include the costs of operating mass transit and demand responsive services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. CATA considers restricted or unrestricted amounts to have been spent from unrestricted amounts when an expenditure is incurred for purposes for which both restricted and unrestricted amounts are available.

**B. Budget**

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

**C. Cash and Cash Equivalents**

Cash includes amounts in demand deposits. Cash equivalents include all highly liquid deposits with an original maturity of three months or less when purchased. These deposits are fully collateralized or covered by federal deposit insurance except as stated in Note 3. The carrying amount of the cash equivalents is fair value. For purposes of the statement of cash flows, the Authority considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

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**D. Accounts Receivable**

Accounts receivable are due from various state agencies for services provided to designated individuals. At June 30, 2025 all accounts were deemed collectable.

**E. Compensated Absences**

Employees of the Authority are entitled to paid vacations, paid sick days and personal days off, depending on job classification, length of service and other factors. The Authority's policy is to recognize the costs of compensated absences when actually accrued, subject to accumulation limitations in accordance with personnel policies. The vested accrual balance at June 30, 2025 was \$19,136, an increase of \$10,063 from the prior year.

**F. Capital Assets**

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

**G. Depreciation**

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

Buildings	20-40 years
Vehicles	5-12 years
Passenger Shelters	5 years
Furniture, fixtures and equipment	5-7 years

**H. Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

**I. Concentration of Credit Risk**

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

**J. Available Unrestricted Resources**

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

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**K. Inventories**

Inventories are stated at the lower of cost or market, on a first in first out basis.

**L. Statement of Net Position**

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

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

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

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

**M. Restricted Assets and Restricted Liabilities**

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

**N. Implementation of GASB Pronouncements**

During fiscal 2025, the following GASB Pronouncements were adopted and implemented, when necessary, by the Authority. The adoption of these statements did not have a material impact on the Authority's financial statements.

- No. 103 – *Financial Reporting Model Improvement*
- No. 104 – *Disclosure of Certain Capital Assets*

The GASB has not issued any further statements which require adoption subsequent to June 30, 2025.

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**Note 3. Cash and Short-term Investments**

**A. Investment Policy**

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

**B. Custodial Credit Risk**

Custodial credit risk is the risk that in the event of a bank failure, the government’s deposits may not be returned to it. The government does not have a deposit policy for custodial risk. As of June 30, 2025 \$-0- of the government’s bank balance of \$50,103 was exposed to custodial credit risk as uninsured and uncollateralized.

**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 the MMDT investment at June 30, 2025 was \$1,901,068’ and its average maturity is less than one year.

**D. Credit Risk**

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

**E. Fair Value Measurements**

The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

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

**F. Liquidity**

MMDT does not place any limitation or restrictions on participant withdrawals. MMDT has no redemption restrictions.

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**Note 4. Receivables**

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

United states Department of Transportation	
Direct federal grants	
CARES grant	\$ 566,586
Operating assistance	14,838
Commonwealth of Massachusetts	
Operating grants	169,509
Local operating assistance billed by the State to the communities constituting the Authority and paid by the State to the Authority	1,364,160
Capital grants	2,223,087
Miscellaneous	<u>32,401</u>
Total Receivables	4,370,581
Less noncurrent receivables	<u>507,769</u>
Current Receivables	<u>\$ 3,862,812</u>
Capital assistance	
Federal grants	997,385
Commonwealth of Massachusetts	<u>1,225,702</u>
Total Capital Grant Receivables	<u>\$ 2,223,087</u>

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**Note 5. Right-of-Use Receivable**

Amounts recognized as right-of-use receivable related to operating leases where the Authority is the Lessor are included on the statement of net position as lease receivable in the current and noncurrent assets. Deferred revenues from these leases are recorded as deferred inflows of resources.

	Year	Operating Leases
	2026	\$ 98,400
	2027	<u>99,720</u>
Total		198,120
Less effects of discounting		<u>8,047</u>
Lease receivables recorded at June 30, 2023		190,073
Less current portion		<u>97,592</u>
Long-term lease receivables		<u>\$ 92,481</u>

**Note 6. Grants**

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

The Authority has a contract with the Commonwealth for operating assistance as provided for in the enabling legislation under which the Commonwealth will pay the Authority a portion of its net cost of service. The amount of this contract assistance for fiscal year 2025 was \$2,291,690.

The State has awarded CATA a number of contracts for specific transit projects as listed in the table below.

Contract name	Contract Number	Contract Limit	Current Year	Prior Years	Remaining Balance	A/R Balance
Shared Streets	119992	\$ 302,937	161,410	44,087	97,440	10,293
Innovation - Cape Ann Works	127001	684,089	176,998	-	507,091	57,534
Innovation - CATA	126994	547,333	126,303	-	421,030	58,526
Dialysis	127537	58,854	58,854	-	-	-
Fare Free	129017	290,354	194,056	-	96,298	-
Access for All	129875	<u>202,286</u>	<u>28,092</u>	<u>-</u>	<u>174,194</u>	<u>-</u>
Total		<u>\$2,085,853</u>	<u>745,713</u>	<u>44,087</u>	<u>1,296,053</u>	<u>126,353</u>

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**Note 7. Capital Assets**

The following is a summary of changes in Capital Assets at June 30, 2025:

	Beginning balance	Additions	Disposals	Ending balance
Capital assets not being depreciated:				
Land	\$ 850,000	-	-	850,000
Construction in progress	-	2,191,532	-	2,191,532
Total capital assets not being depreciated	850,000	2,191,532	-	3,041,532
Other capital assets:				
Buildings and improvements	6,078,846	-	-	6,078,846
Transit equipment	7,025,098	901,500	-	7,926,598
Service equipment	289,277	-	-	289,277
Electronic equipment	438,395	-	-	438,395
Service vehicles	87,878	28,160	-	116,038
Furniture & Fixtures	167,370	-	-	167,370
Total other capital assets at historical cost	14,086,864	929,660	-	15,016,524
Less accumulated depreciation for:				
Buildings and improvements	3,398,643	154,274	-	3,552,917
Transit equipment	3,602,738	447,260	-	4,049,998
Service equipment	191,897	15,110	-	207,007
Electronic equipment	435,335	1,748	-	437,083
Service vehicles	87,878	4,693	-	92,571
Furniture & Fixtures	148,665	2,495	-	151,160
Total accumulated depreciation	7,865,156	625,580	-	8,490,736
Other capital assets, net	6,221,708	304,080	-	6,525,788
Total capital assets, net (Note 12)	7,071,708	2,495,612	-	9,567,320
Other reportable assets subject to liens				
MAP vehicles	1,072,411	1,193,226	67,580	2,198,057
Less accumulated depreciation for:				
MAP vehicles	964,132	80,480	67,580	977,032
Total other reportable assets	108,279	1,112,746	-	1,221,025
Capital assets	\$ 7,179,987	3,608,358	-	10,788,345

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**Note 8. Revenue Anticipation Notes**

At June 30, 2025, the Authority had \$2,515,000 of revenue anticipation notes (RAN) outstanding. The RANs have a weighted average net interest cost (NIC) of 4.3235% and are due July 2, 2025.

	Outstanding at June 30 2024	Issued	Retired	Outstanding at June 30 2025
4.1036% revenue anticipation note	\$ 2,500,000	-	2,500,000	-
4.3235% revenue anticipation note	-	2,515,000	-	2,515,000
Total	\$ 2,500,000	2,515,000	2,500,000	2,515,000

Subsequent to the year end, the Authority retired \$2,515,000 of the notes outstanding at year end. The retirement was financed by the borrowing of \$2,743,000 of revenue anticipation notes; they have a weighted average interest cost of 4.281% and are due July 15, 2026. The Authority uses the proceeds of these notes to fund its mass transit operations.

**Note 9. Pension Plan**

**General Information about the Pension Plan**

**A. Plan Description**

The Gloucester Contributory Retirement System (the "System") is a cost sharing, multiple employer defined benefit pension plan established and administered by the Gloucester Retirement Board under the provisions of Chapter 32 of the Massachusetts General Laws to provide pension benefits for participants of the System. Participating member units include the City of Gloucester, the Gloucester Housing Authority, and the Cape Ann Transportation Authority.

Membership in the System is mandatory for all full-time employees and nonseasonal, part-time employees who, in general, regularly work more than 20 hours per week. Teachers and certain administrative personnel employed by the City's school department participate in a separate pension plan administered by the Massachusetts Teachers Retirement System, which is the legal responsibility of the Commonwealth of Massachusetts (the Commonwealth). Members of the System do not participate in the Social Security retirement system.

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**B. Benefits Provided**

Massachusetts contributory retirement system benefits are uniform from one public pension system to another. The 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 System include normal retirement, disability retirement, and survivor benefits.

1. Generally, normal retirement occurs between ages 65 and 67. However, most participants with a hire date before April 2, 2012 may retire after twenty years of creditable service or at any time after attaining age 55. For most participants hired on or after April 2, 2012, they must attain the age of 60 before they can retire. 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 or 60, as applicable. Participants become vested after ten years of creditable service. Benefits commencing before age 65 are generally provided at a reduced rate. However, members working in certain occupations may retire with full benefits earlier than age 65.
2. 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 creditable service, average compensation and veteran status.

3. Survivor benefits are extended to eligible beneficiaries of participants whose death occurs prior to or following retirement.

Cost-of-living adjustments granted to members of Massachusetts retirement systems granted between 1981 and 1997 and any increases in other benefits imposed by the Commonwealth during those years are the financial responsibility of the Commonwealth. The Commonwealth is expected to continue funding the cost-of-living amounts granted over this period for the duration of their selected retirement option. Cost-of-living adjustments granted after 1997 must be approved and funded by the System. Cost-of-living adjustments cannot exceed the greater of CPI or 3%. The System approved a 3% cost-of-living adjustment on the first \$14,000 of pension benefits for 2022.

The 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 System's benefit terms in 2022.

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**C. Funding Policy**

The Authority is required to pay into the Retirement System its share of the system-wide actuarially determined contribution, which is apportioned among the employers, based on active covered payroll. The Authority's contribution to the Retirement System for the year ended June 30, 2025 was \$56,751, which equaled its required contribution for the year.

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

At June 30, 2025, the Authority reported a liability of \$429,694 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. Update procedures were used to roll back the total pension liability to December 31, 2024. 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 0.40 percent.

Since GCRS performs an actuarial valuation bi-annually, there are no reported amounts for changes in benefit terms differences between expected and actual experience and changes in assumptions as of December 31, 2024.

In the GCRS Financial Statements for the year ended December 31, 2024, in addition to assets, the statement of fiduciary net position will sometimes report a separate section for deferred outflow of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of fiduciary net position that applies to a future period (s) and so will not be recognized as an outflow of resources (deduction) until then. The GCRS did not have any items that qualify for reporting in this category.

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

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For the year ended June 30, 2025, the Authority recognized pension expense of \$128,790 and reported deferred outflows and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources
Difference between expected and actual experience	\$ 4,798
Net difference between projected and actual investment earnings on pension plan investments	9,064
Change of assumptions	3,395
Changes in proportion and differences between employer contributions and proportionate share of contributions	274,596
	<u>\$ 291,853</u>

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

Year ended June 30	Deferred Inflows of Resources
2026	\$ 92,653
2027	105,124
2028	88,838
2029	<u>12,238</u>
Total	<u>\$ 291,853</u>

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**A. Actuarial Assumptions**

The total pension liability was determined by an actuarial valuation as of January 1, 2024, rolled forward to the plan's measurement date of December 31, 2024 using the following assumptions:

Valuation date	January 1, 2024
Actuarial cost method	Entry age
Amortization method	Total appropriation increases 6.80% per year.
Remaining amortization period	12 years from July 1, 2022
Asset valuation method	Market value of assets less unrecognized returns in each of the last four years. Unrecognized return is equal to the difference between the actual market return and the expected return on the actuarial value, and is recognized over a four-year period, further adjusted, if necessary, to be within 10% of the market value.
Investment rate of return	7.00%
Wage inflation rate	3.00%
Projected salary increases	4.00%
Cost of living adjustments	3% of the first \$14,000
Mortality rates:	
Pre-retirement	RP-2014 Blue Collar Employee Mortality Table projected generationally using Scale MP-2021
Healthy annuitant	RP-2014 Blue Collar Healthy Annuitant Mortality Table projected generationally using Scale MP-2021
Disabled	RP-2014 Blue Collar Healthy Annuitant Mortality Table set forward one year projected generationally using Scale MP-2021

*Investment policy:* The pension plan's policy in regard to the allocation of invested assets in the Pension Reserve Investment Trust (PRIT) is established by the Pension Reserves Investment Management Board (PRIM). The policy with regard to the allocation of all other invested assets is established by the Retirement Board. 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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The long term expected rate of return on pension plan investments was determined using a building block method in which expected future real rates of return (expected returns, net of 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. The target allocation (approved by the Board) and projected arithmetic real rates of return for each major asset class, after deducting inflation, but before investment expenses, used in derivation of the long-term expected investment rate of return assumption 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%
Timber	4.00%	3.82%
Hedge fund, GTAA, Risk parity	10.00%	2.77%
Private equity	<u>16.00%</u>	9.20%
Total	<u>100.00%</u>	

**B. Discount Rate**

The discount rate used to measure the total pension liability was 7.00 percent which was unchanged from the prior year. The projection of cash flows used to determine the discount rate assumed 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 contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected 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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**C. 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 at December 31, 2024 calculated using the discount rate of 7.00 percent, as well as what the Authority’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00 percent) or 1-percentage-point higher (8.00 percent) than the current rate:

	1% Decrease 6.00%	Discount Rate 7.00%	1% Increase 8.00%
Authority's proportionate share of the net pension liability	\$ 552,105	\$ 429,694	\$ 326,232

**D. Changes in Actuarial Assumptions and Plan Provisions**

Changes in Assumptions

None

Change in Plan Provisions

None.

**E. Pension plan fiduciary net position**

Detailed information about the pension plan’s fiduciary net position is available in the separately issued GCRS financial report that can be obtained from the Gloucester Contributory Retirement System, 127 Eastern Avenue, Gloucester, Massachusetts, 01930.

**Other Pension Plans**

The Authority also administers a deferred compensation plan through which employees can participate in a voluntary, payroll-deducted retirement program created in accordance with Internal Revenue Code Section 457. The deferred compensation is not available to employees until termination, retirement, death approved or unforeseeable emergency. All amounts of compensation deferred, property purchased with those amounts, and all income attributable to those amounts are held in trust for the exclusive benefit of participants and their beneficiaries. The Authority makes no contribution on behalf of its employees.

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**Note 10. Risk Management**

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

GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, requires that liabilities for self-insured claims be reported if it is probable that a loss has been incurred and the amount can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported. The estimated liability for all self-insured losses incurred but not reported is not material at June 30, 2025.

Health insurance benefits for employees are provided through a health maintenance organization. The Authority's contributes 75% of the premium cost for employees. In 2025, expenditures for the Authority's share of health insurance contributions were \$31,900. The Authority purchases insurance for worker's compensation for its employees.

**Note 11. Commitments and Contingent Liabilities**

**A. Fuel Contracts**

The Authority has the following contracts outstanding during the fiscal year:

<u>Product</u>	<u>Term</u>	<u>Gallons</u>	<u>Price</u>
Unleaded Gasoline	6/1/25 - 6/30/26	40,000	\$ 2.399
Ultra Low Sulfur Diesel	6/1/25 - 6/30/26	40,000	\$ 2.495
Heating Oil	5/20/25 - 6/30/26	14,000	\$ 2.600

**B. Receivables**

The state changed its methodology for reimbursing the Authority for assessments presented in current and past audits. This change affected all transit authorities in the Commonwealth with the exception of the MBTA. CATA has accumulated \$439,789 in shortages going back to fiscal 2008. Discussions have been going on through the Authority's representative, the Massachusetts Association of Regional Transit Authorities (MARTA). Little progress has been made in resolving this matter. The state changed the format of current reimbursement to two years in arrears from one year.

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**C. Commitments**

The Authority entered into a five-year agreement for management and preventive maintenance services effective January 1, 2022. The agreement is for a three-year term ending December 31, 2024, with two additional one-year options exercisable at the Authority's sole discretion at an initial annual management fee of \$182,329. The contract can be terminated by CATA for convenience.

**D. Legal and Other**

The Authority participates in a number of federally assisted grant programs. These programs are subject to financial and compliance audits by the grantors or their representatives. In the opinion of the Authority's management, liabilities resulting from such disallowed expenditures, if any, will not be material to the accompanying financial statements.

**Note 12. Net Assets – Investments in Capital Assets**

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

Cost of Capital Assets Acquired	\$ 20,256,113
Less: Accumulated Depreciation	9,467,768
Less: Outstanding Debt Related to Capital Assets (Liens)	<u>1,221,025</u>
Investments in Capital Assets	<u>\$ 9,567,320</u>

**Note 13. Extraordinary Reserve, Stabilization Fund, Section 10 Reserve, Deferred Revenue**

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 that are both unusual in nature and infrequent in occurrence. The total reserve amount may not exceed 20% of the prior year's local assessment and the annual funding cannot exceed 3% of the current year's local assessment. The accumulated aggregate reserve of \$35,500 (which represents approximately 4.15% of the applicable local assessment of \$856,041).

Chapter 161B of the General Laws of the Commonwealth has been amended to allow the Authority to establish a stabilization fund, which can be accessed for capital improvements or to offset an unforeseen and dramatic loss of revenue within a fiscal year. The Authority maintains a stabilization fund in the amount of \$1,447,852.

Section 10 of Chapter 161B of the General Laws of the Commonwealth of Massachusetts allows the Authority to establish a reserve fund with the approval of the advisory board to set aside excess funds earned by the Authority. The amount placed in the reserve is in excess of the state contract assistance for fiscal 2021 which was allocated to the Section 6 reserve and the stabilization fund permitted by Section 26. The remaining excess amount from fiscal 2021 is \$342,293.

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June 30, 2025

**Note 14. Transit Service**

The operation of the Authority's fixed route service and maintenance of the Authority's transportation property are performed by Cape Ann Transit Management, Inc. (CATM) a wholly owned subsidiary of Transdev under the terms of an agreement whereby CATM operates mass transit along such routes and according to such a schedule as defined by the Authority. In return, the Authority agrees to pay Transdev a management fee and to reimburse CATM for all costs and expenses which are reasonable and necessary for the efficient operation of the service. CATM also operates bus and van services for the elderly, handicapped, and low-income persons.

**Note 15. Related Parties**

**A. City of Gloucester**

The Authority has entered in an agreement with the City of Gloucester to lease 11,152 square feet of office space. The term of the lease is effective from July 1, 2022 through June 30, 2027 and calls for initial monthly payments of \$7,870 plus a pro-rata share of heating costs. The City pays its own utilities. The City has the right to extend the lease for four additional one-year periods at annual increases of \$110 per month. Rental revenue for the year ended June 30, 2025 were \$97,080. The Authority advertised the rental of this space and sent out requests for proposals to public and private entities. The City of Gloucester was the only respondent. Its reply was considered to be arms-length based on the location of the property and the current use by the owner.

**B. Massachusetts Department of Transportation**

The Authority is deemed to be a related party of the Commonwealth of Massachusetts and the Massachusetts Department of Transportation due to its status as a component unit. Related party transactions consisted of Operating Assistance of \$2,291,690; State Capital Assistance of \$2,668,750; and Local Assessments of \$856,041 to be paid to the Authority by the Commonwealth. Related party receivables consist of \$1,364,160 in local operating assistance to be billed to the Communities constituting the Authority, and \$1,225,702 of State Capital Assistance.

**Note 16. Executive Compensation**

Administration and Finance regulations, 801 CMR 53.00, on Executive Compensation require that the Authority disclose in the annual financial statements the "salaries and other compensation of its executive director, officers, board members and other highly compensated employees". Compensation is defined in the regulation, 801 CMR 53.04 (1) to include "base salary, bonuses, severance, retirement or deferred compensation packages and policies relative to the accrual and payment of sick and vacation time, including payouts for unused sick and vacation time". The administrator is the only individual for whom disclosure is required. Based on the above definition of compensation the administrator received \$130,249 during the fiscal year.

**CAPE ANN TRANSPORTATION AUTHORITY**  
(A Component Unit of the Massachusetts Department of Transportation)

Notes to Financial Statements

June 30, 2025

**Note 17. COVID-19**

During fiscal 2020 the Coronavirus epidemic significantly affected the Authority’s operations. Most brokerage and demand responsive services were discontinued, fare revenues were not collected and ridership decreased significantly. CATA was required to incur expenses for personal protection equipment, barriers and disinfectant related products and cleaning services. In response to the effects of COVID-19, the Coronavirus Aid Relief, and Economic Security Act (CARES Act) was signed into law. The purpose of that law was to help the Authority fully fund their revenue losses and cover the additional expenses require to protect employees and riders. The funding of \$1,587,875 requires no local match.

The following table represents drawdowns made to June 30, 2025.

	Grant Amount	Current Expenditures	Prior Expenditures	Remaining Balance
CARES Act	\$ 1,587,875	566,586	1,021,289	-

**Note 18. MAP Vehicles**

Mobility Assistance vehicles are provided directly to the local communities by the Commonwealth of Massachusetts. Funding for these acquisitions is in the form of a grant from the Federal Transit Administration to the Massachusetts Department of Transportation (MassDOT). The only involvement of the Authority is that the vehicles are titled in the name of the Authority. MassDOT places a lien on each vehicle preventing the Authority from taking ownership until the estimated useful life of the vehicles is over. The valuation of each vehicle is its acquisition price offset by an equal amount assigned to the lien. The lien amount is reduced annually by the amount of depreciation recorded.

**Note 19. Subsequent Events**

The Authority has evaluated subsequent events to June 30, 2025 through March 30, 2026, the date the financial statements were available for issuance, and determined that other than the RAN refinancing, there are no material items that would require recognition or disclosure in the Authority’s financial statements. No adjustments were made.

**CAPE ANN TRANSPORTATION AUTHORITY**  
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Required Supplementary Information (Unaudited)

Schedule of the Authority's Proportionate Share of the Net Pension Liability and Related Ratios

Last 10 Fiscal Years

	Authority's proportion of the net pension liability	Authority's proportionate share of the net pension liability	Authority's covered-employee payroll	Authority's proportionate share of the net pension liability as a percentage of its covered-employee payroll	Plan fiduciary net position as a percentage of total pension liability
2025	0.40%	\$ 429,694	\$ 157,769	272.36%	61.86%
2024	0.33%	\$ 378,711	\$ 125,473	301.83%	54.68%

**Notes to Required Supplementary Information**

**Measurement Date**

The amounts presented in this schedule were determined as of December 31, 2024.

**Schedule Presentation**

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

**Changes Information**

Since the Gloucester Contributory Retirement System performs an actuarial valuation bi-annually, there are no reported amounts for the changes in benefit terms, differences between expected and actual experience and changes in assumptions as of December 31, 2024.

*See accompanying independent auditors' report.*

**CAPE ANN TRANSPORTATION AUTHORITY**  
(A Component Unit of the Massachusetts Department of Transportation)  
Required Supplementary Information (Unaudited)

Schedule of Pension Contributions

Last 10 Fiscal Years

	Actuarially required contribution	Contributions in relation to the actuarially required contribution	Contribution deficiency (excess)	Covered-employee payroll	Contributions as a percentage of its covered-employee payroll
2025	\$ 56,571	\$ 56,571	\$ -	\$ 157,769	35.86%
2024	\$ 43,838	\$ 43,838	\$ -	\$ 125,473	34.94%

**Notes to Required Supplementary Information**

**Schedule Presentation**

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

**Contributions**

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

*See accompanying independent auditors' report.*

**CAPE ANN TRANSPORTATION AUTHORITY**  
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Required Supplementary Information (Unaudited)

Schedule of Revenue, Expenditures and Changes in Net Position- Budget and Actual

Year Ended June 30, 2025

	Budgeted Amounts	Actual Budgetary Amounts	Positive (Negative) Variance
<b>Revenues</b>			
Federal operating assistance	\$ 762,895	606,240	(156,655)
Commonwealth of Massachusetts			
Contract assistance	2,223,821	2,291,690	67,869
Other operating assistance	609,649	745,713	136,064
Member communities' assessments	856,645	856,041	(604)
Interest and other	573,244	578,762	5,518
	<u>5,026,254</u>	<u>5,078,446</u>	<u>52,192</u>
<b>Total Revenues</b>			
<b>Expenditures</b>			
Fixed route transit services	2,435,277	2,445,087	(9,810)
Demand response	1,837,139	1,965,736	(128,597)
Administration	642,588	631,183	11,405
Interest	111,250	108,478	2,772
	<u>5,026,254</u>	<u>5,150,484</u>	<u>(124,230)</u>
<b>Total expenditures</b>			
Net Budget	<u>\$ -</u>	<u>(72,038)</u>	<u>72,038</u>

*See notes to required supplementary information and accompanying independent auditor's report.*

**CAPE ANN TRANSPORTATION AUTHORITY**  
(A Component Unit of the Massachusetts Department of Transportation)

Notes to Required Supplementary Information (Unaudited)

As of and For the Year Ended June 30, 2025

An annual budget is legally adopted by the Authority. The Authority's Administrator oversees the budgeting process, which is approved annually by the Advisory Board.

The Authority's annual budget is prepared on a basis of accounting other than Generally Accepted Accounting Principles(GAAP). The actual budgetary amounts column of the Schedule of Revenues, Expenditures and Changes in Net Position – Budget and Actual is presented on a budgetary basis to provide meaningful comparison to the adopted budget. A complete reconciliation is provided below:

Expenditures - budgetary basis	\$ 5,150,484
Depreciation and amortization	625,580
Accounting for post-employment benefits	<u>(72,038)</u>
Expenses - GAAP basis	<u><u>\$ 5,704,026</u></u>

**CAPE ANN TRANSPORTATION AUTHORITY**  
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Schedule of Net Cost of Service

For the Year Ended June 30, 2025

<u>OPERATING COSTS (EXCLUDING DEPRECIATION)</u>	
CATA administrative costs	\$ 559,145
Purchased services	
Motor bus	2,445,087
Demand response	1,965,736
Debt service - interest	<u>108,478</u>
Total operating costs	5,078,446
<u>FEDERAL OPERATING ASSISTANCE</u>	
FTA operating and administrative	606,240
Other federal	<u>-</u>
Total federal assistance	606,240
<u>REVENUES</u>	
Operating	
Farebox revenue	148,164
Other transit services	969,508
Other Revenue	
Rental income	87,761
Interest income	104,392
Miscellaneous	<u>14,650</u>
Total revenue	1,324,475
<u>NET OPERATING DEFICIT</u>	3,147,731
<u>ADJUSTMENTS</u>	-
<u>NET COST OF SERVICE</u>	3,147,731
<u>NET COST OF SERVICE FUNDING</u>	
Local assessments	856,041
State contract assistance to be funded	2,291,690
Less: state contract assistance received	2,291,690
Balance requested from the State	-
<u>UNREIMBURSED DEFICIT</u>	-

*See accompanying independent auditors' report*

**CAPE ANN TRANSPORTATION AUTHORITY**  
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Schedule of Local Assessments

For the Year Ended June 30, 2025

The following table shows the local share that has been assessed upon each member municipality by the Commonwealth for fiscal year 2024 as well as the audited amount for fiscal 2025.

	Fiscal 2024 Assessment	Fiscal 2025 Audited
Essex	\$ 27,206	27,886
Gloucester	428,554	439,268
Hamilton	159,037	163,013
Ipswich	109,489	112,226
* Manchester-by-the-Sea	-	-
Rockport	<u>110,876</u>	<u>113,648</u>
 Totals	 <u>\$ 835,162</u>	 <u>856,041</u>

\* Manchester-by-the-Sea did not receive any service in Fiscal 2024 and 2025.