**PIONEER VALLEY TRANSIT AUTHORITY**

**Financial Statements and**

**Supplementary Information**

**June 30, 2013**

Table of Contents

Adelson & Company PC
CERTIFIED PUBLIC ACCOUNTANTS
Established 1938

Richard F. LaFleche, CPA
Vincent T. Viscuso, CPA
Gary J. Moynihan, CPA
Karen M. Kowalczyk, CPA
Carol Leibinger-Healey, CPA
David M. Irwin, Jr., CPA

# INDEPENDENT AUDITOR'S REPORT

To the Advisory Board of the
**PIONEER VALLEY TRANSIT AUTHORITY**
2808 Main Street
Springfield, MA 01107

**Report on the Financial Statements**

We have audited the accompanying financial statements of the business-type activities of the Pioneer Valley Transit Authority, a component unit of the Massachusetts Department of Transportation, as of and for the years ended June 30, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the Pioneer Valley Transit Authority's basic financial statements as listed in the table of contents.

***Management's Responsibility 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; this includes 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.

***Auditor's Responsibility***
Our responsibility is to express an opinion on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

100 NORTH STREET, PITTSFIELD, MA 01201, PHONE (413) 443-6408, FAX (413) 443-7838
21 MECHANIC STREET, GREAT BARRINGTON, MA 01230, PHONE (413) 528-5699, FAX (413) 528-5626
WWW.ADELSONCPA.COM ■ EMAIL: INFO@ADELSONCPA.COM

***Unmodified Opinion***
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 Pioneer Valley Transit Authority, as of June 30, 2013 and 2012, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

*Required Supplementary Information*
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on page 4, the budgetary comparison information on pages 6 and 7, and the schedules of pension and retiree health plan funding progress information on pages 30 through 31, be presented to supplement the basic financial statements. Such information, 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 an opinion on the financial statements that collectively comprise the Pioneer Valley Transit Authority's basic financial statements. The supplementary information starting on page 32 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary 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. Such 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 information is fairly stated in all material respects in relation to the basic 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 September 17, 2013 on our consideration of the Pioneer Valley Transit 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 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 Pioneer Valley Transit Authority's internal control over financial reporting and compliance.

Adelson + Company PC
ADELSON & COMPANY PC

September 17, 2013

**PIONEER VALLEY TRANSIT AUTHORITY**

**Management's Discussion and Analysis**

**For the Year Ended June 30, 2013**

As the Administrator of the Pioneer Valley Transit Authority (the Authority), I offer readers of the Authority's financial statements this overview and analysis of the financial activities of the Authority for the fiscal year ended June 30, 2013.

## Financial Highlights

- The assets of the Authority exceeded its liabilities at June 30, 2013 by $51,527,251.
- The Authority's total net position decreased by $1,371,850 in fiscal year 2013 as shown below:

| | 6/30/2013 |
|---|---|
| Increase in other post employment benefits as required by GASB 45 | $ (2,150,255) |
| Increase in reserves for extraordinary expenses | 201,757 |
| Loss before capital and other items | (1,948,498) |
| Contributed capital | 10,335,601 |
| Depreciation on capital assets | (9,758,953) |
| Decrease in net position | $ (1,371,850) |

- The total operating revenue increased $51,678 from fiscal year 2012.
- The operating expenses increased $1,294,143 or 3.3% from fiscal year 2012.
- The Authority expended $10,357,991 on capital assets.

The Authority's operations are funded annually through a state required computation of the net cost of service. Except for the establishment of a restricted reserve, as allowed under Massachusetts General Laws, the Authority's funding cannot exceed its net cost of service.

## Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements, which consist of the Statement of Net Position, Statement of Revenues, Expenses and Changes in Fund Net Position, Statement of Cash Flows and Notes to the Financial Statements. The Authority is a special purpose government engaged only in business-type activities. As such, its financial statements consist of only those required for enterprise funds and notes to the financial statements.

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes to the financial statements can be found on pages 9 through 29 of this report.

# PIONEER VALLEY TRANSIT AUTHORITY

## Management's Discussion and Analysis

## For the Year Ended June 30, 2013

In addition to the basic financial statements and accompanying notes, this report also presents pension funding progress and retiree health plan funding progress which is required supplemental information. The required supplementary information can be found on pages 30 and 31 of this report.

**Government Financial Analysis**

The Authority's net position consists almost exclusively of its net investment in capital assets (e.g. land, construction in progress, buildings, revenue vehicles and equipment); less any related debt used to acquire those assets that are still outstanding. 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 its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt, if any, must be provided from other sources, since the capital assets themselves can not be used to liquidate these liabilities. The Authority currently has no capital lease obligations or capital debt.

**Summary of Net Position**

| | 6/30/2013 | 6/30/2012 |
|---|---|---|
| Total current assets | $ 37,969,455 | $ 35,696,682 |
| Prior receivables from the State | 5,975,759 | 5,975,759 |
| Allowance for uncollectible | (5,975,759) | (5,975,759) |
| Investment in Holyoke Intermodal Facility, LLC | 4,091,077 | 4,107,260 |
| Property and equipment, net | 63,237,601 | 62,660,503 |
| Total assets | 105,298,133 | 102,464,445 |
| Total liabilities | 53,770,882 | 49,565,344 |
| Investment in capital assets, net of related debt | 67,328,678 | 66,767,763 |
| Restricted reserve | 677,304 | 475,547 |
| Unrestricted | (16,478,731) | (14,344,209) |
| Total net position | $ 51,527,251 | $ 52,899,101 |

Net assets may serve over time as a useful indicator of a financial position. The Authority's assets exceeded its liabilities by $51,527,251 at the close of fiscal year 2013.

An additional portion of the Authority's net position, shown as "restricted reserve", represents resources that are subject to approval of the Secretary of Transportation. As of June 30, 2013, the Authority's reserve for extraordinary expenses was $677,304.

**PIONEER VALLEY TRANSIT AUTHORITY**

**Management's Discussion and Analysis**

**For the Year Ended June 30, 2013**

Unrestricted net position represents funds that may be used to fund current operations. During fiscal year 2013, the Authority's unrestricted net position decreased a net amount of $(1,371,850) from fiscal year 2012 for a total negative unrestricted balance of $(16,478,731) at June 30, 2013.

**Summary of Statement of Revenues, Expenses and Changes in Fund Net Position**

| | 6/30/2013 | 6/30/2012 |
|---|---|---|
| Total operating revenues | $ 7,406,431 | $ 7,354,753 |
| Total operating expenses | 40,284,514 | 38,990,371 |
| Operating income (loss) | (32,878,083) | (31,635,618) |
| Total non-operating revenues (expenses) | 30,929,585 | 30,194,758 |
| Income (loss) before capital contributions and other items | (1,948,498) | (1,440,860) |
| Capital contributions | 10,335,601 | 24,051,704 |
| Nonreimbursable depreciation | (9,758,953) | (8,760,922) |
| Change in net position | (1,371,850) | 13,849,922 |
| Net position, beginning | 52,899,101 | 39,049,179 |
| Net position, ending | $ 51,527,251 | $ 52,899,101 |

Operating revenues increased $51,678 from the prior year. Most increases were from pass sales, as credit card and web access via PayPal has made it easier for customers to purchase passes.

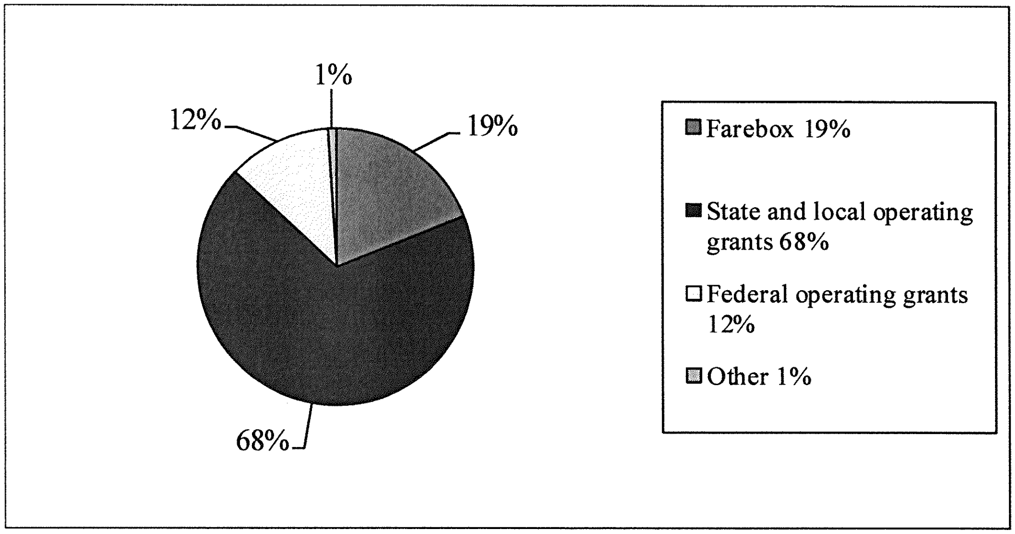
Operating expenses increased $1,294,143 or 3.3% from the prior year; fixed route service increased $1,232,052 from fiscal year 2012 mainly due to increased costs associated with insurance claims, contracted labor and related fringes; paratransit services decreased $(209,560) from fiscal year 2012 primarily due to insurance claims and fuel; shuttle service increased $2,210 from fiscal year 2012; administrative salaries and fringe benefits increased by $56,103 from fiscal year 2012 primarily due to an increase in accrued pension costs; and other administrative expenses increased $213,338 from fiscal year 2012, over half of which was for the comprehensive service review.

**PIONEER VALLEY TRANSIT AUTHORITY**

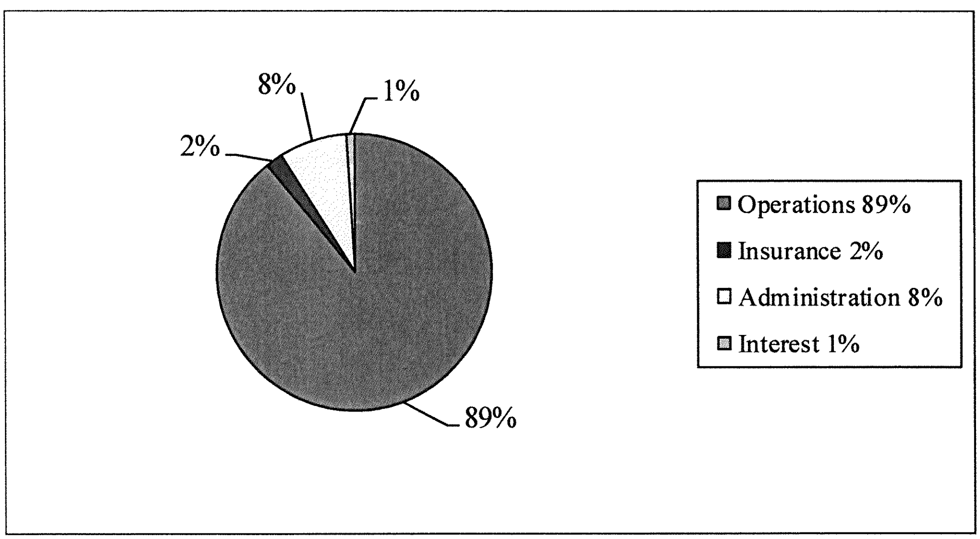
**Management's Discussion and Analysis**

**For the Year Ended June 30, 2013**

Total Operating and Non-operating
Revenues of $38,591,356 by Source




Total Operating and Non-operating
Expenses of $40,539,854 by source



# PIONEER VALLEY TRANSIT AUTHORITY

## Management's Discussion and Analysis

## For the Year Ended June 30, 2013

**Budget vs. Actual** - an analysis of significant budget variances (budget versus actual results), including reasons for the variances that may affect future services or liquidity is as follows:

### Revenues

*Fare revenues*

| | FY2013 Actual | FY2013 Budget | Variance + (-) |
|---|---|---|---|
| Fixed route income | $ 6,706,255 | $ 6,501,067 | $ 205,188 |
| Paratransit income | 668,227 | 668,154 | 73 |
| Shuttle service income | 31,949 | 29,497 | 2,452 |
| | $ 7,406,431 | $ 7,198,718 | $ 207,713 |

Ridership increased 2% this fiscal year, primarily due to high fuel prices, beyond what was projected at budget time last year.

*Government assistance*

| | FY2013 Actual | FY2013 Budget | Variance + (-) |
|---|---|---|---|
| Federal assistance | $ 4,765,980 | $ 6,152,578 | $ (1,386,598) |
| State contract assistance | 19,090,849 | 18,106,342 | 984,507 |
| Local assistance | 6,893,369 | 6,893,369 | --- |
| Other State assistance | 110,000 | 110,000 | --- |

The final State Contract Assistance number came in over the budgeted base by $958,169 ($17,174,511 as opposed to the budgeted $16,216,342). Additionally, in July of 2012 the extra payment on the subsidy agreement included $26,338 more than expected. The latter number was known all year, but the large overage was not known until the fiscal year was completed. A contract was signed on August 15, 2013 for the larger amount.

Local assistance is the funding received from all of the Authority's communities and is capped at a 2.5% increase each fiscal year.

Other assistance of $110,000 is funding passed through the State to fully fund transportation services provided to Stoneybrook.

**PIONEER VALLEY TRANSIT AUTHORITY**

**Management's Discussion and Analysis**

**For the Year Ended June 30, 2013**

*Other revenues*

| | FY2013 Actual | FY2013 Budget | Variance + (-) |
|---|---|---|---|
| Advertising | $ 227,519 | $ 250,000 | $ (22,481) |
| Other income | 65,024 | 77,979 | (12,955) |
| Interest income | 32,184 | 31,330 | 854 |

Advertising revenue was consistent with the budget but fell slightly short.

Other income was also consistent although somewhat smaller as less gain on the sale of vehicles was achieved than was projected.

**Expenses**

| | FY2013 Actual | FY2013 Budget | Variance + (-) |
|---|---|---|---|
| Fixed route service | $ 28,725,369 | $ 26,701,560 | $ (2,023,809) |
| Paratransit service | 7,687,468 | 8,220,383 | 532,915 |
| Shuttle service | 265,008 | 266,239 | 1,231 |
| Administrative salaries, taxes and fringe benefits | 2,019,434 | 1,808,828 | (210,606) |
| Other administrative expenses | 1,565,295 | 1,428,806 | (136,489) |

Fixed route costs exceeded budget primarily because of the increase in the accrual required under GASB 45 of $2,150,255 to record the liability for non-pension post-retirement benefits. This is an unfunded accrual and has no impact on current year funding.

Paratransit costs were under budget primarily due to a decrease in insurance claim payments and in fuel expenses in fiscal year 2013 over what was expected.

Administrative salaries were over budget due to recording an accrual for the other post-employment benefits of $301,762.

PIONEER VALLEY TRANSIT AUTHORITY

Management's Discussion and Analysis

For the Year Ended June 30, 2013

## Capital and Debt Administration

### Capital Assets

The Authority's investment in capital assets as of June 30, 2013 amounted to $63,237,601, net of accumulated depreciation. The investment in capital assets includes land, construction in progress, buildings, vehicles, and equipment. The Authority primarily acquires its capital assets under federal capital grants with state matching funds. The total purchase of capital assets for the current year was $10,357,991.

Major capital asset activity during the current year included the following:

1. Building improvements of $951,060
2. Acquisition of revenue vehicles of $5,327,584 and disposal of old revenue vehicles of $(4,505,744)
3. Acquisition of equipment of $3,936,343 and disposal of old equipment of $(50,823)
4. Acquisition of service vehicles of $143,004 and disposal of old service vehicles of $(75,735)

**Capital Assets**

| | 6/30/2013 | 6/30/2012 |
|---|---|---|
| Land | $ 265,500 | $ 265,500 |
| Construction in progress | 1,459,564 | 1,202,143 |
| Buildings and improvements | 24,040,840 | 23,347,333 |
| Revenue vehicles | 85,849,703 | 85,027,863 |
| Equipment | 37,908,790 | 34,023,270 |
| Service vehicles | 1,379,680 | 1,312,411 |
| Total capital assets | 150,904,077 | 145,178,520 |
| Accumulated depreciation | (87,666,476) | (82,518,017) |
| Capital assets, net | $ 63,237,601 | $ 62,660,503 |

### Revenue Anticipation Notes

At the end of fiscal year 2013, the Authority had a revenue anticipation note of $35,000,000. This note provides operating cash flow until Commonwealth appropriations are received.

Subsequent to fiscal year end June 30, 2013, the Authority issued a $33,000,000 operating anticipation note maturing on July 25, 2014 at a rate of 1.00%. The favorable interest rate is due to the legislative reinstatement of the full faith and credit of the Commonwealth to repay this note, should Authority funds not be available. The Authority repaid their $35,000,000 note due July 26, 2013.

**PIONEER VALLEY TRANSIT AUTHORITY**

**Management's Discussion and Analysis**

**For the Year Ended June 30, 2013**

## Status of Intermodal Centers

Westfield Intermodal Transportation Center

PVTA, the City of Westfield and its consultant HDR, have completed a MassDOT funded, Joint Development Master Plan on a 2.8 acre site on Elm Street in Downtown Westfield. The plan calls for construction of a stand-alone 4 to 6 floor commercial building, 400 to 500 space parking garage to support the commercial building and downtown, and a standalone transit pavilion with bike storage, paratransit, taxi, fixed-route bus and intercity bus transfer components. The $8 million dollar transit pavilion will be an automated facility to include a bus waiting area, automated ticketing, and electronic kiosks for bus scheduling/trip planning and real-time bus information/signage.

- The Westfield Redevelopment Authority (WRA) has received City and State approvals of its Urban Renewal Plan Update for the redevelopment.

- FTA has concurred with the project delivery method, which will have the WRA assembling the site for the transit facility. Site assembly will include property acquisition and relocations as necessary, survey, site clean-up, demolition and lease. PVTA will be responsible for design, permitting and construction of the transit center portion of the project.

- HDR, under contract with PVTA, is currently completing environmental compliance for the transit facility project under NEPA/MEPA. Once environmental clearances are provided (expected by the end of the calendar year), the property can be acquired and PVTA can advance design and construction of the transit facility portion of the redevelopment.

- PVTA and the City of Westfield have entered into a Memorandum of Understanding that will allow the City/WRA to utilize a MassDOT grant for land acquisition services. The City/WRA anticipates entering into a contract for these services shortly.

- PVTA has secured $3.6 million in federal and state funding for the project but an additional $4 million will need to be secured to complete the project. Subject to funding, the schematic design is scheduled to proceed in late summer followed by final design and construction. The current schedule, again subject to funding, would have the project constructed in 2015.

## Economic Factors and Next Year's Budget

Funding for the Authority's net cost of service (non-capital expenses less all non-capital revenues except state contract assistance and member municipality assessments) is dependent primarily (up to 75%) on operating assistance from the Commonwealth of Massachusetts. The balance (at least 25% but no more than 50%) of the Authority's net cost of service is funded also in arrears (currently 2 years back) through assessments to member municipalities. These assessments may increase annually in the aggregate by no more than 2.5%, plus the members' share of any new services.

**PIONEER VALLEY TRANSIT AUTHORITY**

**Management's Discussion and Analysis**

**For the Year Ended June 30, 2013**

A number of economic factors will or may affect the Authority's 2014 operations, such as increases in payroll and fringe related to union contracts, fuel increases, and other costs of running the Authority. Increases to the State Contract Assistance by the legislature in the final week of the fiscal year granted the Authority a final contract amount of $18,781,087 for fiscal year 2014. The legislature also approved forward funding. MassDOT has approved a plan to fund PVTA 45-60 days prior to the maturity of the Revenue Anticipation Notes (RAN's). This amount of $18,781,087 will be used to pay down on the $33 million dollar RAN maturing on July 25, 2014; therefore PVTA's borrowing will be substantially less in fiscal year 2015. Additionally, for the fiscal year 2015 State Contract Assistance dollars, the MassDOT plan is to forward fund on a quarterly basis in July, October, January, and April.

Local assessments, which are also funded in arrears (and 2 years behind), used to be received quarterly. Beginning in fiscal year 2014, that schedule was changed to a monthly payment by MassDOT. This is expected to continue going forward.

**Contacting the Authority's Financial Management**

This financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the money it receives. If you have any questions or need additional information, contact Mary MacInnes, Administrator, Pioneer Valley Transit Authority, 2808 Main Street, Springfield, MA 01107.

**PIONEER VALLEY TRANSIT AUTHORITY**

**STATEMENTS OF NET POSITION**

**JUNE 30,**

| | 2013 | 2012 |
|---|---|---|
| ASSETS | | |
| Current assets | | |
| Cash and equivalents | $ 7,457,564 | $ 4,852,904 |
| Receivables, net | 29,687,535 | 29,965,688 |
| Prepaid expenses | 824,356 | 878,090 |
| Total current assets | 37,969,455 | 35,696,682 |
| Prior receivables from the State | 5,975,759 | 5,975,759 |
| Allowance for uncollectible | (5,975,759) | (5,975,759) |
| Investment in Holyoke Intermodal Facility, LLC | 4,091,077 | 4,107,260 |
| Property and equipment, net | 63,237,601 | 62,660,503 |
| TOTAL ASSETS | 105,298,133 | 102,464,445 |
| LIABILITIES | | |
| Accounts payable | 3,838,306 | 2,179,822 |
| Accrued payroll and related liabilities | 127,266 | 136,439 |
| Accrued pension and related liabilities | 123,142 | 431,460 |
| Insurance claims reserve | 1,450,000 | 1,450,000 |
| Accrued interest | 479,913 | 482,678 |
| Note payable | 35,000,000 | 35,300,000 |
| Total current liabilities | 41,018,627 | 39,980,399 |
| Deferred revenue | 1,351,904 | 334,849 |
| Accrued other post employment benefits | 11,400,351 | 9,250,096 |
| TOTAL LIABILITIES | 53,770,882 | 49,565,344 |
| NET POSITION | | |
| Invested in capital assets, net of related debt | 67,328,678 | 66,767,763 |
| Restricted reserve | 677,304 | 475,547 |
| Unrestricted | (16,478,731) | (14,344,209) |
| TOTAL NET POSITION | $ 51,527,251 | $ 52,899,101 |

See notes to financial statements.

## PIONEER VALLEY TRANSIT AUTHORITY
## STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
### For the Year Ended June 30, 2013

| | Budget | Actual | Variance Favorable (Unfavorable) |
|---|---|---|---|
| Operating revenues | | | |
| Fixed route income | $ 6,501,067 | $ 6,706,255 | $ 205,188 |
| Paratransit income | 668,154 | 668,227 | 73 |
| Shuttle service income | 29,497 | 31,949 | 2,452 |
| Total operating revenues | 7,198,718 | 7,406,431 | 207,713 |
| Operating expenses | | | |
| Fixed route service | 26,701,560 | 28,725,369 | (2,023,809) |
| Paratransit service | 8,220,383 | 7,687,468 | 532,915 |
| Shuttle service | 266,239 | 265,008 | 1,231 |
| Administrative salaries, taxes and fringe benefits | 1,808,828 | 2,019,434 | (210,606) |
| Other administrative expenses | 1,428,806 | 1,565,295 | (136,489) |
| Reimbursable depreciation | --- | 21,940 | (21,940) |
| Total operating expenses | 38,425,816 | 40,284,514 | (1,858,698) |
| Operating income (loss) | (31,227,098) | (32,878,083) | (1,650,985) |
| Non-operating revenues (expenses) | | | |
| Government operating assistance | | | |
| Federal | 6,152,578 | 4,765,980 | (1,386,598) |
| Massachusetts | 18,106,342 | 19,090,849 | 984,507 |
| Member communities | 6,893,369 | 6,893,369 | --- |
| Other assistance | 110,000 | 110,000 | --- |
| Advertising income | 250,000 | 227,519 | (22,481) |
| Other income | 77,979 | 65,024 | (12,955) |
| Interest income | 31,330 | 32,184 | 854 |
| Interest expense | (394,500) | (255,340) | 139,160 |
| Total non-operating revenues (expenses) | 31,227,098 | 30,929,585 | (297,513) |
| Income (loss) before capital contributions and other items | $ --- | (1,948,498) | $ (1,948,498) |
| Contributed capital | | 10,335,601 | |
| Nonreimbursable depreciation | | (9,758,953) | |
| CHANGE IN NET POSITION | | (1,371,850) | |
| Net position, beginning | | 52,899,101 | |
| NET POSITION, ENDING | | $ 51,527,251 | |

# PIONEER VALLEY TRANSIT AUTHORITY
## STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
### For the Year Ended June 30, 2012

| | Budget | Actual | Variance Favorable (Unfavorable) |
|---|---|---|---|
| Operating revenues | | | |
| Fixed route income | $ 5,945,769 | $ 6,653,808 | $ 708,039 |
| Paratransit income | 659,046 | 670,666 | 11,620 |
| Shuttle service income | 26,368 | 30,279 | 3,911 |
| Total operating revenues | 6,631,183 | 7,354,753 | 723,570 |
| Operating expenses | | | |
| Fixed route service | 26,082,069 | 27,493,317 | (1,411,248) |
| Paratransit service | 7,683,639 | 7,897,028 | (213,389) |
| Shuttle service | 260,529 | 262,798 | (2,269) |
| Administrative salaries, taxes and fringe benefits | 1,744,312 | 1,963,331 | (219,019) |
| Other administrative expenses | 1,215,024 | 1,351,897 | (136,873) |
| Reimbursable depreciation | --- | 22,000 | (22,000) |
| Total operating expenses | 36,985,573 | 38,990,371 | (2,004,798) |
| Operating income (loss) | (30,354,390) | (31,635,618) | (1,281,228) |
| Nonoperating revenues (expenses) | | | |
| Government operating assistance | | | |
| Federal | 6,491,976 | 6,289,989 | (201,987) |
| Massachusetts | 16,540,669 | 16,216,342 | (324,327) |
| Member communities | 6,725,238 | 6,725,238 | --- |
| Other assistance | 910,000 | 910,000 | --- |
| Advertising income | 230,000 | 231,372 | 1,372 |
| Other income | 16,000 | 146,788 | 130,788 |
| Interest income | 39,000 | 28,807 | (10,193) |
| Interest expense | (598,493) | (353,778) | 244,715 |
| Total non-operating revenues (expenses) | 30,354,390 | 30,194,758 | (159,632) |
| Income (loss) before capital contributions and other items | $ --- | (1,440,860) | $ (1,440,860) |
| Contributed capital | | 24,051,704 | |
| Nonreimbursable depreciation | | (8,760,922) | |
| CHANGE IN NET POSITION | | 13,849,922 | |
| Net position, beginning | | 39,049,179 | |
| NET POSITION, ENDING | | $ 52,899,101 | |

See notes to financial statements.

# PIONEER VALLEY TRANSIT AUTHORITY
## STATEMENTS OF CASH FLOWS
## FOR THE YEAR ENDED JUNE 30,

| | 2013 | 2012 |
|---|---|---|
| Cash flows from operating activities: | | |
| Receipts from customers | $ 7,452,781 | $ 7,302,677 |
| Payments for goods and services | (33,147,140) | (36,353,442) |
| Payments to employees | (2,028,607) | (1,977,271) |
| Net cash provided (used) by operating activities | (27,722,966) | (31,028,036) |
| Cash flows from noncapital financing activities: | | |
| Receipts of operating grants | 30,860,198 | 30,141,569 |
| Proceeds from issuing revenue anticipation notes | 35,000,000 | 35,300,000 |
| Repayments of revenue anticipation notes | (35,300,000) | (35,400,000) |
| Interest paid | (258,105) | (453,860) |
| Net cash provided (used) by noncapital financing activities | 30,302,093 | 29,587,709 |
| Cash flows from capital and related financing activities: | | |
| Receipts of capital grants | 10,335,601 | 24,051,704 |
| Payments for capital acquisitions | (10,357,991) | (23,625,113) |
| Net cash provided (used) by capital and related financing activities | (22,390) | 426,591 |
| Cash flows from investing activities: | | |
| Distribution from investment in Holyoke Intermodal Facility, LLC | 15,739 | --- |
| Interest on savings | 32,184 | 28,807 |
| Net cash provided (used) by investing activities | 47,923 | 28,807 |
| NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS | 2,604,660 | (984,929) |
| Cash and equivalents, beginning | 4,852,904 | 5,837,833 |
| CASH AND EQUIVALENTS, ENDING | $ 7,457,564 | $ 4,852,904 |
| Reconciliation of operating income to net cash provided (used) by operating activities: | | |
| OPERATING LOSS | $ (32,878,083) | $ (31,635,618) |
| Adjustments to reconcile operating loss to net cash provided (used) by operating activities: | | |
| Reimbursable depreciation | 21,940 | 22,000 |
| Loss on disposal of fixed assets | --- | 21,873 |
| Loss in investment in Holyoke Intermodal Facility, LLC | 444 | --- |
| Advertising and other income | 292,543 | 378,160 |
| Change in assets and liabilities: | | |
| (Increase) decrease in receivables | 278,153 | (634,407) |
| (Increase) decrease in prepaid expenses | 53,734 | 65,579 |
| Increase (decrease) in accounts payable | 1,658,484 | (1,148,795) |
| Increase (decrease) in accrued payroll and related liabilities | (9,173) | (13,940) |
| Increase (decrease) in accrued pension | (308,318) | 36,359 |
| Increase (decrease) in insurance claims reserve | --- | 200,000 |
| Increase (decrease) in deferred revenue | 1,017,055 | 43,057 |
| Increase (decrease) in other post employment benefits | 2,150,255 | 1,637,696 |
| Net cash provided (used) by operating activities | $ (27,722,966) | $ (31,028,036) |

See notes to financial statements.

**PIONEER VALLEY TRANSIT AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2013**

## NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Organization

The Pioneer Valley Transit Authority (the Authority), a component unit of the Commonwealth of Massachusetts, operates under Massachusetts General Laws (MGL) Chapter 161B as a body politic and a corporate and political subdivision of the Commonwealth of Massachusetts. Its members consist of the cities and towns of Agawam, Amherst, Belchertown, Chicopee, East Longmeadow, Easthampton, Granby, Hadley, Hampden, Holyoke, Leverett, Longmeadow, Ludlow, Northampton, Palmer, Pelham, South Hadley, Springfield, Sunderland, Ware, West Springfield, Westfield, Wilbraham and Williamsburg. It has a general responsibility to develop, finance and contract for the operation of mass transportation facilities within its territory. It is authorized to improve, modify, or extend existing facilities and enter into agreements with other parties, including government agencies, municipalities, authorities, private transportation companies, railroads, corporations, and other concerns, providing for construction, operation and use by such other party of any mass transportation facility or equipment of the Authority.

The Authority's activities are managed by an administrator who is appointed by an Advisory Board which is made up of the chief elected officials or their appointees from the member communities. The Authority's operations are primarily funded through passenger fares, contractual reimbursements and operating subsidies from the federal and state government and member municipalities. In addition, the Authority receives capital grants from the federal and state government to finance acquisitions and improvements of facilities and equipment.

The Authority provides fixed route service to the cities and towns above, which is provided by Springfield Area Transit Company, Valley Area Transit Company and UMass Transit.

The Authority provides ADA paratransit service for people with disabilities throughout the Pioneer Valley within ¾ miles of a fixed route. This service provides a shared-ride and door-to-door van transportation for individuals with disabilities that prevent them from riding the fixed route bus service.

The Authority also provides door-to-door, demand responsive accessible van service to seniors over the age of 60 throughout the Pioneer Valley.

### Basis of Accounting

An enterprise fund is used to account for the Authority, which is maintained on the accrual basis of accounting.

The Authority uses proprietary fund accounting which follows all Governmental Accounting Standards Board (GASB) pronouncements. Private-sector standards issued by the Financial Accounting Standards Board prior to December 31, 1989 generally are followed to the extent that those standards do not conflict with or contradict GASB guidance.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing transit services to the general public. The principal operating revenues consist of passenger fares and contract reimbursements for demand response transit services provided to agencies of the Commonwealth of Massachusetts. Operating expenses include the cost of transit services provided by third party vendors, administrative expenses and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

**NOTE 1 - (Continued)**

The Authority implemented the provisions of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Post Employment Benefits Other Than Pensions (OPEB).* This statement provides guidance for the accounting and financial reporting of post employment benefits other than pensions (i.e. post retirement health care benefits). It requires governments to report the annual OPEB cost and their unfunded actuarial accrued liabilities for past service costs. Further, it requires certain footnote disclosures.

The Authority is a component unit of the Massachusetts Department of Transportation. Massachusetts provides funding to the Authority.

**Fund Net Position**

Fund net positions are classified as follows in the Authority's financial statements:

*Invested in capital assets, net of related debt*
The portion of net position represented by capital assets less accumulated depreciation, less outstanding debt incurred by the Authority to buy or construct them. The Authority uses these capital assets to provide transportation services; consequently, these assets are not available for future spending. Although the Authority's investment in its capital assets is reported net of related debt, the resources needed to repay this debt, if any, must be provided from other sources, since these capital assets themselves cannot be used to liquidate these liabilities.

*Restricted*
Amounts that can be spent only for specific purposes because of state laws, or externally imposed conditions by grantors or creditors. The Authority has a restricted reserve established for the purpose of meeting the cost of extraordinary expenses in accordance with Massachusetts General Laws, Chapter 161b, Section 6(q). At June 30, 2013, the Authority's reserve balance was $677,304.

*Unrestricted*
All amounts not included in other classifications.

**Revenue Recognition**
Operating assistance and capital assistance are recorded at the time eligible expenditures under the terms of the grants are incurred.

**Budgetary Basis of Accounting**
The Authority follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Administrator presents to the Advisory Board a proposed budget by April 1 each year for the fiscal year commencing the following July. The budget includes proposed expenditures and the means of financing them.

2. By June 1 each year, the budget is legally enacted by a vote of the Advisory Board.

**Funding**
The Authority's operations are funded through fares from riders and assistance provided under various federal, state, and local grants. Reimbursement under these grants is based on expenses incurred during the fiscal year and is subject to certain compliance regulations.

**Capital Grants**
The Authority's capital assets are generally acquired with federal, state and local capital grants. These assets are owned by the Authority and included in property and equipment. Proceeds received from dispositions of these assets must be either refunded to the grantor agency or used to acquire new capital items. Capital grant revenues are reflected in the Statement of Revenues, Expenses and Changes in Fund Net Position as capital contributions.

**NOTE 1 - (Continued)**

**Cash and Equivalents**
For purposes of the statements of cash flows, the Authority considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

**Accounts Receivable**
Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable.

**Property and Equipment**
Property and equipment are recorded at acquisition cost and depreciation is calculated using the straight-line method over five to forty year lives.

**Use of Estimates**
The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that effect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Subsequent Events**
Management has evaluated subsequent events through September 17, 2013, the date which the financial statements were available to be issued.

**Concentration of Source of Supply of Labor**
The Authority has a contract, expiring on June 30, 2015, for fixed route transportation services with the University of Massachusetts.

The Authority has a contract, expiring on August 31, 2014, for its fixed route transportation services with Springfield Area Transit Company (SATCo) and Valley Area Transit Company (VATCo), divisions of First Transit, Inc.

Ninety-seven percent (97%) of SATCo's employees are members of the Local 448 of the Amalgamated Transit Union. SATCo's labor agreement with the Union is effective through October 31, 2015.

Eighty-five percent (85%) of VATCo's employees are members of the Local 1459 United Food and Commercial Workers International Union. VATCo's labor agreement with the Union is effective through December 31, 2015.

**Comparative Information**
Certain prior year amounts have been reclassified to conform to the current year presentation.

**NOTE 2 - DEPOSITS AND INVESTMENTS**

State and local statutes place certain limitations on the nature of deposits and investments available to the Authority. Deposits, including demand deposits, money markets and certificates of deposit in any one financial institution, may not exceed certain levels unless collateralized by the financial institution involved. Investments may be made in unconditionally guaranteed U.S. Government obligations having maturities of a year or less from the date of purchase, or through repurchase agreements with maturities of no greater than 90 days in which the underlying securities consist of such obligations. Other allowable investments include authorized bonds of all states, banker's acceptances, commercial paper rated within the three highest classifications established by rating agencies, and units in the Massachusetts Municipal Depository Trust (MMDT).

**NOTE 2 - (Continued)**

**Custodial Credit Risk**
Custodial credit risk is the risk that in the event of bank failure, the Authority's deposits may not be returned. The Authority carries deposits and short-term investments that are insured by FDIC and DIF insurance. Insured bank deposits as of June 30, 2013, were $13,010,435. Uninsured bank deposits as of June 30, 2013 were $-0-.

**NOTE 3 - RECEIVABLES CONSISTED OF THE FOLLOWING AT JUNE 30:**

| | 2013 | 2012 |
|---|---|---|
| Current receivables | | |
| Federal | | |
| Operating assistance | $ 61,958 | $ 532,101 |
| Capital assistance | 1,607,289 | 2,738,914 |
| Total - Federal | 1,669,247 | 3,271,015 |
| Massachusetts | | |
| Operating assistance for current year expenditures | 17,174,511 | 16,216,343 |
| Capital assistance | 1,317,784 | 1,274,095 |
| Total - Massachusetts | 18,492,295 | 17,490,438 |
| Member communities | | |
| Operating assistance for current year expenditures | 6,893,369 | 6,725,238 |
| Operating assistance for prior year expenditures | 2,417,337 | 2,217,360 |
| Total - member communities | 9,310,706 | 8,942,598 |
| Trade receivables | | |
| Accounts receivable | 215,287 | 261,637 |
| Allowance for uncollectible | --- | --- |
| Total - trade receivables | 215,287 | 261,637 |
| Total current receivables | 29,687,535 | 29,965,688 |
| Noncurrent receivables* | | |
| Massachusetts | | |
| Operating assistance for prior years' expenditures | 5,975,759 | 5,975,759 |
| Allowance for uncollectible | (5,975,759) | (5,975,759) |
| Total receivables | $ 29,687,535 | $ 29,965,688 |

(Continued)

**NOTE 3 - (Continued)**

* The Authority recorded $5,975,759 in operating assistance due from the Commonwealth of Massachusetts during fiscal years 2002 through 2008 to fund its operating deficits as allowed under the Massachusetts General Laws, Chapter 161b. These amounts have not yet been appropriated by the Commonwealth. In fiscal year 2010, the Authority recorded an allowance for doubtful accounts against these receivables.

The Federal government, under 49 USC section 5311, may provide assistance of up to 50% of the Authority's net operating costs for the rural fixed routes. In addition, under 49 USC sections 5307, 5309 and 5310, the Federal government may provide 80% to 100% of the cost of capital equipment and maintenance. During the year ended June 30, 2013 and 2012, the Authority was expended American Recovery and Reinvestment funds through the Department of Transportation.

Massachusetts general laws require the operating assistance assessed upon local cities and towns be at least 25% of net cost of service, including new services. The local assessment can be increased by a maximum of 2.5% of the previous year's local assessment plus 25% of the cost of new service.

The Authority has a contract with the Commonwealth of Massachusetts under which Massachusetts agrees to provide operating assistance for a portion of the operating deficit remaining after any federal grants and the local assistance have been applied.

## NOTE 4 - PREPAID EXPENSES CONSISTED OF THE FOLLOWING AT JUNE 30:

| | 2013 | 2012 |
|---|---|---|
| Insurance | $ 108,535 | $ 90,571 |
| Pension | 678,118 | 697,623 |
| Prepaid fuel | 22,630 | 47,395 |
| Other | 15,073 | 42,501 |
| Total | $ 824,356 | $ 878,090 |

**NOTE 5 - PROPERTY AND EQUIPMENT CONSISTED OF THE FOLLOWING AT JUNE 30:**

| | 2013 | | | |
|---|---|---|---|---|
| | Beginning Balance | Increases | Decreases | Ending Balance |
| Capital assets, not being depreciated: | | | | |
| Land | $ 265,500 | $ --- | $ --- | $ 265,500 |
| Construction in progress | 1,202,143 | 257,421 | --- | 1,459,564 |
| Total capital assets, not being depreciated | 1,467,643 | 257,421 | --- | 1,725,064 |
| Capital assets, being depreciated: | | | | |
| Buildings and improvements | 23,347,333 | 693,639 | (132) | 24,040,840 |
| Revenue vehicles | 85,027,863 | 5,327,584 | (4,505,744) | 85,849,703 |
| Equipment | 34,023,270 | 3,936,343 | (50,823) | 37,908,790 |
| Service vehicles | 1,312,411 | 143,004 | (75,735) | 1,379,680 |
| Total capital assets, being depreciated | 143,710,877 | 10,100,570 | (4,632,434) | 149,179,013 |
| Less accumulated depreciation for: | | | | |
| Buildings and improvements | 17,661,455 | 802,811 | (132) | 18,464,134 |
| Revenue vehicles | 37,569,579 | 5,964,325 | (4,505,744) | 39,028,160 |
| Equipment | 26,207,942 | 2,903,419 | (50,823) | 29,060,538 |
| Service vehicles | 1,079,041 | 110,338 | (75,735) | 1,113,644 |
| Total accumulated depreciation | 82,518,017 | 9,780,893 | (4,632,434) | 87,666,476 |
| Total capital assets, being depreciated, net | 61,192,860 | 319,677 | --- | 61,512,537 |
| Capital assets, net | $ 62,660,503 | $ 577,098 | $ --- | $ 63,237,601 |

| | 2012 | | | |
|---|---|---|---|---|
| | Beginning Balance | Increases | Decreases | Ending Balance |
| Capital assets, not being depreciated: | | | | |
| Land | $ 265,500 | $ --- | $ --- | $ 265,500 |
| Construction in progress | 1,187,798 | 14,345 | --- | 1,202,143 |
| Total capital assets, not being depreciated | 1,453,298 | 14,345 | --- | 1,467,643 |
| Capital assets, being depreciated: | | | | |
| Buildings and improvements | 22,638,660 | 708,673 | --- | 23,347,333 |
| Revenue vehicles | 72,408,409 | 21,075,571 | (8,456,117) | 85,027,863 |
| Equipment | 32,324,056 | 1,699,214 | --- | 34,023,270 |
| Service vehicles | 1,202,271 | 127,310 | (17,170) | 1,312,411 |
| Total capital assets, being depreciated | 128,573,396 | 23,610,768 | (8,473,287) | 143,710,877 |
| Less accumulated depreciation for: | | | | |
| Buildings and improvements | 16,348,241 | 1,313,214 | --- | 17,661,455 |
| Revenue vehicles | 41,272,453 | 4,731,370 | (8,434,244) | 37,569,579 |
| Equipment | 23,559,043 | 2,648,899 | --- | 26,207,942 |
| Service vehicles | 1,006,772 | 89,439 | (17,170) | 1,079,041 |
| Total accumulated depreciation | 82,186,509 | 8,782,922 | (8,451,414) | 82,518,017 |
| Total capital assets, being depreciated, net | 46,386,887 | 14,827,846 | (21,873) | 61,192,860 |
| Capital assets, net | $ 47,840,185 | $ 14,842,191 | $ (21,873) | $ 62,660,503 |

**NOTE 6 - INVESTMENT IN HOLYOKE INTERMODAL FACILITY, LLC**

On February 7, 2007 the Authority entered into a Joint Development Agreement with the City of Holyoke and Holyoke Intermodal Facility, LLC, (a limited liability company created by the real estate arm of Peter Pan Bus Lines, Inc.) for the purpose of undertaking the design and construction of the renovations to a building located at 206 Maple Street, Holyoke, Massachusetts, known as the Holyoke Multimodal Transportation Center. Holyoke Intermodal Facility, LLC is the owner of the building. The Authority has a one percent (1%) interest in the Holyoke Intermodal Facility, LLC which is accounted for under the equity method. The Authority receives, on an annual basis, ten percent of the "net operating income" of the LLC as defined in the Joint Development Agreement.

The City of Holyoke had conveyed certain property to Holyoke Intermodal Facility, LLC which included a permanent restriction on approximately 3,000 square feet of space on the ground level to be used for transit purposes only. In consideration of the extent of public funding provided to the project through the Authority, the 3,000 square feet of the ground floor was restricted for transit use and is leased back to the Authority free of charge in perpetuity. The project was completed in fiscal year 2011 at which time the Authority started leasing back a portion of the facility. In the event that the LLC should sell the property, and depending on the timing of the sale, a portion of the sales proceeds will go to the Authority as described in the Joint Development Agreement. The details of the lease agreement with the LLC are described in Note 10 of these financial statements.

During the years ended June 30, the following was recorded:

| | 2013 | 2012 |
|---|---|---|
| Investment in Holyoke Intermodal Facility, LLC, beginning | $ 4,107,260 | $ 4,107,420 |
| Loss from Holyoke Intermodal Facility, LLC | (444) | (160) |
| Distribution from Holyoke Intermodal Facility, LLC | (15,739) | --- |
| Investment in Holyoke Intermodal Facility, LLC, ending | $ 4,091,077 | $ 4,107,260 |

**NOTE 7 - ACCOUNTS PAYABLE CONSISTED OF THE FOLLOWING AT JUNE 30:**

| | 2013 | 2012 |
|---|---|---|
| Accounts payable | | |
| General vendors | $ 2,604,438 | $ 1,297,591 |
| Fixed route operators | 1,233,868 | 882,231 |
| Total | $ 3,838,306 | $ 2,179,822 |

The Springfield Area Transit Company, Valley Area Transit Company and UMass Transit are the fixed route operators for the Authority. The assets and liabilities held by the fixed route operators are owned by the Authority and consist mainly of inventory, prepaid expenses, accounts payable and accrued wages and benefits. The value of these assets less liabilities held by the fixed route operators as of June 30, 2013 and 2012 was $1,233,868 and $882,231, respectively, and are reported as fixed route operator accounts payable in the Authority's financials statements.

## NOTE 8 - NOTE PAYABLE CONSISTED OF THE FOLLOWING AT JUNE 30:

The Authority is subsidized by the Commonwealth of Massachusetts for its annual "Net Cost of Service" as defined in the Massachusetts General Laws. These subsidies are funded subsequent to the year in which the costs are incurred. Therefore, the Authority issues revenue anticipation notes to cover cash flow deficiencies until funding is received.

Revenue anticipation notes consisted of the following for the year ended June 30:

| | 2013 | 2012 |
|---|---|---|
| 1.50% Revenue anticipation note, due July 26, 2013 | $ 35,000,000 | |
| 1.50% Revenue anticipation note, due July 27, 2012 | | $ 35,300,000 |
| Total | $ 35,000,000 | $ 35,300,000 |

On July 26, 2013, the Authority issued a $33,000,000 operating assistance anticipation note maturing on July 25, 2014 at a rate of 1.00%. The Authority repaid the $35,000,000 note due July 26, 2013.

The Commonwealth is required pursuant to Section 10 of Chapter 161B of the Massachusetts General Laws to pay to the Authority amounts duly certified by the Administrator as necessary to pay the principal and interest on these notes if sufficient funds are not otherwise available; the obligation of the Commonwealth to pay such amounts to the Authority is a general obligation of the Commonwealth, and the full faith and credit of the Commonwealth is pledged to make such payments.

## NOTE 9 - NET POSITION CONSISTED OF THE FOLLOWING AT JUNE 30:

| | 2013 | | | |
|---|---|---|---|---|
| | Invested in capital assets | Restricted Reserve | Unrestricted | Total |
| Net loss | | | $ (1,948,498) | $ (1,948,498) |
| Reimbursable depreciation | $ (21,940) | | 21,940 | --- |
| Nonreimbursable depreciation | (9,758,953) | | | (9,758,953) |
| Capital asset additions | | | | |
| Government funded | 10,335,601 | | | 10,335,601 |
| Authority funded | 22,390 | | (22,390) | --- |
| Decrease in investment in Holyoke Intermodal Facility, LLC | (16,183) | | 16,183 | --- |
| Increase in reserve for extraordinary expenses | | $ 201,757 | (201,757) | --- |
| Increase (decrease) in net position | 560,915 | 201,757 | (2,134,522) | (1,371,850) |
| Net position, beginning | 66,767,763 | 475,547 | (14,344,209) | 52,899,101 |
| Net position, ending | $ 67,328,678 | $ 677,304 | $ (16,478,731) | $ 51,527,251 |

| | 2012 | | | |
|---|---|---|---|---|
| | Invested in capital assets | Restricted Reserve | Unrestricted | Total |
| Net loss | | | $ (1,440,860) | $ (1,440,860) |
| Reimbursable depreciation | $ (22,000) | | 22,000 | --- |
| Nonreimbursable depreciation | (8,760,922) | | | (8,760,922) |
| Capital asset additions | | | | |
| Government funded | 23,613,965 | | 437,739 | 24,051,704 |
| Authority funded | 11,148 | | (11,148) | --- |
| Loss on disposal of assets | (21,873) | | 21,873 | --- |
| Increase in reserve for extraordinary expenses | | $ 196,836 | (196,836) | --- |
| Increase (decrease) in net position | 14,820,318 | 196,836 | (1,167,232) | 13,849,922 |
| Net position, beginning | 51,947,445 | 278,711 | (13,176,977) | 39,049,179 |
| Net position, ending | $ 66,767,763 | $ 475,547 | $ (14,344,209) | $ 52,899,101 |

## NOTE 10 - OPERATING LEASES

*Information Center Leases*

On July 1, 2007, the Authority entered into a 5 year operating lease for its Information Center consisting of 900 square feet on the first floor of 1331 Main Street, Springfield, MA. On May 1, 2009 the lease was amended to change the area of occupancy from the first floor to the third floor consisting of 860 square feet. The Authority is responsible for a pro rata share of the facilities' common area operating costs, including the cost of gas consumption, public liability, fire and property damage insurance, real estate taxes, gardening, landscaping, snow removal, trash removal and other common area facility expenses. The lease was extended for an additional 5 years and expires on June 30, 2017. Lease expense was $10,947 and $8,944 for the years ended June 30, 2013 and 2012, respectively.

On July 1, 2007, the Authority entered into a 5 year operating lease for its Information Center consisting of 360 square feet on the first floor of 1341 Main Street, Springfield, MA. The Authority is responsible for a pro rata share of the facilities' common area operating costs, including the cost of gas consumption, public liability, fire and property damage insurance, real estate taxes, gardening, landscaping, snow removal, trash removal and other common area facility expenses. The lease was extended for an additional 5 years and expires on June 30, 2017. Lease expense was $7,728 and $7,577 for the years ended June 30, 2013 and 2012, respectively.

*Transportation Center Lease*

The Authority leases transit and building space located at 1776 Main Street, Springfield, MA. The leased premises consists of 470 square feet of dispatch and office area space (which was constructed by the Landlord and is to be paid solely at the Authority's expense), six bus parking bays containing 9,877 square feet, a section of the parking lot, and the right to use a portion of the concourse and public use areas at the building. The Authority is responsible for cleaning the bay area, office space area and repairs and maintenance of the leased premises (except the public use areas), as well as for its own cable, phone and any other utilities. The lease expires on March 31, 2014. Lease expense was $165,777 and $185,088 for the years ended June 30, 2013 and 2012, respectively.

Approximate future lease commitments payable during the years ending June 30 are as follows:

| | Leases | | | |
|---|---|---|---|---|
| | 1331 Main St. | 1341 Main St. | 1776 Main St. | Total |
| 2014 | $ 11,160 | $ 7,884 | $ 114,057 | $ 133,101 |
| 2015 | 11,388 | 8,040 | --- | 19,428 |
| 2016 | 11,616 | 8,196 | --- | 19,812 |
| 2017 | 11,844 | 8,364 | --- | 20,208 |
| Total | $ 46,008 | $ 32,484 | $ 114,057 | $ 192,549 |

(Continued)

**NOTE 10 - (Continued)**

*Holyoke Multimodal Transportation Center Lease*
The Authority is leasing approximately 3,000 square feet with the right to use common areas of the Holyoke Multimodal Transportation Center building, including all driveways, parking areas and roadways serving the property. The lease commenced in September 2010 and expires on the last date of the fiftieth (50th) year following the commencement date. The Authority has the option to extend the lease for separate and successive extension periods of fifty (50) lease years each. The Authority has no obligation to pay rent, it being agreed that the public funding provided for the project was in lieu of any rent owed. Notwithstanding, the Authority does have the obligation to pay for separately metered utilities and its share of common area maintenance (CAM) charges. The CAM charges shall be paid monthly at an amount determined annually by the Lessor, Holyoke Intermodal Facility, LLC, which include all expenses incurred by the Lessor in connection with the operation of the property, such as handymen, mechanics, electricians, supplies and materials, insurances, repairs, replacements and other allowable expenses as described in the lease agreement. The CAM charges were $12,153 and $6,958 for the years ended June 30, 2013 and 2012, respectively.

The Authority has a one-percent (1%) ownership interest in Holyoke Intermodal Facility, LLC which is disclosed in Note 6 of these financial statements.

**NOTE 11 - PVTA PENSION PLAN**

**Plan Description**
The Authority provides retirement benefits to employees through the Pioneer Valley Transit Authority Pension Plan (the Plan), a single-employer pension plan. This is a defined benefit pension plan that covers all employees that work at least 1,000 hours in a twelve month consecutive period, and agree to make employee contributions. The Plan provides retirement, death and disability benefits and provides for retirement benefits of 2.50% of a member's average compensation times the number of years of service to a maximum of 32 years. Benefit payments are based upon a member's age, length of creditable service, level of compensation and classification.

Members of the Plan become fully vested after seven years of service. There are 15 active and a total of 54 plan participants.

Early retirement is available if the participant has reached age 55 and completed ten years of service. Normal retirement is attained at age 65, and deferred retirement is attained at any age after 65.

The Plan issues a publicly available financial report that includes financial statements and required supplementary information for that plan. The Plan's report can be obtained by writing to Pioneer Valley Transit Authority, 2808 Main Street, Springfield, Massachusetts 01107 or by calling (413)732-6248.

(Continued)

**NOTE 11 - (Continued)**

**Annual Pension Cost and Net Pension Asset**
The Authority's annual pension cost and net pension asset for the years ended June 30, were as follows:

| | 2013 | 2012 |
|---|---|---|
| Annual required contribution | $ 542,573 | $ 323,785 |
| Interest on net pension obligation | (26,161) | (44,176) |
| Adjustment to annual required contribution | (42,980) | (55,489) |
| Annual pension cost | 473,432 | 224,120 |
| Contributions made | (453,927) | (153,462) |
| Increase (decrease) in net pension obligation | 19,505 | 70,658 |
| Net pension asset at beginning of year | (697,623) | (768,281) |
| Net pension asset at end of year | $ (678,118) | $ (697,623) |

**Funding Policy and Actuarial Assumptions**
The board of trustees of the Plan established the contribution requirement; however, the Authority may amend these requirements. The Plan requires members to contribute 4% of their payroll, and requires the Authority to contribute an amount equal to approximately 35.42% of the total member payroll. The actuarial method and assumptions for the plan are as follows:

| | |
|---|---|
| Valuation date | July 1, 2013 |
| Actuarial cost method | Frozen entry age |
| Amortization method | Level dollar closed |
| Remaining amortization period initial unfunded | 24 years |
| Asset valuation method | Market value |
| Investment rate of return | 3.75% |
| Projected salary increase | 3.50% |
| Cost-of-living adjustments | None |

**NOTE 11 - (Continued)**

**Three Year Trend Information**
Trend information gives an indication of the progress made in accumulating sufficient assets to pay benefits when due. Certain information for the Plan for the last three years is presented below.

| Plan Year Ending | | Annual Pension Cost (APC) | Percentage of APC Contributed | | Net Pension Asset |
|---|---|---|---|---|---|
| 06/30/11 | $ | 226,774 | 85% | $ | 768,281 |
| 06/30/12 | $ | 224,120 | 68% | $ | 697,623 |
| 06/30/13 | $ | 473,432 | 96% | $ | 678,118 |

**Schedule of Funding Progress**
The Schedule of Pension Funding Progress included in supplementary information following the notes to the financial statements presents multi-year trend information that reveals the actuarial value of the plan assets decreasing over time relative to the actuarial accrued liability for benefits.

**NOTE 12 - SATCO PENSION PLAN**

The liabilities for the pension plans of the Authority's major transportation provider, Springfield Area Transportation Company, Inc. (SATCo) are included in the Authority's financial statements under transportation expenses and accrued expenses. The Authority is responsible for funding these expenses of SATCo.

**Plan Descriptions**
SATCo provides retirement benefits to its union employees through two single-employer defined benefit plans, SATCo Employees Retirement Plan (SERP) and Transit Employees Retirement Plan (TERP).

SATCo also provides retirement benefits to nonunion employees through a defined benefit plan, The Transit Management Pension Plan (TMP).

Transit Employees Retirement Plan, a plan subject to the provisions of the Employment Retirement Income Security Act (ERISA), covers only members of the Amalgamated Transit Union Local No. 448 AFL-CIO (the Union) who were plan participants as of June 30, 2008. The TERP plan, as of June 30, 2008, was frozen and employee contributions were discontinued, upon adoption of the SATCo Employees Retirement Plan (SERP). Prior to June 30, 2008, employees could become members of the plan on their forty-fifth day of employment.

The TERP plan provides retirement benefits in the form of an annuities payable monthly for life, commencing on the date of retirement and terminating the month prior to death. The benefit is $40 multiplied by the years of credited service through June 30, 2008 when the plan was frozen. Pension provisions also include death and disability benefits, whereby the disabled employee or surviving spouse is entitled to receive a reduced annual benefit.

Members of the TERP plan became vested after five years of service. Retirement is available if a participant has reached the age of 55 with 10 years of service. Normal retirement is attained at age 65.

**NOTE 12 - (Continued)**

For the years ended June 30, 2013 and 2012, SATCo's pension expense for the TERP plan was $1,500,000 and $1,453,562. The unfunded present value of accumulated benefits as of July 1, 2012 and 2011 was $907,490 and $851,001, respectively.

The SATCo Employees Retirement Plan (SERP) was adopted on July 1, 2008. This plan is a governmental plan within the means of Section 414(d) of the Internal Revenue Code and Sections 3(32) and 4021(b)(d) of ERISA and is exempt from funding rules under Title I of ERISA. Pioneer Valley Transit Authority is the Plan Sponsor for the SERP plan. The SERP plan is available to all employees of SATCo who were members of the TERP plan or have completed 45 days of employment and agree to join the plan by making the necessary member contributions. Retirement, death and disability benefits are the same as under the TERP plan.

For the years ended June 30, 2013 and 2012, SATCo's pension expense for the SERP plan was $490,000 and $150,000 and the unfunded present value of accumulated benefits was $1,199,620 and $696,095.

The TMP plan, which is also subject to the provisions of ERISA, covers SATCo's nonunion employees who are not covered under the SERP and TERP plans. SATCo is the Plan Sponsor for the TMP plan. Eligible participants must work at least 1,000 hours in a twelve month consecutive period and contribute 4% of their annual compensation into the plan.

The TMP plan provides for benefits in the form of an annuity payable for life, with 120 minimum monthly payments guaranteed. The benefit is 2.25% of the average compensation, calculated using the average of the participants' five highest paid consecutive years of service prior to retirement, termination or disability, multiplied times the number of years of service up to 35 years. Pension provisions also include death and disability benefits whereby the disabled employee or surviving spouse is entitled to receive a reduced annual benefit.

Members of the TMP plan become fully vested after seven years of service. Retirement is available for participants who have reached the age of 55 with 10 years of service. Normal retirement is attained at age 65.

For the years ended June 30, 2013 and 2012, SATCo's pension expense for the TMP plan was $100,000 and $125,000 and the unfunded present value of accumulated benefits (surplus) was $(257,550) and $28,649, respectively.

The TERP and SERP plans issue separate financial statements with required supplemental information for the plans. These plan reports are available to participants of the plans at Springfield Area Transportation Company, Inc., 2840 Main Street, Springfield, Massachusetts, 01107.

The TMP plan issues a publicly available financial report that includes financial statements and required supplementary information for that plan. This report can be obtained by writing to Pioneer Valley Transit Authority, 2808 Main Street, Springfield, Massachusetts 01107 or by calling (413)732-6248.

**NOTE 12 - (Continued)**

**Annual Pension Cost and Net Pension Asset**
SATCo's annual pension cost and net pension obligation for the TMP plan for the years ended June 30, were as follows:

| | 2013 | 2012 |
|---|---|---|
| Annual required contribution | $ --- | $ 75,325 |
| Contributions made | (72,492) | (125,000) |
| Increase (decrease) in net pension obligation | (72,492) | (49,675) |
| Other adjustments and assumption changes | (213,707) | (178,980) |
| Net pension (asset) obligation at beginning of year | 28,649 | 257,304 |
| Net pension (asset) obligation at end of year | $ (257,550) | $ 28,649 |

**Funding Policy and Actuarial Assumptions**
The Plan requires members to contribute 4% of their payroll, and requires the Authority to contribute an amount equal to approximately 10% of the total member payroll. The actuarial method and assumptions for the plan are as follows:

| | |
|---|---|
| Valuation date | July 1, 2011 |
| Actuarial cost method | Traditional unit credit cost method |
| Amortization method | Level dollar |
| Remaining amortization period initial unfunded | 6 years |
| Asset valuation method | Market Value |
| Investment rate of return | 5.82% |
| Projected salary increase | 3.50% |
| Cost-of-living adjustments | N/A |

**Schedule of Funding Progress**
The Schedule of Pension Funding Progress for the TMP plan included in supplementary information following the notes to the financial statements presents multi-year trend information that reveals the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Additional pension disclosures required by generally accepted accounting principles were not available for presentation for SATCo's TERP and SERP plans, but management of the Authority feels this information would not have a material effect on the financial statements.

**Three-Year Trend Information - Transit Management Pension Plan**

| Plan Year Ending | Annual Pension Cost (APC) | Percentage of APC Contributed | Net Pension (Surplus) Obligation |
|---|---|---|---|
| 06/30/11 | $ 101,576 | 150% | $ 257,304 |
| 06/30/12 | $ 75,325 | 166% | $ 28,649 |
| 06/30/13 | $ --- | N/A | $ (257,550) |

## NOTE 13 - PVTA OTHER POSTEMPLOYMENT BENEFITS

Effective July 1, 2008, the Authority adopted GASB No. 45, *Accounting and Financial Reporting by Employers for Post Employment Benefits Other Than Pensions* (OPEB). This statement establishes accounting and financial reporting requirements for employers to measure and report the cost and liabilities associated with other (than pension) post-employment benefits (or OPEB). It imposes similar accounting rules for healthcare benefits (and other retirement benefits) as those now in place for pension benefits. The Authority applied GASB No. 45 on a prospective basis.

**Plan Description**
The Pioneer Valley Transit Authority Retiree Welfare Plan is a single-employer defined benefit plan which provides for medical and dental insurance benefits to eligible retirees and their spouses. Employees become eligible to retire under this plan upon attainment of age 55 as an active member and completion of 10 years of service. The plan is a cost sharing plan with employees paying 15% of medical and dental premiums in retirement. As of June 30, 2013, there were 28 plan members of which 7 were retirees.

The Pioneer Valley Transit Authority Retiree Welfare Plan does not issue separate financial statements. In accordance with GASB Statement No. 45, the Authority is not required to have its actuarial calculation for other post-employment benefit obligations updated annually. The following actuarial information was derived from the plans valuation as of July 1, 2010.

**Funding Policy**
The contribution requirements of plan members and the Authority are established and may be amended through Authority ordinances. The required contribution is based on the projected pay-as-you-go financing requirements. For fiscal year 2013, total Authority premiums plus implicit costs for the retiree medical program are $103,264.

**Annual OPEB Costs and net OPEB Obligation**
The Authority's annual other post employment benefit ("OPEB") cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty (30) years. The following table shows the components of the Authority's annual OPEB costs for the fiscal years ended June 30, 2013 and 2012, the amount actually contributed to the plan, and changes in the Authority's net OPEB obligation as of June 30:

| | 2013 | 2012 |
|---|---|---|
| Annual required contribution (ARC) | $ 423,708 | $ 414,021 |
| Interest on net OPEB obligation | 47,884 | 35,776 |
| Adjustment to annual required contribution | (66,566) | (49,734) |
| Annual OPEB cost | 405,026 | 400,063 |
| Contributions made | (103,264) | (97,367) |
| Increase (decrease) in net pension obligation | 301,762 | 302,696 |
| Net OPEB obligation at beginning of year | 1,197,096 | 894,400 |
| Net OPEB obligation at end of year | $ 1,498,858 | $ 1,197,096 |

**NOTE 13 - (Continued)**

**Three Year Trend Information**
The Authority's annual OPEB costs, the percentage of the annual OPEB contributed to the plan, and the net OPEB obligation were as follows:

| Plan Year Ending | Annual OPEB Cost | Employer Contribution | Percentage of Annual OPEB Cost Contributed | Net OPEB Obligation |
|---|---|---|---|---|
| 6/30/11 | $ 381,317 | $ 94,912 | 25% | $ 894,400 |
| 6/30/12 | $ 400,063 | $ 97,367 | 24% | $ 1,197,096 |
| 6/30/13 | $ 405,026 | $ 103,264 | 25% | $ 1,498,858 |

**Funded Status and Funding Progress**
As of July 1, 2010, the most recent valuation date, the actuarial liability for benefits was $2.502 million, and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of $2.502 million, and the ratio of the UAAL to the covered payroll was 226%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contribution of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented in the required supplementary information following the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**Actuarial Methods and Assumptions**
Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Valuation Date: July 1, 2010
Actuarial Cost Method: Projected Unit Credit
Investment Rate of Return: 4.00% per annum

Healthcare Cost Trend Rates:
Assumed a 7% increase in medical costs for the 2012 fiscal year (based on actual experience), increasing by 6.0% in the 2013 fiscal year decreasing by 1.0% per year until reaching the ultimate medical trend rate of 5.0% per year.

General Inflation Assumption: 3.5% per annum
Annual Compensation Increases: N/A
Actuarial Value of Assets: Market Value
Amortization of UAAL: Amortized as level dollar amount over 30 years with 25 years remaining at June 30, 2013

## NOTE 14 - SATCO OTHER POSTEMPLOYMENT BENEFITS

The liability for other post employment benefits of the Authority's major transportation provider, Springfield Area Transit Company, Inc. (SATCo) is included in the Authority's financial statements under transportation expense and long-term accrued expenses. The Authority is responsible for funding these expenses of SATCo.

Effective July 1, 2007, SATCo adopted GASB No. 45, *Accounting and Financial Reporting by Employers for Post Employment Benefits Other Than Pensions* (OPEB).

**Plan Description**

Springfield Area Transportation Company, Inc. provides for medical insurance benefits to eligible retirees and their spouses. An employee becomes eligible to retire under this plan upon attainment of age 55 with 10 years of service or an employee shall be able to retire with 20 years of service regardless of age. For employees hired prior to July 1, 1990, an employee shall become eligible to retire under this plan upon the attainment of age 55 as an active member and completion of 10 years of service. As of June 30, 2013, there were 348 plan members of which 107 were retirees.

Cost Sharing:
25% of premiums for non-Medicare integrated plans.
0% for Medicare integrated plans.

Springfield Area Transportation Company, Inc. does not issue separate financial statements on this plan.

**Funding Policy**

The contribution requirements of plan members and SATCo are established and may be amended through SATCo ordinances. The required contribution is based on the projected pay-as-you-go financing requirements. For fiscal year 2013 and 2012, SATCo premiums plus implicit costs for the retiree medical program were $488,333 and $623,000.

**Annual OPEB Cost and Net OPEB Obligation**

SATCo's annual other post employment benefit ("OPEB") cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty (30) years. The following table shows the components of SATCo's annual OPEB costs for the fiscal years June 30, the amount actually contributed to the plan and changes in SATCo's net OPEB obligation to the plan:

**NOTE 14 - (Continued)**

| | 2013 | 2012 |
|---|---|---|
| Annual required contribution (ARC) | $ 2,398,745 | $ 2,101,000 |
| Interest on net OPEB obligation | 322,120 | 269,000 |
| Adjustment to annual required contribution | (384,039) | (412,000) |
| Annual OPEB cost | 2,336,826 | 1,958,000 |
| Contributions made | (488,333) | (623,000) |
| Increase (decrease) in net pension obligation | 1,848,493 | 1,335,000 |
| Net OPEB (asset) obligation at beginning of year | 8,053,000 | 6,718,000 |
| Net OPEB (asset) obligation at end of year | $ 9,901,493 | $ 8,053,000 |

**Three Year Trend Information**
SATCo's annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan, and the net OPEB obligation were as follows:

| Plan Year Ending | Annual OPEB Cost | Employer Contribution | Percentage of annual OPEB Cost Contributed | Net OPEB Obligation |
|---|---|---|---|---|
| 06/30/11 | $ 1,870,000 | $ 581,000 | 31.1% | $ 6,718,000 |
| 06/30/12 | $ 1,958,000 | $ 623,000 | 31.8% | $ 8,053,000 |
| 06/30/13 | $ 2,336,826 | $ 488,333 | 20.9% | $ 9,901,493 |

**Funded Status and Funding Progress**
As of June 30, 2013, the most recent valuation date, the plan was zero funded. The actuarial liability for benefits was $21.36 million, and the actuarial value of assets was $0, resulting in an unfunded actuarial accrued liability (UAAL) of $21.36 million.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contribution of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented in the required supplementary information following the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**NOTE 14 - (Continued)**

**Actuarial Methods and Assumptions**

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Valuation Date: June 30, 2013
Actuarial Cost Method: Projected Unit Credit
Investment Rate of Return: N/A
Annual Compensation Increases: 3%
Healthcare Trend Rates: 5% per annum
Actuarial Value of Assets: Market Value
Amortization of UAAL: Amortized as level dollar amount over 30 years with 24 years remaining at June 30, 2013

**NOTE 15 - FIXED ROUTE INCOME CONSISTED OF THE FOLLOWING FOR THE YEARS ENDED JUNE 30:**

| | 2013 | | | |
|---|---|---|---|---|
| | Budget | Actual | Variance Favorable (Unfavorable) | 2012 Actual |
| Fare income | $ 4,588,561 | $ 4,558,857 | $ (29,704) | $ 4,537,323 |
| Adult passes | 1,314,705 | 1,372,231 | 57,526 | 1,324,973 |
| Other passes | 509,809 | 672,882 | 163,073 | 698,430 |
| Tokens | 87,992 | 102,285 | 14,293 | 93,082 |
| Total | $ 6,501,067 | $ 6,706,255 | $ 205,188 | $ 6,653,808 |

**NOTE 16 - COMMITMENTS AND CONTINGENT LIABILITIES**

*Fiscal year 2014 budget*

For the fiscal year 2014, the Authority has approved an operating budget of $39,717,081 which excludes depreciation expense. This budget includes grant-matching expenditures, which the Authority is required to meet as its share of Federal and State programs.

*Federal and State funding*

Amounts received or receivable from grant 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. As of the date of the financial statements, the Authority is not aware of any expenditure that may be disallowed by a grantor.

**NOTE 16 - (Continued)**

*Risk management*
The Authority is exposed to various risks of loss related to torts, theft, damage and destruction of assets, errors and omissions, natural disasters, and workers compensation claims for which the Authority carries commercial insurance.

*Litigation and self insurance*
In the normal course of operations, the Authority has been named in various claims and litigation. Based upon information available to counsel and the Authority, management believes that the ultimate outcome from these claims and litigations will not have a material adverse affect on the Authority's financial position

The Authority is self-insured for property damage and personal injury related to operations to a maximum amount of $750,000 per incident. An excess liability, up to a maximum of $5 million of losses per policy year, is covered by comprehensive insurance policies. It is the policy of the Authority to record a liability for reported claims as well as claims incurred and not yet reported based on a review of specific claims and incidents. Insurance claims have not exceeded insurance coverage in the past three years. At June 30, 2013, the Authority's insurance claims reserve is $1,450,000 for the self insured portion of the risks associated with property damage and personal injury.

A summary of the activity in the claims liability account during the years ended June 30 are as follows:

| | 2013 | 2012 |
|---|---|---|
| Insurance claims reserve, beginning | $ 1,450,000 | $ 1,250,000 |
| Increase in reserve for claims provisions | 362,592 | 517,969 |
| Claims paid | (362,592) | (317,969) |
| Insurance claims reserve, ending | $ 1,450,000 | $ 1,450,000 |

# PIONEER VALLEY TRANSIT AUTHORITY

## Required Supplementary Information - Pension Funding Progress

## June 30, 2013

**Pioneer Valley Transit Authority:**

| Actuarial Valuation Date | (a) Actuarial Value of Assets | (b) Actuarial Accrued Liability (AAL) | (b - a) Unfunded AAL (UAAL) | (a/b) Funded Ratio | (c) Covered Payroll | ([b - a]/c) UAAL as a % of Covered Payroll |
|---|---|---|---|---|---|---|
| 07/01/10 | $ 2,236,771 | $ 4,063,868 | $ 1,827,097 | 55% | $ 1,077,011 | 170% |
| 07/01/11 | $ 2,838,057 | $ 4,330,438 | $ 1,492,381 | 66% | $ 1,073,683 | 139% |
| 07/01/12 | $ 2,808,954 | $ 4,800,357 | $ 1,991,403 | 59% | $ 975,254 | 204% |
| 07/01/13 | $ 3,260,970 | $ 6,647,589 | $ 3,386,619 | 49% | $ 1,169,373 | 290% |

**Springfield Area Transit Company, Inc:**

**SERP**

| Actuarial Valuation Date | (a) Actuarial Value of Assets | (b) Actuarial Accrued Liability (AAL) | (b - a) Unfunded AAL (UAAL) | (a/b) Funded Ratio | (c) Covered Payroll | ([b - a]/c) UAAL as a % of Covered Payroll |
|---|---|---|---|---|---|---|
| 07/01/09 | $ 227,867 | $ 450,492 | $ 222,625 | 51% | N/A | N/A |
| 07/01/10 | $ 642,413 | $ 1,042,673 | $ 400,260 | 62% | N/A | N/A |
| 07/01/11 | $ 883,712 | $ 1,579,807 | $ 696,095 | 56% | N/A | N/A |
| 07/01/12 | $ 916,750 | $ 2,150,189 | $ 1,233,439 | 43% | N/A | N/A |

**Transit Management Plan**

| Actuarial Valuation Date | (a) Actuarial Value of Assets | (b) Actuarial Accrued Liability (AAL) | (b - a) Unfunded (Surplus) AAL (UAAL) | (a/b) Funded Ratio | (c) Covered Payroll | ([b - a]/c) UAAL as a % of Covered Payroll |
|---|---|---|---|---|---|---|
| 07/01/09 | $ 773,978 | $ 1,113,468 | $ 339,490 | 70% | $ 466,990 | 73% |
| 07/01/10 | $ 1,032,577 | $ 1,289,881 | $ 257,304 | 80% | $ 554,972 | 46% |
| 07/01/11 | $ 1,405,012 | $ 1,433,661 | $ 28,649 | 98% | $ 442,469 | 6% |
| 07/01/12 | $ 1,535,219 | $ 1,277,669 | $ (257,550) | 120% | $ 493,515 | -52% |

# PIONEER VALLEY TRANSIT AUTHORITY

## Required Supplementary Information - Retiree Health Plan Funding Progress
## Other Post Employment Benefits

### June 30, 2013

**Pioneer Valley Transit Authority Retiree Welfare Plan:**

| Actuarial Valuation Date | (a) Actuarial Value of Assets | (b) Actuarial Accrued Liability (AAL) | (b - a) Unfunded AAL (UAAL) | (a/b) Funded Ratio | (c) Covered Payroll | ([b - a]/c) UAAL as a % of Covered Payroll |
|---|---|---|---|---|---|---|
| 07/01/09 | $ --- | $ 4,772,371 | $ 4,772,371 | 0% | $ 1,064,727 | 448% |
| 07/01/10 | $ --- | $ 2,501,977 | $ 2,501,977 | 0% | $ 1,106,502 | 226% |
| 07/01/11 | $ --- | $ 2,647,677 | $ 2,647,677 | 0% | $ 1,156,295 | 229% |
| 07/01/12 | $ --- | $ 2,820,795 | $ 2,820,795 | 0% | $ 1,208,328 | 233% |

**Springfield Area Transit Company, Inc. - Other Post-Employment Benefits:**

| Actuarial Valuation Date | (a) Actuarial Value of Assets | (b) Actuarial Accrued Liability (AAL) Frozen Entry Age | (b - a) Unfunded AAL (UAAL) | (a/b) Funded Ratio | (c) Covered Payroll | ([b - a]/c) UAAL as a % of Covered Payroll |
|---|---|---|---|---|---|---|
| 06/30/10 | $ --- | $ 17,800,000 | $ 17,800,000 | 0% | $ 10,229,063 | 174% |
| 06/30/11 | $ --- | $ 18,823,000 | $ 18,823,000 | 0% | $ 10,401,243 | 181% |
| 06/30/12 | $ --- | $ 19,863,000 | $ 19,863,000 | 0% | $ 10,954,027 | 181% |
| 06/30/13 | $ --- | $ 21,364,000 | $ 21,364,000 | 0% | $ 11,000,931 | 194% |

**PIONEER VALLEY TRANSIT AUTHORITY**
**STATEMENT OF NET COST OF SERVICE**
**For the Year Ended June 30,**

| | Total Service Area 2013 | Total Service Area 2012 |
|---|---|---|
| Operating costs | | |
| Administrative costs | $ 3,606,669 | $ 3,337,228 |
| Purchased services | | |
| Fixed route | 28,725,369 | 27,493,317 |
| Paratransit | 7,687,468 | 7,897,028 |
| Shuttle | 265,008 | 262,798 |
| Debt service | 255,340 | 353,778 |
| Less other post employment benefits required by GASB 45 that will not be funded | (2,150,255) | (1,637,696) |
| Total operating costs | 38,389,599 | 37,706,453 |
| Operating assistance and revenues | | |
| Federal operating and administrative assistance | 4,765,980 | 6,289,989 |
| Other operating assistance | 110,000 | 910,000 |
| Revenues | | |
| Local revenues | | |
| Fixed route | 6,706,255 | 6,653,808 |
| Paratransit | 668,227 | 670,666 |
| Shuttle | 31,949 | 30,279 |
| Advertising | 227,519 | 231,372 |
| Other income | 65,024 | 146,788 |
| Interest | 32,184 | 28,807 |
| Total operating assistance and revenues | 12,607,138 | 14,961,709 |
| Net operating deficit | 25,782,461 | 22,744,744 |
| Increase (use) in reserve for extraordinary expense | 201,757 | 196,836 |
| Net cost of service | $ 25,984,218 | $ 22,941,580 |
| Local assessments | $ 6,893,369 | $ 6,725,238 |
| State contract assistance | 19,090,849 | 16,216,342 |
| Total | $ 25,984,218 | $ 22,941,580 |

Nonreimbursable depreciation and losses on disposed assets originally purchased with capital grant funding are not included in the eligible expenses above.

Adelson & Company PC
Certified Public Accountants
Established 1938

Richard F. LaFleche, CPA
Vincent T. Viscuso, CPA
Gary J. Moynihan, CPA
Karen M. Kowalczyk, CPA
Carol Leibinger-Healey, CPA
David M. Irwin, Jr., CPA

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

To the Advisory Board of the
**PIONEER VALLEY TRANSIT AUTHORITY**
2808 Main Street
Springfield, MA 01107

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of Pioneer Valley Transit Authority, a component unit of the Massachusetts Department of Transportation, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Pioneer Valley Transit Authority's basic financial statements, and have issued our report thereon dated September 17, 2013.

**Internal Control Over Financial Reporting**

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

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

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

100 NORTH STREET, PITTSFIELD, MA 01201, PHONE (413) 443-6408, FAX (413) 443-7838
21 MECHANIC STREET, GREAT BARRINGTON, MA 01230, PHONE (413) 528-5699, FAX (413) 528-5626
WWW.ADELSONCPA.COM ■ EMAIL: INFO@ADELSONCPA.COM

**Compliance and Other Matters**

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

**Purpose of this Report**

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

Adelson & Company PC

ADELSON & COMPANY PC

September 17, 2013