

PIONEER VALLEY TRANSIT AUTHORITY

**Financial Statements and
Supplementary Information**

June 30, 2016 and 2015

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INDEPENDENT AUDITORS' 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, 2016 and 2015, 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.

Auditors' 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 auditors' 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.

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, 2016 and 2015, and the respective changes in financial position, cash flows thereof, and the respective budgetary comparison information for the enterprise fund, 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 schedule of changes in net pension liabilities and related ratios, schedule of pension contributions, and the schedule of retiree health plan funding progress information on pages 33 to 37 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 opinion on the financial statements that collectively comprise the Pioneer Valley Transit Authority's basic financial statements. The supplementary information on page 38 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. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 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 9, 2016, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Pioneer Valley Transit Authority's internal control over financial reporting and compliance.

Adelson + Company PC
ADELSON & COMPANY PC
Pittsfield, MA

September 9, 2016

PIONEER VALLEY TRANSIT AUTHORITY

Management's Discussion and Analysis

For the Year Ended June 30, 2016

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, 2016.

Financial Highlights

- The assets and deferred outflows of resources of the Authority exceeded its liabilities at June 30, 2016 by \$61,488,634.
- The Authority's total net position increased by \$5,748,988 in fiscal year 2016 as shown below:

	<u>6/30/2016</u>
Increase in other post employment benefits as required by GASB 45	\$ (1,878,194)
Increase in reporting for pensions as required by GASB 68	(41,435)
Increase in reserves for extraordinary expenses	<u>234,829</u>
Loss before capital contributions and other items	(1,684,800)
Contributed capital	20,875,780
Depreciation on capital assets	<u>(13,441,992)</u>
Increase in net position	<u>\$ 5,748,988</u>

- The total operating revenue increased \$170,451 or 2.2% from fiscal year 2015.
- The operating expenses increased \$2,118,594 or 4.7% from fiscal year 2015.
- The Authority expended \$21,156,355 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.

PIONEER VALLEY TRANSIT AUTHORITY

Management's Discussion and Analysis

For the Year Ended June 30, 2016

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 32 of this report. In addition to the basic financial statements and accompanying notes, this report also presents the schedule of changes in net pension liabilities and related ratios, schedule of pension contributions, and the schedule of retiree health plan funding progress which is required supplemental information. The required supplementary information can be found on pages 33 to 37 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

	6/30/2016	6/30/2015
Total current assets	\$ 23,294,404	\$ 22,672,277
Investment in Holyoke Intermodal Facility, LLC	4,055,854	4,056,385
Property and equipment, net	76,684,902	68,992,437
Deferred outflows of resources related to pensions	1,700,147	1,427,569
Total assets and deferred outflows of resources	105,735,307	97,148,668
Accounts payable and other accrued liabilities	10,391,226	7,545,782
Note payable	10,800,000	13,000,000
Net pension liabilities	5,249,538	4,935,525
Accrued other post employment benefits	17,805,909	15,927,715
Total liabilities	44,246,673	41,409,022
Investment in capital assets, net of related debt	80,740,756	73,048,822
Restricted reserve	1,330,905	1,096,076
Unrestricted	(20,583,027)	(18,405,252)
Total net position	\$ 61,488,634	\$ 55,739,646

PIONEER VALLEY TRANSIT AUTHORITY

Management's Discussion and Analysis

For the Year Ended June 30, 2016

Net assets may serve over time as a useful indicator of a financial position. The Authority's assets exceeded its liabilities by \$61,488,634 at the close of fiscal year 2016.

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, 2016, the Authority's reserve for extraordinary expenses was \$1,330,905.

Unrestricted net position represents funds that may be used to fund current operations. During fiscal year 2016, the Authority's unrestricted net position decreased a net amount of \$2,117,775 from fiscal year 2015 for a total negative unrestricted balance of \$(20,583,027) at June 30, 2016. The details of this increase can be found in Note 9 on page 15 of the financial statements.

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

	<u>6/30/2016</u>	<u>6/30/2015</u>	<u>Increase (Decrease)</u>
Total operating revenues	\$ 7,950,748	\$ 7,780,297	\$ 170,451
Total operating expenses	<u>47,263,651</u>	<u>45,145,057</u>	<u>2,118,594</u>
Operating income (loss)	(39,312,903)	(37,364,760)	(1,948,143)
Total non-operating revenues (expenses)	<u>37,628,103</u>	<u>35,284,215</u>	<u>2,343,888</u>
Income (loss) before capital contributions and other items	(1,684,800)	(2,080,545)	395,745
Capital contributions	20,875,780	16,916,436	3,959,344
Nonreimbursable depreciation	<u>(13,441,992)</u>	<u>(11,827,383)</u>	<u>(1,614,609)</u>
Change in net position	5,748,988	3,008,508	2,740,480
Net assets, beginning	<u>55,739,646</u>	<u>52,731,138</u>	<u>3,008,508</u>
Net position, ending	<u>\$ 61,488,634</u>	<u>\$ 55,739,646</u>	<u>\$ 5,748,988</u>

Operating revenues increased \$170,451 from the prior year.

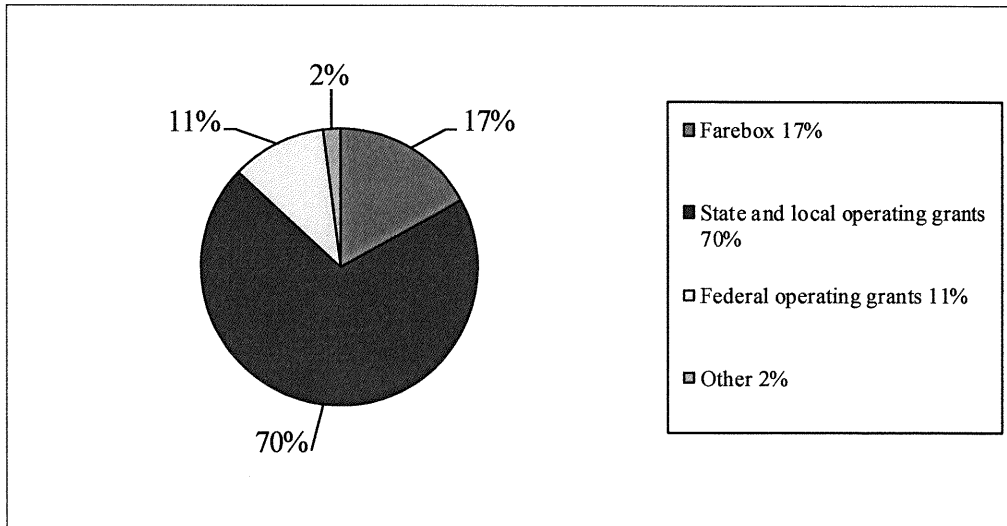
Operating expenses increased \$2,118,594 or 4.7% from the prior year; fixed route service increased \$515,195 from fiscal year 2015 mainly due to new service added as a result of the Comprehensive Service Review done in fiscal year 2014; para-transit services increased \$874,313 from fiscal year 2015 primarily due to a large insurance settlement, an increase in demand for off peak service, and an increase in cost due to minimum wage law updates; shuttle service decreased \$(15,289) from fiscal year 2015 as demand for service was lower; administrative salaries and fringe benefits increased by \$645,341 from fiscal year 2015 primarily due the actuarially determined increase in the Authority's pension and OPEB obligations; and other administrative expenses increased by \$98,735 from fiscal year 2015 primarily due to a BRT planning study that was offset by an increase in revenue. Additionally \$250,000 was added to the insurance reserve after analysis of open reserves.

PIONEER VALLEY TRANSIT AUTHORITY

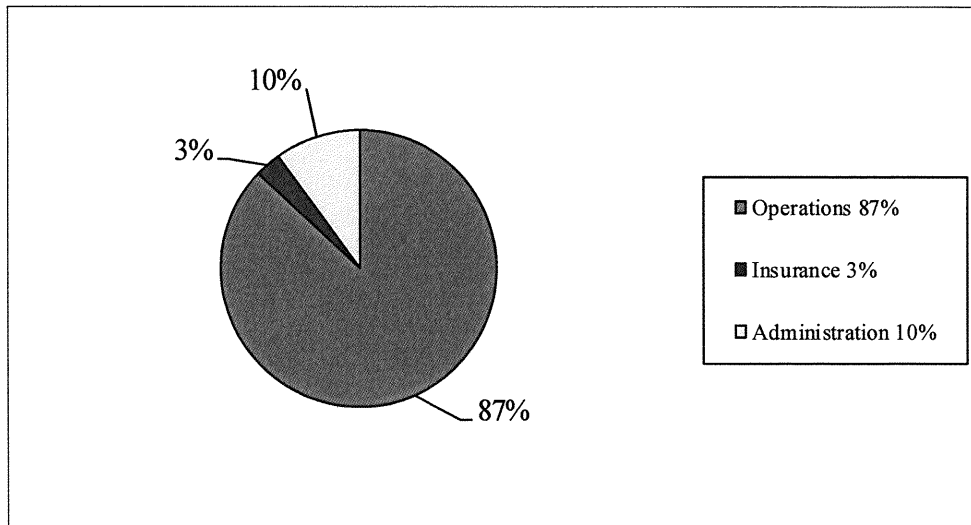
Management's Discussion and Analysis

For the Year Ended June 30, 2016

Total Operating and Non-operating
Revenues of \$45,651,250 by Source



Total Operating and Non-operating
Expenses of \$47,336,050 by source



PIONEER VALLEY TRANSIT AUTHORITY

Management's Discussion and Analysis

For the Year Ended June 30, 2016

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

	FY2016 <u>Actual</u>	FY2016 <u>Budget</u>	Variance <u>+ (-)</u>
Fixed route income	\$ 7,118,707	\$ 7,365,440	\$ (246,733)
Paratransit income	803,792	709,198	94,594
Shuttle service income	<u>28,249</u>	<u>30,563</u>	<u>(2,314)</u>
Total operating income	<u>\$ 7,950,748</u>	<u>\$ 8,105,201</u>	<u>\$ (154,453)</u>

Fixed route revenue came in under the budgeted amount by \$(246,733). Revenue from Five College budgeted at \$100,858 was never received as Five College decided not to continue to pay for a route it had paid for in the past. Expenses associated with that route were also eliminated. The Springfield Public School tripper service saved \$15,000 over budget and the fixed route fares fell short by \$130,875. A larger increase in ridership was expected at budget time than was realized.

Government assistance

	FY2016 <u>Actual</u>	FY2016 <u>Budget</u>	Variance <u>+ (-)</u>
Federal assistance	\$ 5,107,467	\$ 6,054,137	\$ (946,670)
State contract assistance	23,554,939	23,680,558	(125,619)
Local assistance	8,309,002	8,309,002	---
Other assistance	289,517	131,222	158,295

The final Federal Assistance number came in under the budgeted amount by \$(946,670). Overall savings in the paratransit operations, fixed route operations, and RAN interest all contributed to less reliance on federal assistance. The Authority was able to use those federal funds for capital assets (primarily buses) needed to provide the new service.

State contract assistance fell short of what was allocated by MassDOT. A 3% increase or \$23,680,558 was estimated by MassDOT, however when the state budget was completed that number fell short by \$125,619.

Funding of \$160,000 from MassDOT for the BRT study is included in the Other Assistance line item. There are expenses equaling this amount in the planning line item. Both these items zero out, but for financial statement purposes must be presented on both sides of the statements therefore indicating an overage for revenue.

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Management's Discussion and Analysis

For the Year Ended June 30, 2016

Other revenues

	FY2016 Actual	FY2016 Budget	Variance + (-)
Advertising	\$ 321,206	\$ 300,000	\$ 21,206
Other income	89,598	19,079	70,519
Interest income	28,773	26,024	2,749

Advertising increased primarily due to a bus wrap being sold this year generating \$10,800 in revenue. All other advertising increases came from increased sales. Other income was over budget primarily due to an increase in subrogation claims, pursuant to a change in policy implemented in the prior fiscal year.

Expenses

	FY2016 Actual	FY2016 Budget	Variance + (-)
Fixed route service	\$ 33,472,495	\$ 32,820,381	\$ (652,114)
Paratransit service	8,669,159	8,905,396	236,237
Shuttle service	244,670	269,886	25,216
Administrative salaries, taxes and fringe benefits	2,884,694	2,406,697	(477,997)
Other administrative expenses	1,987,856	2,122,863	135,007

Fixed route costs exceeded budget primarily because of the Authority's adjustment to its net pension liability and other postemployment benefits plan (OPEB) liability. These liabilities are determined through actuarial valuations performed by Odyssey Advisors. The OPEB liability increased by \$1,584,049 and the net pension liability (net of deferred outflows of resources) decreased by \$(402,516). This net expense of \$1,181,533 included in fixed route costs is non-reimbursable at this time and is therefore not budgeted for.

Savings in the budget for the fixed route service were diesel fuel of \$156,151; SATCO vendor payments due to renegotiated management fee of \$57,000; maintenance labor of \$138,000 due to a delay in hiring of new staff; and another \$227,565 in the negotiated union contract.

Paratransit Fuel came in under budget due to the drop in fuel prices. The budgeted price per gallon was \$3.15. The Authority paid an average of \$1.67 per gallon (high of \$2.25 to a low of \$1.25), for a budgetary savings of \$581,781. The other savings of \$148,741 was due to the decrease in maintenance on the vans given the newer fleet and increased preventive maintenance. These savings were offset by an increase cost in off peak service this year due to increasing demand, causing an overage to budget of \$75,656. Two amendments were negotiated with the paratransit contractor this year, one to add \$55,000 for additional dispatching capabilities to assist with this demand and another to add \$51,000 to compensate for the minimum wage requirement passed by the Commonwealth of Massachusetts in June of 2014. A large and unexpected settlement of an insurance claim caused the paratransit insurance to come in over budget at \$383,478.

PIONEER VALLEY TRANSIT AUTHORITY

Management's Discussion and Analysis

For the Year Ended June 30, 2016

Administration costs exceeded budget primarily due to the increase in the accrual required under GASB 45 of \$294,145 to record the liability for non-pension post-retirement benefits. There was also an unfunded accrual required under GASB 68 of \$443,951 in net pension liabilities. These are unfunded accruals and have no impact on current year funding. Wage, fringe and payroll related taxes actually came in under budget in fiscal year 2015 by \$260,099 due to the delay in hiring of a paratransit analyst until October and a savings in pension expense due to the lower than expected maximum amount allowed in catch up contributions as calculated by the actuary this year.

Most of the budgetary savings under other administrative expenses come from delaying a marketing campaign \$(150,000) due to the delay in the launch of the Smart Card fare card system. That system will launch in fiscal year 2017.

Capital and Debt Administration

Capital Assets

The Authority's investment in capital assets as of June 30, 2016 amounted to \$76,684,902, 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 \$21,156,355.

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

1. Building improvements of \$5,415,023
2. Acquisition of revenue vehicles of \$11,934,899 and disposal of old revenue vehicles of \$5,935,852
3. Acquisition of equipment of \$3,572,877 and disposal of old equipment of \$2,764
4. Acquisition of services vehicles of \$233,546

Capital Assets

	<u>6/30/2016</u>	<u>6/30/2015</u>
Land	\$ 1,965,505	\$ 1,965,505
Construction in progress	8,918,234	5,190,312
Buildings and improvements	28,955,738	27,268,637
Revenue vehicles	99,756,810	93,757,763
Equipment	49,578,686	46,008,563
Service vehicles	<u>1,628,237</u>	<u>1,394,691</u>
Total capital assets	190,803,210	175,585,471
Accumulated depreciation	<u>(114,118,308)</u>	<u>(106,593,034)</u>
Capital assets, net	<u>\$ 76,684,902</u>	<u>\$ 68,992,437</u>

PIONEER VALLEY TRANSIT AUTHORITY

Management's Discussion and Analysis

For the Year Ended June 30, 2016

Revenue Anticipation Notes

At the end of fiscal year 2016, the Authority had a revenue anticipation note of \$10,800,000. This note provides operating cash flow until federal, state, and local appropriations are received.

Status of Intermodal Centers

Westfield Transit Pavilion, Arnold Street, Westfield

The Authority completed 100% design and bidding of the new Downtown Transit Pavilion in early 2016. The \$6.5M project includes a state-of-the-art transit center with bike storage, paratransit, taxi, fixed-route bus and intercity bus transfer components. The automated facility will include a bus waiting area, automated ticketing, and electronic kiosks for bus scheduling/trip planning as well as real-time bus information/signage and a coffee shop. The project is expected to attain LEED Silver Status.

The Authority acquired both public and private property to assemble the transit center site. An apartment building on the private parcel was demolished and its tenants relocated under the Federal Uniform Act. The Authority also acquired a parcel of land from the City of Westfield at no cost to the Authority. An environmental agreement addressing potential hazardous material clean-up between the City and the Authority was also secured.

The Westfield Historic Commission (WHC) issued the Authority a Certificate of Historic Review after holding a public hearing on the project, which allows the apartment building to be demolished. The Authority photo-documented the building and facilitated a walk-through of the building for the WHC to remove any historic features as required by a Memorandum of Agreement (MOA) between the FTA, the Authority, the City of Westfield and the Massachusetts State Historic Preservation Office.

Forish Construction of Westfield, MA was the successful bidder on the project and initiated construction in April 2016. The project is being constructed in coordination with the City's upgrade of its Historic Gas Light District, which includes new sidewalks, streets and gas lantern style streetlights. As of September 12th, Forish has completed excavation and replacement of unsuitable soils, construction of foundations, light steel framing, and the majority of roofing, utilities to the site, HVAC, drainage and site grading.

The site concrete, granite curbing, planters, walkways and bus bays will be installed and the building closed in prior to winter. The interior of the building/finish work will continue through the winter and building commissioning in early spring. The facility is expected to be opened in April 2017.

New PVTA Bus Operations and Maintenance Facility, Cottage Street, Springfield, MA

The Authority's new Bus Operations and Maintenance Facility Project at 649-665 Cottage Street in Springfield, Massachusetts will be constructed on an 18-acre vacant industrial site purchased by the Authority in fiscal year 2014 and located in the heart of the Springfield Metropolitan Area of Western Massachusetts. The new facility will provide light and heavy-duty maintenance to the Authority's entire fleet of up to 150+ fixed-route buses.

The new O&M facility will replace the Authority's light- and heavy duty maintenance capabilities currently provided at its existing 108-year old maintenance facility located at 2840 Main Street, Springfield, MA. The existing 4-acre bus maintenance facility was retrofitted from an old streetcar trolley barn and is outdated, operationally inefficient and grossly undersized to safely support the existing and expanded future transit system. Based on current transit industry, design and zoning standards, the facility is less than half the size required to provide safe and efficient bus operations and maintenance for the current fleet.

PIONEER VALLEY TRANSIT AUTHORITY

Management's Discussion and Analysis

For the Year Ended June 30, 2016

Progress-to-Date

Land has been acquired, the site prepared, and environmental clearances (NEPA/MEPA) obtained. The project is in the 60% design phase. The facility design was downsized in 2016 due to \$55.7 Million in State funding being available for the project rather than the original \$71 Million sought after. As a result, the Authority reduced the footprint and cost of the building and changed its project delivery method from CM at Risk to traditional design-bid-build where the lowest responsive and responsible pre-qualified bidder will be awarded the project.

Phase I: Schematic Concept Plan Development

- Task 1 - Facility Needs Assessment/Programming Manual (2010)
- Task 2 - Maintenance Facility Master plan (2011)
- Task 3 - Site Location Study (2011)
- Task 4 - Phase I Environmental Site Assessment (2012)
- Task 5 - Conceptual Design Report/Plans on Preferred Site (2012)
- Task 6 - Secure FTA State of Good Repair Grant (2012)

Phase II: Land Acquisition/Design

- Task 1 - NEPA/MEPA Concurrence (2013)
- Task 2 - Site Survey/Municipal Zoning Compliance (2013)
- Task 3 - Phase II ESA - no reportable conditions (2013)
- Task 4 - Purchase 649-665 Cottage St. property (2013)
- Task 5 - Demolition/Abatement of vacant building (2014)
- Task 6 - Owner's Project Manager (OPM) Selection - City Point Partners (2015)
- Task 7 - Schematic Design Development Plans (2015)
- Task 8 - Design Development Plans (2016)
- Task 9 - Value Engineering (September, 2016)
- Task 10 - Final Design Plans (December, 2016)

Phase III: Bidding and Construction

- Task 1 - Pre-qualify Filed sub trades and GCs (December 2016/January 2017)
- Task 2 - Bid Project (February/March 2017)
- Task 3 - Initiate Construction (April 2017)
- Task 4 - Complete Construction/Commissioning (Fall 2018)

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.

A number of economic factors will or may affect the Authority's 2017 operations, such as increases in payroll and fringe related to union contracts, fuel increases, and other costs of running the Authority. Fiscal year 2017 will see the opening Union Station in Springfield and the move of the Springfield HUB from across the street at Peter Pan to Union Station. This will be a challenge both operationally and financially. PVTA's Springfield customer service staff will also be moved to Union Station. The estimated cost increase to operate out of Union Station is \$716,000 as

PIONEER VALLEY TRANSIT AUTHORITY

Management's Discussion and Analysis

For the Year Ended June 30, 2016

opposed \$472,000 with our current operations. Expenses continue to increase in the Paratransit area, with increasing need for senior service challenging the annual and future budgets of the Authority. These increased costs were expected to be offset by an increase in State Contract Assistance. However, that has been level funded with the FY 17 State Budget; therefore operating funds from the Federal Transit Administration will be needed as in the past to offset them.

Local assessments continue to be funded in arrears (2 years behind). This contributes in large part to the Authority's borrowing needs.

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,

	2016	2015
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
Current assets		
Cash and equivalents	\$ 4,272,559	\$ 3,890,217
Receivables, net	18,632,359	18,338,503
Prepaid expenses	389,486	443,557
Total current assets	23,294,404	22,672,277
Investment in Holyoke Intermodal Facility, LLC	4,055,854	4,056,385
Property and equipment, net	76,684,902	68,992,437
Total assets	104,035,160	95,721,099
Deferred outflows of resources		
Deferred outflows related to pensions	1,700,147	1,427,569
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	105,735,307	97,148,668
LIABILITIES		
Accounts payable	7,605,240	5,151,170
Accrued payroll and related liabilities	311,601	148,497
Other accrued liabilities	107,968	116,463
Insurance claims reserve	2,000,000	1,750,000
Accrued interest	147,675	118,836
Note payable	10,800,000	13,000,000
Total current liabilities	20,972,484	20,284,966
Unearned revenue	218,742	260,816
Net pension liabilities	5,249,538	4,935,525
Accrued other post employment benefits	17,805,909	15,927,715
TOTAL LIABILITIES	44,246,673	41,409,022
NET POSITION		
Invested in capital assets, net of related debt	80,740,756	73,048,822
Restricted reserve	1,330,905	1,096,076
Unrestricted	(20,583,027)	(18,405,252)
TOTAL NET POSITION	\$ 61,488,634	\$ 55,739,646

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, 2016

	Budget	Actual	Variance Favorable (Unfavorable)
Operating revenues			
Fixed route income	\$ 7,365,440	\$ 7,118,707	\$ (246,733)
Paratransit income	709,198	803,792	94,594
Shuttle service income	30,563	28,249	(2,314)
Total operating revenues	8,105,201	7,950,748	(154,453)
Operating expenses			
Fixed route service	32,820,381	33,472,495	(652,114)
Paratransit service	8,905,396	8,669,159	236,237
Shuttle service	269,886	244,670	25,216
Administrative salaries, taxes and fringe benefits	2,406,697	2,884,694	(477,997)
Other administrative expenses	2,122,863	1,987,856	135,007
Reimbursable depreciation	---	4,777	(4,777)
Total operating expenses	46,525,223	47,263,651	(738,428)
Operating income (loss)	(38,420,022)	(39,312,903)	(892,881)
Non-operating revenues (expenses)			
Government operating assistance			
Federal	6,054,137	5,107,467	(946,670)
Massachusetts	23,680,558	23,554,939	(125,619)
Member communities	8,309,002	8,309,002	---
Other assistance	131,222	289,517	158,295
Advertising income	300,000	321,206	21,206
Other income	19,079	89,598	70,519
Interest income	26,024	28,773	2,749
Interest expense	(100,000)	(72,399)	27,601
Total non-operating revenues (expenses)	38,420,022	37,628,103	(791,919)
Income (loss) before capital contributions and other items	\$ ---	(1,684,800)	\$ (1,684,800)
Contributed capital		20,875,780	
Nonreimbursable depreciation		(13,441,992)	
CHANGE IN NET POSITION		5,748,988	
Net position, beginning		55,739,646	
NET POSITION, ENDING		\$ 61,488,634	

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, 2015

	Budget	Actual	Variance Favorable (Unfavorable)
Operating revenues			
Fixed route income	\$ 7,084,068	\$ 7,027,574	\$ (56,494)
Paratransit income	670,776	722,680	51,904
Shuttle service income	31,720	30,043	(1,677)
Total operating revenues	<u>7,786,564</u>	<u>7,780,297</u>	<u>(6,267)</u>
Operating expenses			
Fixed route service	31,588,752	32,957,300	(1,368,548)
Paratransit service	8,373,965	7,794,846	579,119
Shuttle service	270,919	259,959	10,960
Administrative salaries, taxes and fringe benefits	2,152,274	2,239,353	(87,079)
Other administrative expenses	2,154,533	1,889,121	265,412
Reimbursable depreciation	---	4,478	(4,478)
Total operating expenses	<u>44,540,443</u>	<u>45,145,057</u>	<u>(604,614)</u>
Operating income (loss)	<u>(36,753,879)</u>	<u>(37,364,760)</u>	<u>(610,881)</u>
Non-operating revenues (expenses)			
Government operating assistance			
Federal	5,378,120	3,366,626	(2,011,494)
Massachusetts	22,980,428	22,980,428	---
Member communities	7,785,856	7,827,620	41,764
Other assistance	378,437	784,122	405,685
Advertising income	250,000	301,933	51,933
Other income	102,413	64,452	(37,961)
Interest income	36,028	31,929	(4,099)
Interest expense	(157,403)	(72,895)	84,508
Total non-operating revenues (expenses)	<u>36,753,879</u>	<u>35,284,215</u>	<u>(1,469,664)</u>
Income (loss) before capital contributions and other items	<u>\$ ---</u>	<u>(2,080,545)</u>	<u>\$ (2,080,545)</u>
Contributed capital		16,916,436	
Nonreimbursable depreciation		<u>(11,827,383)</u>	
CHANGE IN NET POSITION		3,008,508	
Net position, beginning		<u>52,731,138</u>	
NET POSITION, ENDING		<u>\$ 55,739,646</u>	

See notes to financial statements.

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

	2016	2015
Cash flows from operating activities:		
Receipts from customers	\$ 8,205,623	\$ 7,757,662
Payments for goods and services	(39,867,254)	(45,186,115)
Payments to employees	(2,721,590)	(2,237,438)
Net cash provided (used) by operating activities	(34,383,221)	(39,665,891)
Cash flows from noncapital financing activities:		
Receipts of operating grants	36,980,350	34,958,796
Proceeds from issuing revenue anticipation notes	10,800,000	13,000,000
Repayments of revenue anticipation notes	(13,000,000)	(33,000,000)
Interest paid	(43,560)	(255,719)
Net cash provided (used) by noncapital financing activities	34,736,790	14,703,077
Cash flows from capital and related financing activities:		
Receipts of capital grants	21,156,355	16,916,436
Payments for capital acquisitions	(21,156,355)	(16,916,436)
Net cash provided (used) by capital and related financing activities	---	---
Cash flows from investing activities:		
Interest income	28,773	31,929
Net cash provided (used) by investing activities	28,773	31,929
NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS	382,342	(24,930,885)
Cash and equivalents, beginning	3,890,217	28,821,102
CASH AND EQUIVALENTS, ENDING	\$ 4,272,559	\$ 3,890,217
Reconciliation of operating income to net cash provided (used) by operating activities:		
OPERATING LOSS	\$ (39,312,903)	\$ (37,364,760)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:		
Reimbursable depreciation	4,777	4,478
Loss on disposal of fixed assets	17,121	---
(Gain) Loss in investment in Holyoke Intermodal Facility, LLC	531	(20)
Advertising and other income	410,804	366,385
Change in assets and liabilities:		
(Increase) decrease in receivables	(293,856)	(4,732,814)
(Increase) decrease in prepaid expenses	54,071	39,111
Increase (decrease) in accounts payable	2,454,070	348,687
Increase (decrease) in accrued payroll and related liabilities	163,104	1,915
Increase (decrease) in other accrued liabilities	(8,495)	(10,674)
Increase (decrease) in insurance claims reserve	250,000	250,000
Increase (decrease) in unearned revenue	(42,074)	(860,715)
Increase (decrease) in net pension liabilities	41,435	(96,052)
Increase (decrease) in other post employment benefits	1,878,194	2,388,568
Net cash provided (used) by operating activities	\$ (34,383,221)	\$ (39,665,891)

See notes to financial statements.

PIONEER VALLEY TRANSIT AUTHORITY**NOTES TO FINANCIAL STATEMENTS****June 30, 2016 and 2015****NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES****Organization**

The Pioneer Valley Transit Authority (the Authority) operates under Massachusetts General Laws (MGL) Chapter 161B as a body politic and a corporate and political subdivision of the Commonwealth of Massachusetts. The Authority is a component unit of the Massachusetts Department of Transportation. Massachusetts provides funding to the Authority. 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 $\frac{3}{4}$ 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. 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)**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, 2016, the Authority's reserve balance was \$1,330,905.

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.

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.

NOTE 1 - (Continued)**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 9, 2016, 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, 2020, for fixed route transportation services with the University of Massachusetts.

The Authority has a contract, expiring on August 31, 2017, 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 June 30, 2018.

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, 2018.

Comparative Information

Certain prior year amounts may have been reclassified to conform to the current year presentation.

NOTE 2 - DEPOSITS AND SHORT-TERM 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).

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 insurance. Insured bank deposits as of June 30, 2016, were \$2,249,270. Uninsured bank deposits as of June 30, 2016 were \$2,773,493.

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

	<u>2016</u>	<u>2015</u>
Current receivables		
Federal		
Operating assistance	\$ 1,431,048	\$ 2,399,922
Capital assistance	400,477	2,485,771
Total - Federal	<u>1,831,525</u>	<u>4,885,693</u>
Massachusetts		
Capital assistance	<u>5,787,176</u>	<u>3,441,939</u>
Total - Massachusetts	<u>5,787,176</u>	<u>3,441,939</u>
Member communities		
Operating assistance for current year expenditures	8,309,002	7,827,620
Operating assistance for prior year expenditures	<u>2,483,448</u>	<u>1,707,168</u>
Total - member communities	<u>10,792,450</u>	<u>9,534,788</u>
Trade receivables		
Accounts receivable	221,208	476,083
Allowance for uncollectible	---	---
Total - trade receivables	<u>221,208</u>	<u>476,083</u>
Total receivables	<u>\$ 18,632,359</u>	<u>\$ 18,338,503</u>

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, 2016 and 2015, the Authority 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:

	<u>2016</u>	<u>2015</u>
Insurance	\$ 56,191	\$ 113,700
Pension	288,869	288,869
Prepaid fuel	30,599	24,684
Other	<u>13,827</u>	<u>16,304</u>
Total	<u>\$ 389,486</u>	<u>\$ 443,557</u>

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

	2016			
	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 1,965,505	\$ ---	\$ ---	\$ 1,965,505
Construction in progress	<u>5,190,312</u>	<u>3,727,922</u>	<u>---</u>	<u>8,918,234</u>
Total capital assets, not being depreciated	<u>7,155,817</u>	<u>3,727,922</u>	<u>---</u>	<u>10,883,739</u>
Capital assets, being depreciated:				
Buildings and improvements	27,268,637	1,687,101	---	28,955,738
Revenue vehicles	93,757,763	11,934,899	(5,935,852)	99,756,810
Equipment	46,008,563	3,572,887	(2,764)	49,578,686
Service vehicles	<u>1,394,691</u>	<u>233,546</u>	<u>---</u>	<u>1,628,237</u>
Total capital assets, being depreciated	<u>168,429,654</u>	<u>17,428,433</u>	<u>(5,938,616)</u>	<u>179,919,471</u>
Less accumulated depreciation for:				
Buildings and improvements	20,450,289	1,172,450	---	21,622,739
Revenue vehicles	49,319,281	7,964,102	(5,918,731)	51,364,652
Equipment	35,692,553	4,179,876	(2,764)	39,869,665
Service vehicles	<u>1,130,911</u>	<u>130,341</u>	<u>---</u>	<u>1,261,252</u>
Total accumulated depreciation	<u>106,593,034</u>	<u>13,446,769</u>	<u>(5,921,495)</u>	<u>114,118,308</u>
Total capital assets, being depreciated, net	<u>61,836,620</u>	<u>3,981,664</u>	<u>(17,121)</u>	<u>65,801,163</u>
Capital assets, net	<u>\$ 68,992,437</u>	<u>\$ 7,709,586</u>	<u>\$ (17,121)</u>	<u>\$ 76,684,902</u>
	2015			
	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 1,965,505	\$ ---	\$ ---	\$ 1,965,505
Construction in progress	<u>1,722,882</u>	<u>3,467,430</u>	<u>---</u>	<u>5,190,312</u>
Total capital assets, not being depreciated	<u>3,688,387</u>	<u>3,467,430</u>	<u>---</u>	<u>7,155,817</u>
Capital assets, being depreciated:				
Buildings and improvements	25,812,065	1,456,572	---	27,268,637
Revenue vehicles	86,810,842	7,894,224	(947,303)	93,757,763
Equipment	41,910,934	4,098,210	(581)	46,008,563
Service vehicles	<u>1,606,984</u>	<u>---</u>	<u>(212,293)</u>	<u>1,394,691</u>
Total capital assets, being depreciated	<u>156,140,825</u>	<u>13,449,006</u>	<u>(1,160,177)</u>	<u>168,429,654</u>
Less accumulated depreciation for:				
Buildings and improvements	19,347,301	1,102,988	---	20,450,289
Revenue vehicles	43,165,488	7,101,096	(947,303)	49,319,281
Equipment	32,205,948	3,487,186	(581)	35,692,553
Service vehicles	<u>1,202,613</u>	<u>140,591</u>	<u>(212,293)</u>	<u>1,130,911</u>
Total accumulated depreciation	<u>95,921,350</u>	<u>11,831,861</u>	<u>(1,160,177)</u>	<u>106,593,034</u>
Total capital assets, being depreciated, net	<u>60,219,475</u>	<u>1,617,145</u>	<u>---</u>	<u>61,836,620</u>
Capital assets, net	<u>\$ 63,907,862</u>	<u>\$ 5,084,575</u>	<u>\$ ---</u>	<u>\$ 68,992,437</u>

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:

	<u>2016</u>	<u>2015</u>
Investment in Holyoke Intermodal Facility, LLC, beginning	\$ 4,056,385	\$ 4,056,365
Gain (Loss) from Holyoke Intermodal Facility, LLC	<u>(531)</u>	<u>20</u>
Investment in Holyoke Intermodal Facility, LLC, ending	<u>\$ 4,055,854</u>	<u>\$ 4,056,385</u>

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

	<u>2016</u>	<u>2015</u>
Accounts payable		
General vendors	\$ 5,917,622	\$ 3,686,503
Fixed route operators	<u>1,687,618</u>	<u>1,464,667</u>
Total	<u>\$ 7,605,240</u>	<u>\$ 5,151,170</u>

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, 2016 and 2015 was \$1,687,618 and \$1,464,667, respectively, and are reported as fixed route operator accounts payable in the Authority’s financial statements.

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

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

	<u>2016</u>	<u>2015</u>
1.50% Revenue anticipation note, due July 22, 2016	\$ 10,800,000	
1.00% Revenue anticipation note, due July 24, 2015		\$ 13,000,000
Total	<u>\$ 10,800,000</u>	<u>\$ 13,000,000</u>

On July 22, 2016, the Authority issued a \$13,100,000 operating assistance anticipation note maturing on July 21, 2017 at a rate of 1.50%. The Authority repaid the \$10,800,000 note due July 22, 2016.

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:

	<u>2016</u>			
	<u>Invested in capital assets</u>	<u>Restricted Reserve</u>	<u>Unrestricted</u>	<u>Total</u>
Net loss			\$ (1,684,800)	\$ (1,684,800)
Reimbursable depreciation	\$ (4,777)		4,777	---
Nonreimbursable depreciation	(13,441,992)			(13,441,992)
Capital asset additions				
Government funded	21,156,355		(280,575)	20,875,780
Loss on disposal of fixed assets	(17,121)		17,121	---
Decrease in investment in Holyoke Intermodal Facility, LLC	(531)		531	---
Increase in reserve for extraordinary expenses		\$ 234,829	(234,829)	---
Increase (decrease) in net position	7,691,934	234,829	(2,177,775)	5,748,988
Net position, beginning	<u>73,048,822</u>	<u>1,096,076</u>	<u>(18,405,252)</u>	<u>55,739,646</u>
Net position, ending	<u>\$ 80,740,756</u>	<u>\$ 1,330,905</u>	<u>\$ (20,583,027)</u>	<u>\$ 61,488,634</u>

NOTE 9 - (Continued)

	2015			Total
	Invested in capital assets	Restricted Reserve	Unrestricted	
Net loss			\$ (2,080,545)	\$ (2,080,545)
Reimbursable depreciation	\$ (4,478)		4,478	---
Nonreimbursable depreciation	(11,827,383)			(11,827,383)
Capital asset additions				
Government funded	16,916,436			16,916,436
Increase in investment in Holyoke Intermodal Facility, LLC	20		(20)	---
Increase in reserve for extraordinary expenses		\$ 211,971	(211,971)	---
Increase (decrease) in net position	5,084,595	211,971	(2,288,058)	3,008,508
Net position, beginning	67,964,227	884,105	(16,117,194)	52,731,138
Net position, ending	\$ 73,048,822	\$ 1,096,076	\$ (18,405,252)	\$ 55,739,646

NOTE 10 - OPERATING LEASES

Information Center Leases

On July 1, 2007, the Authority entered into a 5 year operating lease for its Information Center located at 1331 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 \$11,618 and \$11,390 for the years ended June 30, 2016 and 2015, respectively.

On July 1, 2007, the Authority entered into a 5 year operating lease for its Information Center located at 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 \$8,202 and \$8,041 for the years ended June 30, 2016 and 2015, 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, 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 December 31, 2016. Lease expense was \$273,804 for each of the years ended June 30, 2016 and 2015.

NOTE 10 - (Continued)

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

	<u>Leases</u>			
	<u>1331 Main St.</u>	<u>1341 Main St.</u>	<u>1776 Main St.</u>	<u>Total</u>
2017	<u>11,850</u>	<u>8,366</u>	<u>143,748</u>	<u>163,964</u>
Total	<u>\$ 11,850</u>	<u>\$ 8,366</u>	<u>\$ 143,748</u>	<u>\$ 163,964</u>

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 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

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 issues a publicly available financial report that includes financial statements and required supplementary information for the 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.

Results of the Plan are based on liabilities developed in an actuarial valuation performed as of June 30, 2015 with a measurement date of June 30, 2015.

Accounting Policy

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

Plan Membership

At June 30, 2015, the following employees were covered by the benefit terms:

Active employees	20
Inactive employees entitled but not yet receiving benefits	16
Inactive employees (or beneficiaries)	<u>21</u>
Total	<u><u>57</u></u>

Benefits Provided

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. The normal retirement date is the first day of the month following a participant's 65th birthday. The normal form of payment is a monthly annuity payable for life, with 120 monthly payments guaranteed. Other options are available. Early retirement is available for any member who has attained age 55 and completed 10 years of service. The amount payable to an early retiree is the member's accrued benefit at the time of early retirement, reduced by 3% per year for each of the first five years before age 65 plus 7% for each additional year. If a participant works past age 65, the benefit payable on the deferred retirement date will be the greater of (i) the actuarial equivalent of the age 65 accrued benefit or (ii) the benefit calculated using credited service as of the participant's deferred retirement date. Members of the Plan become fully vested after seven years of service. A member becomes 100% vested in their accrued retirement pension upon their 65th birthday.

Contributions

Each year, the Authority and its employees make contributions to the Plan. While there is no statutory or regulatory requirement to contribute the actuarially determined contribution, it is the intent of the Authority to contribute the amount necessary to finance the costs of benefits earned by employees each year as well as a 15-year level dollar amortization of existing net pension liability as of the valuation date. For the fiscal year ending June 30, 2015, the average employee contribution was 3.99% and the Authority's average contribution rate was 12.86% of annual payroll.

NOTE 11 - (Continued)**Actuarial Assumptions**

The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial assumptions

Inflation	3% as of June 30, 2015 and for future periods
Salary increases	4% annually as of June 30, 2015 and for future periods
Investment rate of return	6.88%, net of pension plan investment expense, including inflation
Pre- and post-retirement mortality	Mortality rates were based upon the 2015 IRS Mortality Table for small plans
Employee termination	None assumed
Retirement age	Age 65 or normal retirement date, if later
Pre-retirement death benefit	Calculated using aforementioned mortality, interest and termination assumptions and on the assumption that 100% of plan members have spouses
Expenses	Investment return is assumed to be net of plan expenses paid from the trust fund

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

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic equity	65.00%	4.50%
Fixed income	30.00%	3.00%
Cash	5.00%	1.00%
Total	100.00%	

Discount rate

The discount rate used to measure the total pension liability was 6.88%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will continue to be made at the current rate and that contributions will be made at rates at least equal to the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

NOTE 11 - (Continued)**Changes in net pension liability – PVRTA Pension Plan**

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2014	\$ 5,560,528	\$ 3,624,135	\$ 1,936,393
Changes for the year:			
Service cost	199,780		199,780
Interest	405,613		405,613
Changes in benefit terms	---		---
Differences between actual and expected experience	(70,204)		(70,204)
Contributions - employer		157,377	(157,377)
Contributions - employee		48,887	(48,887)
Net investment income		144,609	(144,609)
Benefit payments, including refunds of member contributions	(270,461)	(270,461)	---
Net changes	264,728	80,412	184,316
Balances at June 30, 2015	\$ 5,825,256	\$ 3,704,547	\$ 2,120,709

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability, calculated using the discount rate of 6.88%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (5.88%) or 1 percentage point higher (7.88%) than the current rate:

	1% Decrease (5.88%)	Current Discount (6.88%)	1% Increase (7.88%)
Plan net pension liability as of June 30, 2015	\$ 2,855,007	\$ 2,120,709	\$ 1,503,025

Payable to Pension Plan

At June 30, 2016, the Transit Authority reported a payable of \$192,362 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2016.

NOTE 11 - (Continued)**Pension Expense and Deferred Inflows and Outflows of Resources**

For the year ended June 30, 2016, the Transit Authority recognized pension expense of \$820,875. At June 30, 2016, the Transit Authority reported deferred outflows and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 357,327	\$ (58,672)
Changes in assumptions	---	---
Net difference between projected and actual earnings on pension plan investments	---	(330,120)
Contributions subsequent to the measurement date	<u>360,959</u>	<u>---</u>
Total	<u>\$ 718,286</u>	<u>\$ (388,792)</u>

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

Year ended June 30:

2016	\$ 276,240
2017	(84,719)
2018	(84,719)
2019	(40,581)
Thereafter	263,273

NOTE 12 - SATCO TRANSIT EMPLOYEE RETIREMENT PLAN (TERP)

Transit Employee Retirement Plan (TERP)

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

The TERP plan, which is 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) (see Note 13). 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.

For the years ended June 30, 2016 and 2015, SATCo's pension expense for the TERP plan was \$550,000 and \$1,000,000, respectively. The funding surplus as of July 1, 2015 was \$2,102,299. The funding surplus as of July 1, 2014 was \$1,187,424.

The TERP Plan issues a publicly available financial report that includes financial statements and required supplementary information for the plan. The SERP 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.

At June 30, 2016, SATCo reported a payable of \$250,000 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2016.

NOTE 13 - SATCO EMPLOYEE RETIREMENT PLAN (SERP)

Plan

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

The SERP plan 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 Transit Employee Retirement Plan (TERP) or have completed 45 days of employment and agree to join the plan via the required member application.

The SERP Plan issues a publicly available financial report that includes financial statements and required supplementary information for the plan. The SERP 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.

Results of the SERP Plan are based on liabilities developed in an actuarial valuation performed as of June 30, 2015 with a measurement date of June 30, 2015.

NOTE 13 - (Continued)**Salary Reduction Agreement**

As the Transit Employee Retirement Plan (TERP) had been frozen, and it was determined that employee contributions could not be made directly to a frozen plan, a general funding plan was adopted to fund both the TERP and the SERP. In order to provide for approximately the same total contribution amount to both plans and to maintain funding amount flexibility as needed between the two plans, it was agreed that a unified wage reduction plan be established. Under the agreement, SATCo uses the entire proceeds of the salary reduction program to fund the pension plans. Additionally, SATCo makes contributions into the plans based upon actuarially determined amounts.

Accounting Policy

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

Plan Membership

At June 30, 2015, the following employees were covered by the benefit terms:

Active employees	233
Inactive employees entitled but not yet receiving benefits	21
Inactive employees or beneficiaries currently receiving benefits	42
Total	296

Benefits Provided

The SERP Plan provides retirement, death and disability benefits. The normal retirement date is the first day of the month following a participant's 65th birthday. The normal retirement benefit is a monthly benefit of \$40 multiplied by years of credited service. Credited service is elapsed time from date of hire to termination of service date. Credited service for benefit purposes only considers service on or after July 1, 2008. The normal form of payment is a monthly annuity payable for life. Vesting is 0% for fewer than 5 years of service and is 100% for 5 or more years of service.

Early retirement is available for any participant who has attained age 55 and completed 10 years of service, 85 "points" or 30 years of service regardless of age. Unreduced early retirement is available to anyone with 85 points or 30 years of service at retirement. Otherwise, the amount payable to an early retiree is the participant's accrued benefit at the time of early retirement, reduced by 4% per year for each of the first five years before age 65 plus 5% for each additional year. If a participant works past age 65, the benefit payable on the deferred retirement date will be the greater of (i) the actuarial equivalent of the age 65 accrued benefit or (ii) the benefit calculated using credited service as of the participants deferred retirement date.

In the event of death of a participant prior to their retirement, the surviving spouse will receive the amount that would have been paid had the participant retired early and elected the 100% joint and survivor benefit. In the event a participant incurs, prior to their normal retirement date, a disability as defined in the plan agreement, they shall be entitled to a fully vested interest in their accrued pension as of the date of disability.

Contributions

Each year SATCo and its employees make contributions to the Plan. While there is no statutory or regulatory requirement to contribute the actuarially determined contribution, it is the intent of SATCo to contribute the amount necessary to meet benefit obligations when due. The Company's average contribution rate was 4.42% of annual payroll.

NOTE 13 - (Continued)**Actuarial Assumptions**

The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5% as of June 30, 2015 and for future periods
Salary increases	N/A
Investment rate of return	6.27%, net of pension plan investment expense, including inflation
Cost of living adjustment	None
Pre- and post-retirement mortality	Mortality rates were based upon the 2015 IRS Mortality Table for small plans
Retirement age	Age 65 or normal retirement date, if later
Pre-retirement death benefit	Mortality rates were based upon the 2015 IRS Mortality Table for small plans
Expenses	Investment return is assumed to be net of plan expenses paid from the trust fund

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

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic equity	59.00%	4.50%
Fixed income	35.00%	3.00%
Cash	6.00%	1.00%
Total	100.00%	

Discount rate

The discount rate used to measure the total pension liability was 6.27%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will continue to be made at the current rate and that contributions will be made at rates at least equal to the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

NOTE 13 - (Continued)**Changes in net pension liability – SATCo SERP**

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2014	\$ 5,254,553	\$ 2,255,421	\$ 2,999,132
Changes for the year:			
Service cost	327,274		327,274
Interest	351,881		351,881
Changes in benefit terms	---		---
Differences between actual and expected experience	96,577		96,577
Contributions - employer		620,000	(620,000)
Contributions - employee		---	---
Net investment income		44,799	(44,799)
Benefit payments, including refunds of member contributions	(60,634)	(60,634)	---
Administrative expense		(18,764)	18,764
Net changes	715,098	585,401	129,697
Balances at June 30, 2015	\$ 5,969,651	\$ 2,840,822	\$ 3,128,829

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability, calculated using the discount rate of 6.27%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (5.27%) or 1 percentage point higher (7.27%) than the current rate:

	1% Decrease (5.27%)	Current Discount (6.27%)	1% Increase (7.27%)
Plan net pension liability as of June 30, 2015	\$ 3,957,025	\$ 3,128,829	\$ 2,438,203

Payable to Pension Plan

At June 30, 2016, SATCo reported a payable of \$250,000 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2016.

NOTE 13 - (Continued)**Pension Expense and Deferred Inflows and Outflows of Resources**

For the year ended June 30, 2016, the Transit Authority recognized pension expense (reduction) of \$117,484. At June 30, 2016, the Transit Authority reported deferred outflows and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 83,300	\$ (45,680)
Changes in assumptions	---	---
Net difference between projected and actual earnings on pension plan investments	90,851	(57,818)
Contributions subsequent to the measurement date	<u>1,300,000</u>	<u>---</u>
Total	<u>\$ 1,474,151</u>	<u>\$ (103,498)</u>

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

Year ended June 30:	
2016	\$ 1,307,928
2017	7,928
2018	7,928
2019	27,200
2020	4,488
Thereafter	15,181

NOTE 14 - SATCO TRANSIT MANAGEMENT PENSION PLAN (TMP)***Transit Management Pension Plan (TMP)***

The TMP plan is subject to the provisions of ERISA and 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 by 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.

At June 30, 2016, there were 21 plan participants; 10 active members, 7 retirees and beneficiaries, and 4 terminated vested members.

NOTE 14 - (Continued)

For the years ended June 30, 2016 and 2015, SATCo's pension expense for the TMP plan was \$144,895 and \$100,000, respectively, and the funding surplus was \$228,535 and \$277,111, respectively.

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.

Annual Pension Cost and Net Pension Asset – Transit Management Pension Plan

SATCo's annual pension cost and net pension obligation for the TMP plan for the years ended June 30, were as follows:

	2016	2015
Annual required contribution	\$ ---	\$ ---
Contributions made	(141,641)	(110,690)
Increase (decrease) in net pension obligation	(141,641)	(110,690)
Other adjustments and assumption changes	190,217	(130,825)
Net pension (asset) at beginning of year	(277,111)	(35,596)
Net pension (asset) at end of year	<u>\$ (228,535)</u>	<u>\$ (277,111)</u>

	2016	2015
Actuarial value of assets	\$ 2,227,731	\$ 2,103,728
Actuarial accrued liability	1,999,196	1,826,617
Funding surplus	<u>\$ 228,535</u>	<u>\$ 277,111</u>

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, 2015
Actuarial cost method	Traditional unit credit cost method
Amortization method	Level dollar
Remaining amortization period initial unfunded	3 years
Asset valuation method	Market Value
Investment rate of return	6.36%

Payable to Pension Plan

At June 30, 2016, SATCo reported a payable of \$75,000 for the outstanding amount of contributions to the pension plan required for the year end June 30, 2016.

Additional pension disclosures required by generally accepted accounting principles were not available for presentation for the TMP plan, but management of the Authority feels this information would not have a material effect on the financial statements.

NOTE 15 - PVTA OTHER POSTEMPLOYMENT BENEFITS

Effective July 1, 2008, The Authority implemented GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Post Employment Benefits Other Than Pensions*. This statement requires governmental entities to account for other post-employment benefits (OPEB), healthcare and dental, on an accrual basis rather than on a pay-as-you-go basis. The effect is the recognition of an actuarially required contribution as an expense on the Statement of Activities when an employee earns their post-employment benefit, rather than when they use their benefit in retirement. To the extent that the entity does not fund their actuarially required contribution, a postemployment benefit liability is recognized on the Statement of Net Position over time.

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 hired before April 2, 2012 become eligible to retire under this plan upon attainment of age 55 as an active member and completion of 10 years of service (age 60 with 10 years of service for those hired on or after April 2, 2012). The plan is a cost sharing plan with employees paying 15% of medical and dental premiums in retirement. As of June 30, 2016, there were 31 plan members of which 8 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, 2013.

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 years 2016 and 2015, total Authority's premiums plus implicit costs for the retiree medical program were \$81,707 and \$76,973, respectively.

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, 2016 and 2015, the amount contributed to the plan, and changes in the Authority's net OPEB obligation as of June 30:

	2016	2015
Annual required contribution (ARC)	\$ 452,181	\$ 438,596
Interest on net OPEB obligation	80,870	69,898
Adjustment to annual required contribution	(112,421)	(97,167)
Amortization of actuarial (gains) / losses	(44,778)	(60,032)
Annual OPEB cost	375,852	351,295
Contributions made	(81,707)	(76,973)
Increase (decrease) in net pension obligation	294,145	274,322
Net OPEB obligation at beginning of year	2,021,751	1,747,429
Net OPEB obligation at end of year	<u>\$ 2,315,896</u>	<u>\$ 2,021,751</u>

NOTE 15 - (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
6/30/14	\$ 327,157	\$ 78,586	24%	\$ 1,747,429
6/30/15	\$ 351,295	\$ 76,973	22%	\$ 2,021,751
6/30/16	\$ 375,852	\$ 81,707	22%	\$ 2,315,896

Funded Status and Funding Progress

As of July 1, 2013, the most recent valuation date, the actuarial liability for benefits was \$3.101 million, and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of \$3.101 million, and the ratio of the UAAL to the covered payroll was 237%.

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, 2013

Actuarial Cost Method: Projected Unit Credit

Investment Rate of Return: 4.00% per annum

Healthcare Cost Trend Rates:

Assumed a 5% increase in medical costs for fiscal year 2016.

General Inflation Assumption: 2.50% per annum

Annual Compensation Increases: 3.00% per annum

Actuarial Value of Assets: Market Value

Amortization of UAAL: Amortized as level dollar amount over 30 years with 22 years remaining at June 30, 2016

NOTE 16 - 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 implemented GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Post Employment Benefits Other Than Pensions*.

Plan Description

Springfield Area Transportation Company, Inc. provides for medical, dental and life 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 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, 2016, there were 347 plan members of which 111 were retirees.

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

Cost Sharing

Retirees will pay 25% of premiums for non-Medicare integrated plans and 0% for Medicare integrated plans. Retirees pay 100% of premiums for dental insurance. The employer will pay 100% of life insurance premiums.

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 2016 and 2015, SATCo premiums plus implicit costs for the retiree medical program were \$467,389 and \$491,373, respectively.

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:

	2016	2015
Annual required contribution (ARC)	\$ 2,079,148	\$ 2,488,185
Interest on net OPEB obligation	486,709	471,669
Adjustment to annual required contribution	(730,518)	(655,689)
Amortization to actuarial (gains) / losses	216,099	301,454
Annual OPEB cost	2,051,438	2,605,619
Contributions made	(467,389)	(491,373)
Increase (decrease) in net pension obligation	1,584,049	2,114,246
Net OPEB (asset) obligation at beginning of year	13,905,964	11,791,718
Net OPEB (asset) obligation at end of year	<u>\$ 15,490,013</u>	<u>\$ 13,905,964</u>

NOTE 16 - (Continued)**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
06/30/14	\$ 2,451,814	\$ 561,589	23%	\$ 11,791,718
06/30/15	\$ 2,605,619	\$ 491,373	19%	\$ 13,905,964
06/30/16	\$ 2,051,438	\$ 467,389	23%	\$ 15,490,013

Funded Status and Funding Progress

As of June 30, 2016, the most recent valuation date, the plan was zero funded. The actuarial liability for benefits was \$22.72 million, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$22.72 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.

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, 2016

Actuarial Cost Method: Individual Entry Age

Investment Rate of Return: 3.50% per annum

General Inflation Assumption: 2.50% per annum

Annual Compensation Increases: 3.00% per annum

Healthcare Trend Rates: 5% per annum

Actuarial Value of Assets: Market Value

Amortization of UAAL: Amortized as level dollar amount over 30 years with 21 years remaining at June 30, 2016

NOTE 17 - FIXED ROUTE INCOME CONSISTED OF THE FOLLOWING FOR THE YEARS ENDED JUNE 30:

	2016		Variance Favorable (Unfavorable)	2015 Actual
	Budget	Actual		
Fare income	\$ 5,155,618	\$ 4,809,299	\$ (346,319)	\$ 4,890,737
Adult passes	1,532,198	1,403,667	(128,531)	1,355,621
Other passes	677,624	771,300	93,676	688,484
Tokens	---	134,441	134,441	92,732
Total	<u>\$ 7,365,440</u>	<u>\$ 7,118,707</u>	<u>\$ (246,733)</u>	<u>\$ 7,027,574</u>

NOTE 18 - COMMITMENTS AND CONTINGENT LIABILITIES

Fiscal year 2017 budget

For the fiscal year 2017, the Authority has approved an operating budget of \$47,345,887 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.

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, 2016, the Authority's insurance claims reserve is \$2,000,000 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:

	2016	2015
Insurance claims reserve, beginning	\$ 1,750,000	\$ 1,500,000
Increase in reserve for claims provisions	890,694	521,619
Claims paid	(640,694)	(271,619)
Insurance claims reserve, ending	<u>\$ 2,000,000</u>	<u>\$ 1,750,000</u>

PIONEER VALLEY TRANSIT AUTHORITY

SCHEDULE OF CHANGES IN NET PENSION LIABILITIES AND RELATED RATIOS

Required Supplementary Information

June 30, 2016

	PVTA Pension Plan (see also Note 11) Plan Year End June 30,	
	2015	2014
Total pension liability		
Service cost	\$ 199,780	\$ 226,520
Interest	405,613	360,702
Changes of benefit terms	---	---
Differences between expected and actual experience	(70,204)	398,081
Changes of assumptions	---	---
Benefit payment, including refunds of employee contributions	(270,461)	(294,010)
Net change in total pension liability	264,728	691,293
Total pension liability, beginning	5,560,528	4,869,235
Total pension liability, ending (a)	<u>\$ 5,825,256</u>	<u>\$ 5,560,528</u>
Plan fiduciary net position		
Contributions - employer	\$ 157,377	\$ 141,588
Contributions - employee	48,887	45,886
Net investment income	144,609	469,701
Benefit payments, including refunds of employee contributions	(270,461)	(294,010)
Administrative expense	---	---
Net change in plan fiduciary net position	80,412	363,165
Plan fiduciary net position, beginning	3,624,135	3,260,970
Plan fiduciary net position, ending (b)	<u>\$ 3,704,547</u>	<u>\$ 3,624,135</u>
Net pension liability (a) - (b)	<u>\$ 2,120,709</u>	<u>\$ 1,936,393</u>
Plan fiduciary net position as a percentage of the total pension liability	63.59%	65.18%
Covered employee payroll	\$ 1,223,784	\$ 1,169,373
Net pension liability as a percentage of covered employee payroll	173.29%	165.59%

See independent auditors' report.

PIONEER VALLEY TRANSIT AUTHORITY

SCHEDULE OF CHANGES IN NET PENSION LIABILITIES AND RELATED RATIOS

Required Supplementary Information

June 30, 2016

	SATCo SERP Plan (see also Note 13) Plan Year End June 30,	
	2015	2014
Total pension liability		
Service cost	\$ 327,274	\$ 290,750
Interest	351,881	317,682
Changes of benefit terms	---	---
Differences between expected and actual experience	96,577	(63,258)
Changes of assumptions	---	---
Benefit payment, including refunds of employee contributions	(60,634)	(44,384)
Net change in total pension liability	715,098	500,790
Total pension liability, beginning	5,254,553	4,753,763
Total pension liability, ending (a)	\$ 5,969,651	\$ 5,254,553
Plan fiduciary net position		
Contributions - employer	\$ 620,000	\$ 470,000
Contributions - employee	---	---
Net investment income	44,799	211,580
Benefit payments, including refunds of employee contributions	(60,634)	(44,384)
Administrative expense	(18,764)	(13,093)
Net change in plan fiduciary net position	585,401	624,103
Plan fiduciary net position, beginning	2,255,421	1,631,318
Plan fiduciary net position, ending (b)	\$ 2,840,822	\$ 2,255,421
Net pension liability (a) - (b)	\$ 3,128,829	\$ 2,999,132
Plan fiduciary net position as a percentage of the total pension liability	47.59%	42.92%
Covered employee payroll	\$ 14,042,201	\$ 12,774,455
Net pension liability as a percentage of covered employee payroll	22.28%	23.48%

See independent auditors' report.

PIONEER VALLEY TRANSIT AUTHORITY
SCHEDULE OF PENSION CONTRIBUTIONS

Required Supplementary Information

June 30, 2016

	PVTA Pension Plan (see also Note 11) Plan Year End June 30,	
	2015	2014
Actuarially determined contribution	\$ 415,986	\$ 423,935
Contributions in relation to the actuarially determined contribution	206,264	187,474
Contribution deficiency (excess)	\$ 209,722	\$ 236,461
Covered employee payroll	\$ 1,223,784	\$ 1,169,373
Contribution as a percentage of covered employee payroll	16.85%	16.03%

Notes to Schedules for PVTA Pension Plan

Valuation date:

Actuarially determined contribution rates are calculated as of June 30, 2015.

Methods and assumptions used to determine contribution rates:

Actuarial cost method:	Entry age normal
amortization method:	15 year level dollar of the existing net pension liability as of the valuation date
Remaining amortization period	15 years. Fresh start method with amortization remaining unfunded amortized each year.
Asset valuation method	Market value of assets as of the measurement date
Inflation:	3% as of June 30, 2015 and for future periods
Salary increases:	4% annually as of June 30, 2015 and for future periods
Investment rate of return:	6.88%, net of pension plan investment expense, including inflation for small plans

See independent auditors' report.

PIONEER VALLEY TRANSIT AUTHORITY
SCHEDULE OF PENSION CONTRIBUTIONS

Required Supplementary Information

June 30, 2016

	SATCo SERP Plan (see also Note 13) Plan Year End June 30,	
	2015	2014
Actuarially determined contribution	\$ 635,705	\$ 586,396
Contributions in relation to the actuarially determined contribution	620,000	470,000
Contribution deficiency (excess)	\$ 15,705	\$ 116,396
Covered employee payroll	\$ 14,042,201	\$ 12,774,455
Contribution as a percentage of covered employee payroll	4.42%	3.68%

Notes to Schedules for SATCO SERP Pension Plan

Valuation date:

Actuarially determined contribution rates are calculated as of June 30, 2015.

Methods and assumptions used to determine contribution rates:

Actuarial cost method:	Entry age normal
amortization method:	15 year level dollar of the existing net pension liability as of the valuation date
Remaining amortization period	15 years. Fresh start method with amortization remaining unfunded amortized each year.
Asset valuation method	Market value of assets as of the measurement date
Inflation:	2.5% as of June 30, 2015 and for future periods
Salary increases:	N/A
Investment rate of return:	6.27%, net of pension plan investment expense, including inflation for small plans

See independent auditors' report.

PIONEER VALLEY TRANSIT AUTHORITY

**Schedule of Retiree Health Plan Funding Progress
Other Post Employment Benefits**

Required Supplementary Information

June 30, 2016

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
7/1/09	\$ ---	\$ 4,772,371	\$ 4,772,371	0%	\$ 1,064,727	448%
7/1/10	\$ ---	\$ 2,501,977	\$ 2,501,977	0%	\$ 1,106,502	226%
7/1/11	\$ ---	\$ 2,647,677	\$ 2,647,677	0%	\$ 1,156,295	229%
7/1/12	\$ ---	\$ 2,820,795	\$ 2,820,795	0%	\$ 1,208,328	233%
7/1/13	\$ ---	\$ 2,668,392	\$ 2,668,392	0%	\$ 1,231,462	217%
7/1/2014*	\$ ---	\$ 2,872,450	\$ 2,872,450	0%	\$ 1,268,406	226%
7/1/2015*	\$ ---	\$ 3,101,327	\$ 3,101,327	0%	\$ 1,306,459	237%

* estimated based upon actuarial valuation dated 7/1/2013.

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
6/30/10	\$ ---	\$ 17,800,000	\$ 17,800,000	0%	\$ 10,229,063	174%
6/30/11	\$ ---	\$ 18,823,000	\$ 18,823,000	0%	\$ 10,401,243	181%
6/30/12	\$ ---	\$ 19,863,000	\$ 19,863,000	0%	\$ 10,954,027	181%
6/30/13	\$ ---	\$ 21,364,000	\$ 21,364,000	0%	\$ 11,000,931	194%
6/30/14	\$ ---	\$ 22,879,408	\$ 22,879,408	0%	\$ 11,416,115	200%
6/30/15	\$ ---	\$ 24,583,438	\$ 24,583,438	0%	\$ 12,774,455	192%
6/30/16	\$ ---	\$ 22,716,270	\$ 22,716,270	0%	\$ 14,040,744	162%

See independent auditors' report.

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

	Total Service Area 2016	Total Service Area 2015
Operating costs		
Administrative costs	\$ 4,877,327	\$ 4,132,952
Purchased services		
Fixed route	33,472,495	32,957,300
Paratransit	8,669,159	7,794,846
Shuttle	244,670	259,959
Debt service	72,399	72,895
Eliminate GASB 45 other post employment benefits expense	(1,878,194)	(2,388,568)
Eliminate GASB 68 (increase) reduction to pension expense	(41,435)	96,052
Total operating costs	<u>45,416,421</u>	<u>42,925,436</u>
Operating assistance and revenues		
Federal operating and administrative assistance	5,107,467	3,366,626
Other operating assistance	289,517	784,122
Revenues		
Local revenues		
Fixed route	7,118,707	7,027,574
Paratransit	803,792	722,680
Shuttle	28,249	30,043
Advertising	321,206	301,933
Other income	89,598	64,452
Interest	28,773	31,929
Total operating assistance and revenues	<u>13,787,309</u>	<u>12,329,359</u>
Net operating deficit	31,629,112	30,596,077
Increase in reserve for extraordinary expense	234,829	211,971
Net cost of service	<u>\$ 31,863,941</u>	<u>\$ 30,808,048</u>
Local assessments	\$ 8,309,002	\$ 7,827,620
State contract assistance	<u>23,554,939</u>	<u>22,980,428</u>
Total	<u>\$ 31,863,941</u>	<u>\$ 30,808,048</u>

The following nonreimbursable items are not included in the eligible expenses above:
 Depreciation taken on property and equipment purchased with capital grant funding
 GASB 45 adjustment for the change in the Authority's other post employment benefits
 GASB 68 adjustment for the change in the Authority's net pension liabilities



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

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 the Pioneer Valley Transit Authority, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Pioneer Valley Transit Authority's basic financial statements, and have issued our report thereon dated September 9, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 the Pioneer Valley Transit Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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
Pittsfield, MA

September 9, 2016