PVTA	**Administrative Headquarters**
Pioneer	**Old North Main St. Firehouse**
Valley	**2808 Main Street**
Transit	**Springfield, MA 01107**
Authority	**(413) 732-6248**

MINUTES OF PVTA'S
REMOTE FINANCE & AUDIT COMMITTEE MEETING
October 3, 2024

1. CALL TO ORDER

The Finance & Audit Sub-Committee meeting of the Pioneer Valley Transit Authority was held on Thursday, October 3, 2024 at 11:00 A.M. remotely in accordance with Chapter 2 of the Acts of 2023, supplemental state budget provisions for Fiscal Year 2023, authorizing public bodies to continue to hold entirely remote meetings, or so-called "hybrid" meetings, upon the provision of "adequate, alternative means" of public access, until March 31, 2025.

MEMBERS PRESENT:
Members: Doug Slaughter, Amherst; Steve Huntley, Chicopee; Stephen Fay, Holyoke; David Moskin, Hadley (11:10 A.M.)

NOT PRESENT:
N/A

Call to Order: Steve Huntley, Chairman of the Finance & Audit Committee stated that the committee has a quorum and called the meeting to order at 11:02 A.M.

2. PUBLIC COMMENTS

Steve Huntley opened the floor for public comments. No Public Comments were made.

3. APPROVAL OF MINUTES OF THE FINANCE & AUDIT COMMITTEE MEETING OF AUGUST 19, 2024.

Chairman Huntley asked for a motion from the Finance & Audit Committee to approve the meeting minutes of August 19, 2024.

MOTION: Moved and seconded (Slaughter/Fay) to approve the minutes of PVTA's Finance & Audit Committee meeting held August 19, 2024.

Chairman Huntley asked if there was any discussion, hearing none, asked for a roll call vote.

Doug Slaughter: Yes
Stephen Fay: Yes
Steve Huntley: Yes

Motion passed, 3-0 vote.

4. APPROVAL OF PVTA FY24 AUDIT REPORT

David Irwin, the Audit Director with Adelson & Company, reported on PVTA's FY24 Audit and stated the following:

PVTA's FY24 Audit has no findings. There were no material weaknesses, and we have issued a clean, unmodified opinion.

Financial highlights for the year ended June 30, 2024:

- The assets and deferred outflows of resources of the Authority exceeded its liabilities and deferred inflows of resources at June 30, 2024 by $68,812,329.

- The total operating revenue decreased $1,116,076 or 22% from fiscal year 2023.

- The total operating expenses increased $5,019,300 or 10% from fiscal year 2023.

- The Authority's net cost of service, after applying operating assistance and revenues, for eligible reimbursable expenses for fiscal year 2024 was $48,269,884. The net cost of service was funded with local assessments of $10,123,712 and state contract assistance of $38,146,172. The calculation of the net cost of service can be found on page 50 of this report.

- The Authority expended $24,450,242 on capital assets, which were funded with federal and state capital grants.

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.

The Authority's assets exceeded its liabilities by $68,812,329 at the close of fiscal year 2024. An additional portion of the Authority's net position, restricted reserve, represents resources that are subject to approval of the Secretary of Transportation. As of June 30, 2024, the Authority's reserve for extraordinary expenses was $1,975,358. During fiscal year 2024, the Authority's unrestricted net position increased a net amount of $960,347 from fiscal year 2023 for a total negative unrestricted balance of $45,915,970 at June 30, 2024. The negative unrestricted net position of $45,915,970 is primarily the result of the Authority reporting its projected long-term obligations for its net pension liabilities of $2,167,486 and other postemployment benefits liabilities of $42,082,550. The recognition of these long-term liabilities are estimates based on actuarial valuations.

Operating revenues decreased $1,116,076 or 22% from the prior year comprised of a decrease in fixed route revenue of $1,026,173, decrease in paratransit revenue of $87,084, and a decrease in shuttle service revenue of $2,819. This net decrease in operating revenues is due in large part to the fare-free periods funded by State government assistance during fiscal year 2024.

Non-operating revenues increased $7,465,458 or 15% from the prior year primarily due to a decrease in federal operating assistance of $4,021,190, an increase in State Operating assistance of $11,258,387, an increase in local assessments of $246,920 as allowed under Massachusetts General Laws, an increase in federal and other state assistance of $50,972, an increase in advertising income of $64,550, an increase in interest income of $259,255, a decrease in miscellaneous income of $211,388, and an increase in interest expense of $182,048.

Fixed route costs came in over budget by $744,746, which was also affected primarily by the Authority's adjustment to its net pension and other postemployment benefit (OPEB) liabilities for the Authority's fixed route operator. These liabilities are determined through actuarial valuations performed by Odyssey Advisors. The net pension and OPEB liabilities (net of deferred outflows and inflows of resources) decreased by $989,541. This expense included in fixed route costs is non-reimbursable at this time and is therefore not budgeted for. After removing the effect of the net pension and OPEB adjustment of $989,541, the variance of $1,734,287 over budget is associated with the fixed route operator's overages for payroll and fringe benefits and utility costs.

Paratransit service expense was under budget by $9,744 and is primarily due to ridership being lower than what was originally estimated.

Shuttle service was under budget by $11,481 and is primarily due to the timing of the implementation of the service enhancements.

Administrative salaries, taxes and fringe benefits came in over budget by $170,938 primarily because of the Authority's adjustment to its net pension and other postemployment benefit (OPEB) liabilities. These liabilities are determined through actuarial valuations performed by Odyssey Advisors. The net pension and OPEB liabilities (net of deferred outflows and inflows of resources) increased by $222,073. This expense is non- reimbursable at this time and is therefore not budgeted for. After removing the effective of the net pension and OPEB adjustment of $222,073, the expenses were under budget by $51,135.

Every year the auditors make comments and recommendations. The following were made regarding this year's audit:

1. The Authority has a large volume of capital activity, including capital asset acquisitions, maintaining and updating the fixed asset module, and keeping up with capital grant drawdowns and compliance, all of which require significant time and attention to detail. The amount of time required for these tasks continues to increase each year, especially with multiple large capital projects in process for fiscal years 2024 and 2025.

   Additionally, it was noted that capital assets are not added to the fixed asset module at the time they are recorded in the general ledger (at the time of purchase). This increases the risk that assets may be incorrectly added or omitted from the fixed asset module, which is used to calculate and record depreciation.

   Recommendation:

   a. In order to ensure the Authority can devote the necessary time and effort required for the grants accounting and capital asset tracking, the Authority should consider adding a second position to support the Grants Accountant.

   b. The Authority should record its capital assets in the fixed asset module at the time they are recorded into the general ledger. Additionally, the fixed asset module should be reconciled to the accounting general ledger on a monthly basis. This reconciliation should be documented and included as part of the Authority's month-end closing process.

   Action Taken:

   The Administrator will work with the Advisory Board to discuss restructuring the department and the feasibility of adding a position to the Finance Department. In addition, the Administrator and the Director of Finance will work with Human Resources Manager to revise department job descriptions to ensure a position is identified through the restructuring that will include the responsibilities associated with capital asset tracking. The restructuring of positions and/or addition of a position will ensure support to the Grants Accountant.

The Finance Department staff will commence recording its capital assets in the fixed asset module at the time they are recorded into the general ledger. In addition, the fixed asset module will be reconciled to the accounting general ledger on a monthly basis. This reconciliation will be documented and included as part of the Authority's month-end closing process. Fiscal year 2024 is the first year that the fixed asset module has been in use by the Authority and was implemented as a two-step process; invoice entry and fixed asset entry were two separate functions. The Finance Department is working through the process of a seamless fixed asset module entry, through the accounts payable entry process, that will record the fixed asset acquisition when the invoice is being recorded.

2. The Governmental Accounting Standards Board (GASB) has issued the following Statements which will be effective for the Authority's fiscal year ending June 30, 2025:

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

       The Authority's compensated absence policy allows employees to accrue and carry over vacation and sick time from year to year.

    b. GASB No. 102, *Certain Risk Disclosures*. The objective of this statement is to identify potential risks in governmental environments and develop disclosure requirements associated with information about risks related to a government's vulnerabilities due to certain concentrations or constraints. As a result of this statement, users will have better information with which to understand and anticipate certain risks to a government's financial condition.

       The Authority has an economic dependency on the Commonwealth of Massachusetts and the Federal government for operating subsidies.

Recommendation:

Management of the Authority should familiarize themselves with GASB No. 101 and 102 in order to prepare for their implementation and the impact on the Authority's financial reporting for fiscal year 2025.

The Authority should include maintaining calculations of the compensated absence liabilities for sick and vacation time allowed to be carried over to subsequent fiscal years per GASB No. 101.

The Authority should also identify whether there are any other concentrations or constraints meeting the definitions per GASB No. 102 that would require disclosure in the financial statements, in addition to its economic dependency disclosure on the federal and state government for operating subsidies.

Action Taken:

The Authority's directors and managers will be provided with the information necessary to familiarize themselves with GASB No. 101 and 102 in anticipation of the implementation of the Authority's financial reporting for fiscal year 2025.
The Finance Department, through its Senior Accountant, will continue to maintain calculations of the compensated absence liabilities for sick and vacation time allowed to be carried over to subsequent fiscal years as specified in GASB No. 101.
The Authority, through its Director of Finance, will identify any other concentrations or constraints meeting the definitions per GASB No. 102 that would require disclosure in the financial statements, in addition to its economic dependency disclosure on the federal and state government for operating subsidies.

Status of Prior Year Recommendations:

1. As recommended, the Authority has updated the authorized signers on its bank and short-term investment accounts.

2. As recommended, the Finance Department has assumed responsibility for the fixed asset module.

3. As recommended, the Finance Department has been regularly monitoring and following up on outstanding accounts receivable balances.

4. As recommended, the Authority has improved its monitoring procedures of its federal subgrantee in accordance with the Uniform Guidance.

PVTA Management stepped out of the room at 11:44am to give the Finance & Audit Committee time to discuss any comments, questions/concerns the Committee had without PVTA Management present.

Management entered back into the room at 11:58pm.

Steve Huntley asked for a motion from the Finance & Audit Committee to accept and approve PVTA's FY 24 Audit.

MOTION: Moved and seconded (Slaughter/Fay) to accept and approve PVTA's FY24 Audit.

Roll call vote:
Doug Slaughter: Yes
Stephen Fay: Yes
David Moskin: Yes
Steve Huntley: Yes

Motion passed, 4-0 vote.

5. OTHER BUSINESS

Chairman Huntley reported that there is no other business to discuss.

6. ADJOURNMENT

Steve Huntley asked for a motion from the Finance & Audit Committee to adjourn.

MOTION: Moved and seconded (Moskin/Slaughter) to adjourn.

Roll call vote:
Doug Slaughter: Yes
Stephen Fay: Yes
David Moskin: Yes
Steve Huntley: Yes

Motion passed, 4-0 vote.

The meeting of the PVTA Finance & Audit Committee adjourned at 12:02 P.M.

A TRUE RECORD

ATTEST: ____________________
BRANDY PELLETIER

Documents filed with Finance & Audit Committee Meeting packet:

- August 19, 2024 Finance & Audit Committee Minutes
- PVTA's FY24 Audit Report

Minutes Approved: March 6, 2025