

**PIONEER VALLEY TRANSIT AUTHORITY**

**(A Component Unit of the Massachusetts  
Department of Transportation)**

**Financial Statements and  
Supplementary Information**

**June 30, 2021 and 2020**

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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, 2021 and 2020, 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, 2021 and 2020, and the respective changes in financial position, cash flows thereof, and the respective budgetary comparison 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, Schedule of Changes in Net Other Postemployment Benefits (OPEB) Liabilities and Related Ratios, and Schedule of OPEB Contributions, on pages 39 to 46 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Pioneer Valley Transit Authority's basic financial statements. The supplementary information on page 47 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 10, 2021, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Pioneer Valley Transit Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Pioneer Valley Transit Authority's internal control over financial reporting and compliance.

*Adelson + Company PC*

ADELSON & COMPANY PC

September 10, 2021

**PIONEER VALLEY TRANSIT AUTHORITY**  
**(A Component Unit of the Massachusetts Department of Transportation)**

**Management's Discussion and Analysis**

**For the Year Ended June 30, 2021**

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, 2021.

The Authority owns, manages, and has direct capital responsibilities for rolling stock, facilities and equipment. Currently, the Authority has a total of 370+ revenue vehicles in its inventory that fall into categories such as articulated buses, transit buses, cutaway buses and minivans. The Authority uses nine facilities in the provision of its transit services, of which it has direct capital responsibility for seven. Equipment includes non-revenue support vehicles, passenger waiting shelters and other equipment which is divided into two categories: facilities critical equipment and support equipment. Through the Authority's Transit Asset Management Plan (TAM Plan), the Authority has established and maintains an investment strategy to ensure its capital assets are kept in a state of good repair. State of good repair is defined as the condition in which a capital asset is able to operate at its intended level of performance throughout its useful life

**Impact of COVID-19 on the Authority's Fiscal Year 2021 Operations**

The Authority began operating reduced weekday service with reduced service hours in July 2020 in response to demand for transit service and the fact that there was limited in-classroom learning. Fixed route ridership for fiscal year 2021 was 37.5% lower than pre-COVID ridership levels due to the restrictions imposed in response to the on-going pandemic. In terms of recovery, at the end of the fiscal year, system-wide ridership was at about 58% of pre-COVID ridership levels; SATCo at 60%, VATCo at 38%, and UMass at 16%. 11 out of 21 SATCo routes had recovered more than 60% ridership, including the top 5 volume routes (B7, P20, G1, G2, P21). The college routes had the lowest recovery ranging from 14% to 36% across the system. The Ware-Palmer had the highest recovery of all routes at 110%, exceeding its pre-COVID ridership. Paratransit ridership was 41.02% of pre-COVID levels. Paratransit ridership continues to increase steadily and has rebounded to just over 50% of pre-pandemic levels in the month June. To continue to ensure the safety of our drivers and passengers, the measures implemented last year were continued including cleaning technologies, increased time spent on cleaning and disinfection of vehicles, requiring drivers and riders to wear a nose and mouth covering, and various other measures. In addition, the Authority has installed driver barriers and in new vehicle orders or vehicle overhauls, permanent driver barriers are now standard, as is, plastic passenger seating and modified securement system for mobility devices.

The Authority implemented a mobile fare payment App, MassDOT BusPlus, on July 19, 2020, as a new contactless payment platform. At the end of the fiscal year, almost 1,600 daily mobile ticket activations account for about 12% of the total fare-paying rides. One-rides and passes are the most popular tickets being bought on the App. The platform has been expanded to include Holyoke Community College students, as well as Springfield Technical Community College students.

The Authority's operating costs, due to the continuation of the pandemic, are expected to continue to increase as the economy recovers and ridership slowly increases. The revenue lost through June had a significant impact on the operation of the Authority. As the economy recovers it is expected that it will take years for the Authority to regain ridership and financial stability. The Authority's operating revenues decreased by \$2,399,558 including revenue losses associated with contracted services related to educational institutions. Although college service was reduced somewhat, ridership levels were limited due to the pandemic effect on in-person employment as well as in-classroom education.

**PIONEER VALLEY TRANSIT AUTHORITY**  
**(A Component Unit of the Massachusetts Department of Transportation)**

**Management's Discussion and Analysis**

**For the Year Ended June 30, 2021**

**COVID-19 and the Fiscal Year 2022 Budget**

The Authority's fiscal year 2022 budget approved by the Advisory Board is made with the following assumptions for fiscal year 2022 as it pertains to the approved budget: State Contract Assistance (SCA) is level funded at fiscal year 2021 levels; local assessments funded at 100%; advertisement at 100%; other subsidy at 100% with the exception of the MGM Loop and, fare revenue collection is funded at 74% of 2019 pre-COVID levels with most academic service restored as the schools/universities return to in-classroom learning. Expenses for fiscal year 2022 will include an increase in labor and benefits for the fixed route contractor due to a labor contract settlement. Expenses for fiscal year 2022 will also reflect continued monthly increases in labor associated with additional cleaning and disinfecting of the vehicles and facilities, as well as the additional costs of purchasing protective personal equipment and direct cleaning/disinfecting products although not as high as in previous years.

As of the beginning of fiscal year 2022 most of the universities, colleges and schools have reopened to in-person learning. This directly affects the Authority's revenue and expenses as the Springfield and Holyoke public school students return to using the fixed route system as this revenue was lost during the COVID pandemic. UMass and the region's higher learning institutions returned to full on-campus learning as of September 2021. The Authority has instituted a contactless mobile fare payment option during 2021 and into 2022 that has shown a steady increase of sales using that platform. The Authority is also in the process of installing ticket validators on the fixed route system to continue to support the contactless atmosphere encouraged by the pandemic. The Authority solicited proposals for the management of the fixed route system and a contract was awarded to DGR Management Inc. who will be commencing management operations in October 2021.

Paratransit operation assumptions are based on predictions of restored ridership levels of approximately 67% during fiscal year 2022, as compared to pre-pandemic levels as the communities begin to return to pre-pandemic transit needs. The COA's of the member towns have just begun reopening and ridership is expected to increase as seniors become accustomed to in-person events again. The Authority also solicited proposals for the management and operations of the Paratransit system. A contract was awarded to MV Transportation who assumed operations for fiscal year 2022 at a lower expense than the previous provider.

The Authority's expenses in other categories have also been directly affected by COVID-19. Printing has decreased significantly due to a companywide movement towards paperless schedules during the pandemic with no plans to print bulk paper schedules in the future. The fuel expense is expected to increase due to current fuel market still being affected by COVID-19. The worker shortage caused by the pandemic also directly affects the Authorities' expenses as people are hesitant to return back to non-remote employment.

**PIONEER VALLEY TRANSIT AUTHORITY**  
**(A Component Unit of the Massachusetts Department of Transportation)**

**Management’s Discussion and Analysis**

**For the Year Ended June 30, 2021**

**Federal CARES Act Funding**

The Authority was awarded federal operating assistance under the Coronavirus Aid Relief and Economic Security (CARES) Act through an existing federal program 49 USC Section 5307. The funding is to cover eligible operating expenses and other costs, net of fare revenue, incurred as part of the Authority’s response to COVID-19 beginning on or after January 20, 2020. Per the CARES Act and the awarding contract, the funding covers 100% of eligible expenses and does not require state or local matches. The following contract was awarded to the Authority:

	<u>Performance Period</u>	<u>Total Contract Amount</u>	<u>Funds Spent in Fiscal Year 2020</u>	<u>Funds Spent in Fiscal Year 2021</u>	<u>Remaining Contract Amount</u>
Federal CARES Act Funding					
Federal Section 5307	1/20/2020 until spent	<u>\$ 36,615,416</u>	<u>\$ 1,771,285</u>	<u>\$ 8,642,859</u>	<u>\$ 26,201,272</u>

**Financial Highlights**

- The assets and deferred outflows of resources of the Authority exceeded its liabilities and deferred inflows of resources at June 30, 2021 by \$66,817,136.
- The total operating revenue decreased \$2,399,558 or 42.2% from fiscal year 2020.
- The total reimbursable operating expenses decreased \$1,151,072 or 2.4% from fiscal year 2020.
- The Authority’s net cost of service, after applying operating assistance and revenues, for eligible reimbursable expenses for fiscal year 2021 was \$35,362,972. The net cost of service was funded with local assessments of \$9,400,873 and state contract assistance of \$25,926,099. The calculation of the net cost of service can be found on page 47 of this report.
- The Authority expended \$15,433,318 on capital assets, which were mostly 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.

**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.

**PIONEER VALLEY TRANSIT AUTHORITY**  
**(A Component Unit of the Massachusetts Department of Transportation)**

**Management's Discussion and Analysis**

**For the Year Ended June 30, 2021**

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 38 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, the schedule of changes in net other postemployment benefits liabilities and related ratios, and the schedule of other postemployment benefit contributions, which are required supplemental information. The required supplementary information can be found on pages 39 to 46 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 cannot be used to liquidate these liabilities. The Authority currently has no capital lease obligations or capital debt. A summary of the Authority's net position is as follows:

**Summary of Net Position**

	6/30/2021	6/30/2020
Total current assets	\$ 35,027,481	\$ 23,638,604
Investment in Holyoke Intermodal Facility, LLC	3,946,020	3,982,536
Property and equipment, net	106,599,811	110,958,935
Deferred outflows of resources related to pensions	1,566,286	2,147,269
Deferred outflows related to other post employment benefits	6,237,489	16,662
Total assets and deferred outflows of resources	153,377,087	140,744,006
Accounts payable and other accrued liabilities	18,576,982	8,581,880
Note payable	14,500,000	13,000,000
Net pension liabilities	2,630,079	3,292,932
Accrued other post employment benefits	41,341,914	32,797,853
Deferred inflows of resources related to pensions	962,590	1,168,393
Deferred inflows related to other post employment benefits	8,548,386	11,142,102
Total liabilities	86,559,951	69,983,160
Investment in capital assets, net of related debt	110,545,831	114,941,471
Restricted reserve	1,580,175	1,580,175
Unrestricted	(45,308,870)	(45,760,800)
Total net position	\$ 66,817,136	\$ 70,760,846

**PIONEER VALLEY TRANSIT AUTHORITY**  
**(A Component Unit of the Massachusetts Department of Transportation)**

**Management's Discussion and Analysis**

**For the Year Ended June 30, 2021**

The Authority's assets exceeded its liabilities by \$66,817,136 at the close of fiscal year 2021. 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, 2021, the Authority's reserve for extraordinary expenses was \$1,580,175. Unrestricted net position represents funds that may be used to fund current operations. During fiscal year 2021, the Authority's unrestricted net position increased a net amount of \$451,930 from fiscal year 2020 for a total negative unrestricted balance of \$(45,308,870) at June 30, 2021. The negative unrestricted net position of \$(45,308,870) is a result of the Authority reporting its projected long-term obligations for its net pension liabilities of \$2,026,383 and other postemployment benefits liabilities of \$43,652,811. The recognition of these long-term liabilities are estimates based on actuarial valuations. Unrestricted net position before the recognition of these liabilities is a positive \$370,324 at June 30, 2021.

A summary of the Authority's revenues, expenses, and changes in fund net position is as follows:

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

	<u>6/30/2021</u>	<u>6/30/2020</u>	<u>Increase (Decrease)</u>
Operating revenues	\$ 3,289,935	\$ 5,689,493	\$ (2,399,558)
Operating expenses - reimbursable	47,171,529	48,322,601	(1,151,072)
Operating expenses (recovery) - nonreimbursable change in net pension and other postemployment benefit liabilities	<u>(558,155)</u>	<u>(1,787,809)</u>	<u>1,229,654</u>
Operating income (loss)	(43,323,439)	(40,845,299)	(2,478,140)
Total non-operating revenues (expenses)	<u>43,881,594</u>	<u>42,633,108</u>	<u>1,248,486</u>
Income (loss) before capital contributions and other items	558,155	1,787,809	(1,229,654)
Capital contributions	15,290,577	12,794,644	2,495,933
Nonreimbursable depreciation	<u>(19,792,442)</u>	<u>(21,059,393)</u>	<u>1,266,951</u>
Change in net position	(3,943,710)	(6,476,940)	2,533,230
Net assets, beginning	<u>70,760,846</u>	<u>77,237,786</u>	<u>(6,476,940)</u>
Net position, ending	<u>\$ 66,817,136</u>	<u>\$ 70,760,846</u>	<u>\$ (3,943,710)</u>

Operating revenues decreased \$(2,399,558) or 42.2% from the prior year comprised of a decrease in fixed route revenue of \$(2,087,873), decrease in paratransit revenue of \$(310,174), and a decrease in shuttle service revenue of \$(1,511). These decreases in both operating revenues and expenses are due to the COVID-19 pandemic's effects on transit ridership due to the communities and employers' hesitation on returning to in-person employment as well as the schools, colleges and universities not returning to fully in-person learning until the fall of 2021.



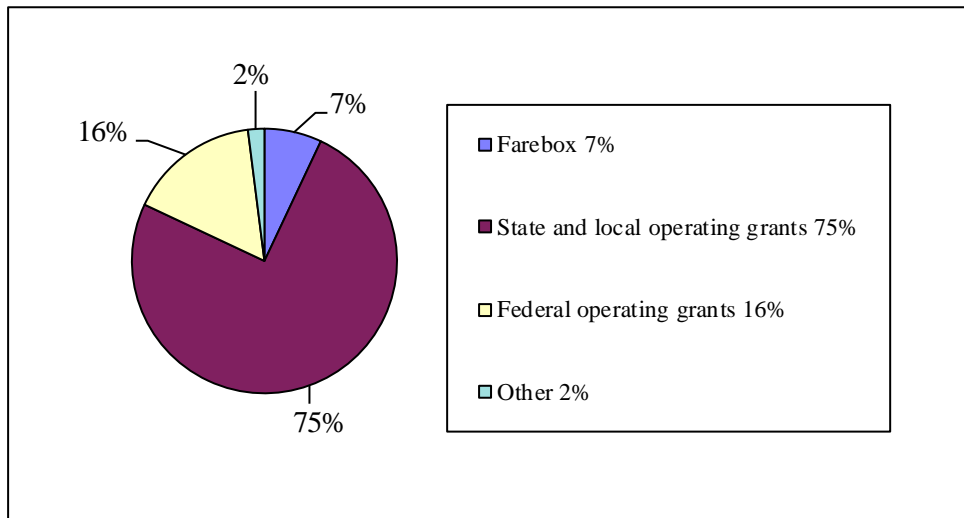
**PIONEER VALLEY TRANSIT AUTHORITY**  
**(A Component Unit of the Massachusetts Department of Transportation)**

**Management's Discussion and Analysis**

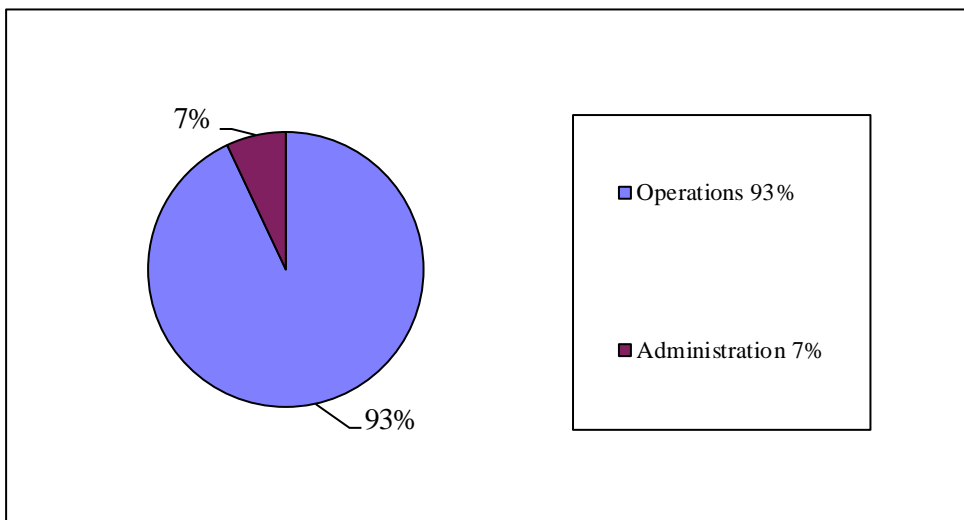
**For the Year Ended June 30, 2021**

Non-operating revenues (expenses) increased \$1,248,486 or 2.9% from the prior year primarily due to an increase in local assessments of \$229,290 as allowed under Massachusetts General Laws, an increase in federal and other assistance of \$580,186, a decrease in advertising income of \$(47,021), decrease in interest income of \$(138,557), increase in miscellaneous income of \$50,606, and a decrease in interest expense of \$95,721, all offset by an increase in State Operating assistance of \$478,261.

Total Operating and Non-operating  
Revenues of \$47,285,405 by Source



Total Operating and Non-operating  
Expenses of \$46,727,250 by source



**PIONEER VALLEY TRANSIT AUTHORITY**  
**(A Component Unit of the Massachusetts Department of Transportation)**

**Management's Discussion and Analysis**

**For the Year Ended June 30, 2021**

**Budget vs. Actual** - an analysis of significant budget variances (budget versus actual results), including reasons for the variances is as follows:

**Revenues**

*Fare revenues*

	FY2021 <u>Actual</u>	FY2021 <u>Budget</u>	Variance <u>+ (-)</u>
Fixed route income	\$ 3,002,979	\$ 3,498,796	\$ (495,817)
Paratransit income	276,208	341,005	(64,797)
Shuttle service income	<u>10,748</u>	<u>9,556</u>	<u>1,192</u>
Total operating income	<u>\$ 3,289,935</u>	<u>\$ 3,849,357</u>	<u>\$ (559,422)</u>

The decrease in revenues are contributed to the COVID-19 pandemic. Schools, Universities and Colleges did not return to in-person learning until September of 2021. Ridership for fiscal year 2021, although slowly increasing, only reached 58% of pre-COVID levels. The Councils on Aging and Adult Day Centers remained closed for most of the fiscal year and have only begun reopening.

*Government and other assistance*

	FY2021 <u>Actual</u>	FY2021 <u>Budget</u>	Variance <u>+ (-)</u>
Federal and other assistance	\$ 8,145,857	\$ 12,869,558	\$ (4,723,701)
State contract assistance	25,962,099	25,962,099	---
Local assistance	9,400,873	9,400,873	---

The final federal and other assistance came in under the budgeted amount by \$4,723,701. The reduction in operating costs during the fiscal year, allowed the Authority to not use as much federal operating funds.

*Other revenues*

	FY2021 <u>Actual</u>	FY2021 <u>Budget</u>	Variance <u>+ (-)</u>
Advertising income	\$ 242,938	\$ 225,000	\$ 17,938
Other income	236,500	269,020	(32,520)
Interest income	7,203	150,000	(142,797)

Advertising income came in over budget by \$17,938. Other income came in under budget by \$(32,250) due to insurance recoveries being lower than anticipated. Interest income was under budget by \$142,797 due to lower interest rates and that fact that not as much cash was on hand during the year (there was a delay in receiving the State Contract Assistance in fiscal year 2021).

**PIONEER VALLEY TRANSIT AUTHORITY**  
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**Management's Discussion and Analysis**

**For the Year Ended June 30, 2021**

**Expenses**

	FY2021 Actual	FY2021 Budget	Variance + (-)
Fixed route service expense	\$ 36,270,960	\$ 38,587,890	\$ 2,316,930
Paratransit service expense	6,993,034	9,631,553	2,638,519
Shuttle service expense	280,171	403,230	123,059
Administrative salaries, taxes and fringe benefits	1,809,102	2,522,181	713,079
Other administrative expenses	1,260,107	1,310,471	50,364

Fixed route costs came in under budget by \$2,316,930 partly 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) decreased by \$278,296. This recovery (reduction to expense) included in fixed route costs is non-reimbursable at this time and is therefore not budgeted for. The remaining variance of \$2,038,634 under budget is related to the reduction in service associated with the COVID-19 pandemic.

Paratransit savings of \$2,638,519 is primarily due to the effects of the COVID-19 pandemic related to the performance of fewer disabled and elderly trips in the communities served than what was originally projected at the beginning of the fiscal year.

Shuttle service came in under budget by \$123,059 and is due to fewer riders on the community shuttles as a result of the COVID-19 pandemic.

Administrative salaries, taxes and fringe benefits came in under budget by \$713,079 partly 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) decreased by \$279,859. This expense is non-reimbursable at this time and is therefore not budgeted for. The remaining variance of \$433,220 under budget is primarily related to wages, health insurance, and pension contributions coming in under budget.

**Debt**

**Revenue Anticipation Notes**

At the end of fiscal year 2021, the Authority had a revenue anticipation note of \$14,500,000. This note provides operating cash flow until federal, state, and local appropriations are received.

**Revolving Line of Credit**

The Authority has a \$3,000,000 revolving line of credit, due on demand. The line of credit is secured by the Authority's assets. Interest is at the Prime Rate as published in the Wall Street Journal. The interest rate was 3.25% at June 30, 2021. The balance outstanding as of June 30, 2021 and 2020 was \$-0-.

**PIONEER VALLEY TRANSIT AUTHORITY**  
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**Management's Discussion and Analysis**

**For the Year Ended June 30, 2021**

**Capital Assets**

The Authority's investment in capital assets as of June 30, 2021 amounted to \$106,599,811, net of accumulated depreciation. The investment in capital assets includes land, buildings, vehicles, and equipment. The Authority primarily acquires its capital assets under federal and state capital grants. The total purchase of capital assets for the current year was \$15,433,318. Additional information can be found in Note 5 on pages 13 and 14 of this report.

	<b>Capital Assets</b>	
	6/30/2021	6/30/2020
Land	\$ 1,965,505	\$ 1,965,505
Buildings and improvements	113,372,801	110,159,951
Revenue vehicles	115,696,278	112,684,314
Equipment	63,089,532	60,278,335
Service vehicles	1,806,760	1,806,760
Total capital assets	295,930,876	286,894,865
Accumulated depreciation	(189,331,065)	(175,935,930)
Capital assets, net	\$ 106,599,811	\$ 110,958,935

**Economic Factors**

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 on operating assistance from the Commonwealth of Massachusetts (54%), assessments to member municipalities (20%), and federal operating assistance (16%). The balance of the funding comes from farebox revenue, insurance recoveries, interest and advertising revenue. The municipal assessments continue to be funded in arrears (currently 2 years back). 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 Sandra E. Sheehan, Administrator, Pioneer Valley Transit Authority, 2808 Main Street, Springfield, MA 01107.

**PIONEER VALLEY TRANSIT AUTHORITY**  
**(A Component Unit of the Massachusetts Department of Transportation)**

**STATEMENTS OF NET POSITION**

**June 30,**

	2021	2020
<b>Assets and deferred outflows of resources</b>		
Current assets		
Cash and equivalents	\$ 748,939	\$ 1,687,360
Short-term investments	5,644,057	3,636,854
Receivables, net	28,187,006	17,776,116
Prepaid expenses	447,479	538,274
Total current assets	35,027,481	23,638,604
Investment in Holyoke Intermodal Facility, LLC	3,946,020	3,982,536
Property and equipment, net	106,599,811	110,958,935
Total assets	145,573,312	138,580,075
Deferred outflows of resources		
Deferred outflows related to pensions	1,566,286	2,147,269
Deferred outflows related to other post employment benefits	6,237,489	16,662
Total deferred outflows of resources	7,803,775	2,163,931
Total assets and deferred outflows or resources	153,377,087	140,744,006
<b>Liabilities and deferred inflows of resources</b>		
Current liabilities		
Accounts payable	15,200,210	5,264,864
Accrued payroll and related liabilities	158,461	119,239
Insurance claims reserve	2,500,000	2,750,000
Unearned revenue	430,992	189,944
Accrued interest	287,319	257,833
Note payable	14,500,000	13,000,000
Total current liabilities	33,076,982	21,581,880
Net pension liabilities	2,630,079	3,292,932
Accrued other post employment benefits	41,341,914	32,797,853
Total liabilities	77,048,975	57,672,665
Deferred inflows of resources		
Deferred inflows related to pensions	962,590	1,168,393
Deferred inflows related to other post employment benefits	8,548,386	11,142,102
Total deferred inflows of resources	9,510,976	12,310,495
Total liabilities and deferred inflows of resources	86,559,951	69,983,160
<b>Net position</b>		
Invested in capital assets, net of related debt	110,545,831	114,941,471
Restricted reserve	1,580,175	1,580,175
Unrestricted	(45,308,870)	(45,760,800)
Total net position	\$ 66,817,136	\$ 70,760,846

See notes to financial statements.

**PIONEER VALLEY TRANSIT AUTHORITY**  
**(A Component Unit of the Massachusetts Department of Transportation)**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION**

**For the Year Ended June 30, 2021**

	Budget	Actual	Variance Favorable (Unfavorable)
<b>Operating revenues</b>			
Fixed route income	\$ 3,498,796	\$ 3,002,979	\$ (495,817)
Paratransit income	341,005	276,208	(64,797)
Shuttle service income	9,556	10,748	1,192
Total operating revenues	3,849,357	3,289,935	(559,422)
<b>Operating expenses</b>			
Fixed route service	38,587,890	36,270,960	2,316,930
Paratransit service	9,631,553	6,993,034	2,638,519
Shuttle service	403,230	280,171	123,059
Administrative salaries, taxes and fringe benefits	2,522,181	1,809,102	713,079
Other administrative expenses	1,310,471	1,260,107	50,364
Total operating expenses	52,455,325	46,613,374	5,841,951
Operating income (loss)	(48,605,968)	(43,323,439)	5,282,529
<b>Non-operating revenues (expenses)</b>			
Government operating assistance			
Federal	11,690,744	7,607,847	(4,082,897)
Massachusetts	25,962,099	25,962,099	-
Member communities	9,400,873	9,400,873	-
Other assistance	1,178,814	538,010	(640,804)
Advertising income	225,000	242,938	17,938
Other income	269,020	236,500	(32,520)
Interest income	150,000	7,203	(142,797)
Interest expense	(270,582)	(113,876)	156,706
Total non-operating revenues (expenses)	48,605,968	43,881,594	(4,724,374)
Income (loss) before capital contributions and other items	\$ -	558,155	\$ 558,155
Contributed capital		15,290,577	
Nonreimbursable depreciation		(19,792,442)	
Change in net position		(3,943,710)	
Net position, beginning		70,760,846	
Net position, ending		\$ 66,817,136	

See notes to financial statements.

**PIONEER VALLEY TRANSIT AUTHORITY**  
**(A Component Unit of the Massachusetts Department of Transportation)**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION**

**For the Year Ended June 30, 2020**

	Budget	Actual	Variance Favorable (Unfavorable)
<b>Operating revenues</b>			
Fixed route income	\$ 7,035,524	\$ 5,090,852	\$ (1,944,672)
Paratransit income	780,140	586,382	(193,758)
Shuttle service income	20,367	12,259	(8,108)
Total operating revenues	7,836,031	5,689,493	(2,146,538)
<b>Operating expenses</b>			
Fixed route service	36,563,163	34,003,278	2,559,885
Paratransit service	9,717,209	8,052,161	1,665,048
Shuttle service	363,655	241,614	122,041
Administrative salaries, taxes and fringe benefits	2,589,583	2,386,358	203,225
Other administrative expenses	1,840,541	1,851,381	(10,840)
Total operating expenses	51,074,151	46,534,792	4,539,359
Operating income (loss)	(43,238,120)	(40,845,299)	2,392,821
<b>Non-operating revenues (expenses)</b>			
Government operating assistance			
Federal	7,121,866	7,055,374	(66,492)
Massachusetts	25,591,456	25,483,838	(107,618)
Member communities	9,171,583	9,171,583	-
Other assistance	852,993	510,297	(342,696)
Advertising income	300,000	289,959	(10,041)
Other income	285,286	185,894	(99,392)
Interest income	165,400	145,760	(19,640)
Interest expense	(250,464)	(209,597)	40,867
Total non-operating revenues (expenses)	43,238,120	42,633,108	(605,012)
Income (loss) before capital contributions and other items	\$ -	1,787,809	\$ 1,787,809
Contributed capital		12,794,644	
Nonreimbursable depreciation		(21,059,393)	
Change in net position		(6,476,940)	
Net position, beginning		77,237,786	
Net position, ending		\$ 70,760,846	

See notes to financial statements.

**PIONEER VALLEY TRANSIT AUTHORITY**  
**(A Component Unit of the Massachusetts Department of Transportation)**

**STATEMENTS OF CASH FLOWS**

**For the Year Ended June 30,**

	2021	2020
<b>Cash flows from operating activities:</b>		
Receipts from customers	\$ 3,462,487	\$ 5,818,841
Payments for goods and services	(43,206,169)	(45,002,204)
Payments to employees	(1,769,880)	(2,884,004)
Net cash provided (used) by operating activities	(41,513,562)	(42,067,367)
<b>Cash flows from noncapital financing activities:</b>		
Receipts of operating grants	41,101,665	42,607,813
Proceeds from issuing revenue anticipation notes	14,500,000	13,000,000
Repayments of revenue anticipation notes	(13,000,000)	(13,100,000)
Interest paid	(84,390)	(277,443)
Net cash provided (used) by noncapital financing activities	42,517,275	42,230,370
<b>Cash flows from capital and related financing activities:</b>		
Receipts of capital grants	7,114,299	16,037,727
Payments for capital acquisitions	(7,093,562)	(14,678,438)
Net cash provided (used) by capital and related financing activities	20,737	1,359,289
<b>Cash flows from investing activities:</b>		
Distribution from investment in Holyoke Intermodal Facility, LLC	37,129	-
(Increase) decrease in short-term investments	(2,007,203)	(3,146,152)
Interest income	7,203	145,760
Net cash provided (used) by investing activities	(1,962,871)	(3,000,392)
Net increase (decrease) in cash and equivalents	(938,421)	(1,478,100)
Cash and equivalents, beginning	1,687,360	3,165,460
Cash and equivalents, ending	\$ 748,939	\$ 1,687,360
<b>Reconciliation of operating income to net cash used by operating activities:</b>		
Operating loss	\$ (43,323,439)	\$ (40,845,299)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:		
(Gain) Loss in investment in Holyoke Intermodal Facility, LLC	(613)	(652)
Advertising and other income	479,438	475,853
Change in assets and liabilities:		
(Increase) decrease in receivables	172,552	872,235
(Increase) decrease in prepaid expenses	90,795	52,177
Increase (decrease) in accounts payable	1,595,590	(360,535)
Increase (decrease) in accrued payroll and related liabilities	39,222	(497,646)
Increase (decrease) in insurance claims reserve	(250,000)	-
Increase (decrease) in unearned revenue	241,048	24,310
Increase (decrease) in net pension liabilities	(287,673)	(397,103)
Increase (decrease) in other post employment benefits	(270,482)	(1,390,707)
Net cash provided (used) by operating activities	\$ (41,513,562)	\$ (42,067,367)

See notes to financial statements.



**PIONEER VALLEY TRANSIT AUTHORITY**  
**(A Component Unit of the Massachusetts Department of Transportation)**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2021 and 2020**

**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 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, 2021 and 2020, the Authority's reserve balance was \$1,580,175.

#### *Unrestricted*

All amounts not included in other classifications.

### **Funding and Revenue Recognition**

The Authority realizes revenue from a variety of different sources including but not limited to local assessment revenue, federal and state operating and capital assistance, fare revenue, and non-fare revenue such as advertising and rental income. Revenue is recognized on the accrual basis of accounting.

Federal and state operating and capital assistance grants are recorded at the time eligible expenditures under the terms of the grants are incurred. Reimbursement under these grants is based on expenses incurred during the fiscal year and is subject to certain compliance regulations.

### **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.

### **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.

### **Short-term Investments**

The Authority has short-term investments in the Massachusetts Municipal Depository Trust (MMDT), which is an external investment pool that is overseen by the Massachusetts State Treasurer. The fund is valued at amortized cost, which approximates fair value.

## **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 bad debt expense 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. The valuation allowance has not been material to the financial statements.

### **Property and Equipment**

Property and equipment are recorded at acquisition cost and depreciation is calculated using the straight-line method over three 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 10, 2021, 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, 2025, for fixed route transportation services with the University of Massachusetts.

The Authority has a contract, expiring on September 30, 2021, for its fixed route transportation services with Springfield Area Transit Company (SATCo) and Valley Area Transit Company (VATCo), divisions of First Transit, Inc. Subsequent to fiscal year end, the Authority is negotiating for its fixed route transportation services with a new entity, DGR Management, Inc.

Approximately 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 expired on June 30, 2021. Subsequent to fiscal year end, a new labor agreement was negotiated and finalized.

Approximately 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, 2021.

### **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).

**NOTE 2 - (Continued)****Deposit 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 with Berkshire Bank that are insured by FDIC insurance or collateralized. Bank deposits as of June 30, 2021, were \$1,565,901, all of which were insured and collateralized.

**Investment Custodial Credit Risk**

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party.

The Authority has \$5,644,057 invested in Massachusetts Municipal Depository Trust (MMDT) cash portfolio as of June 30, 2021. MMDT is a local government investment pool, established under Massachusetts General Laws, Chapter 29, Section 38A. The Authority reports its investment in MMDT at amortized cost as allowed by GASB 79, which approximates the net asset value of \$1.00 per share. An investment in the MMDT cash portfolio is not a deposit of a bank and is neither insured nor guaranteed by the Commonwealth of Massachusetts or the U.S. government, the Federal Deposit Insurance Corporation (FDIC) or any other government agency. MMDT has no redemption restrictions.

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

	<u>2021</u>	<u>2020</u>
Current receivables		
Federal		
Operating assistance	\$ 2,842,695	\$ 1,719,866
Capital assistance	6,729,545	2,530,328
Total - Federal	<u>9,572,240</u>	<u>4,250,194</u>
Massachusetts		
Operating assistance	71,230	436,397
Capital assistance	4,307,876	330,815
Total - Massachusetts	<u>4,379,106</u>	<u>767,212</u>
Member communities		
Operating assistance for current year expenditures	9,400,873	9,171,583
Operating assistance for prior year expenditures	4,737,529	3,317,317
Total - member communities	<u>14,138,402</u>	<u>12,488,900</u>
Trade receivables		
Accounts receivable	97,258	269,810
Allowance for uncollectible	-	-
Total - trade receivables	<u>97,258</u>	<u>269,810</u>
Total receivables	<u>\$ 28,187,006</u>	<u>\$ 17,776,116</u>

Based on management's assessment of the outstanding receivable balances at year end, they have concluded that an allowance for uncollectible accounts was not considered necessary.

The Federal government, under 49 USC may provide 50% to 100% of the cost of operations, including capital equipment and maintenance costs.

**NOTE 3 - (Continued)**

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:**

	2021	2020
Insurance	\$ 57,390	\$ 122,949
Pension	288,869	288,869
Fuel	56,098	96,186
Other	45,122	30,270
Total	<u>\$ 447,479</u>	<u>\$ 538,274</u>

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

	2021			
	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 1,965,505	\$ -	\$ -	\$ 1,965,505
Total capital assets, not being depreciated	<u>1,965,505</u>	<u>-</u>	<u>-</u>	<u>1,965,505</u>
Capital assets, being depreciated:				
Buildings and improvements	110,159,951	3,212,850	-	113,372,801
Revenue vehicles	112,684,314	9,409,271	(6,397,307)	115,696,278
Equipment	60,278,335	2,811,197	-	63,089,532
Service vehicles	1,806,760	-	-	1,806,760
Total capital assets, being depreciated	<u>284,929,360</u>	<u>15,433,318</u>	<u>(6,397,307)</u>	<u>293,965,371</u>
Less accumulated depreciation for:				
Buildings and improvements	41,335,935	9,235,057	-	50,570,992
Revenue vehicles	78,671,540	7,672,648	(6,397,307)	79,946,881
Equipment	54,211,352	2,818,315	-	57,029,667
Service vehicles	1,717,103	66,422	-	1,783,525
Total accumulated depreciation	<u>175,935,930</u>	<u>19,792,442</u>	<u>(6,397,307)</u>	<u>189,331,065</u>
Total capital assets, being depreciated, net	<u>108,993,430</u>	<u>(4,359,124)</u>	<u>-</u>	<u>104,634,306</u>
Capital assets, net	<u>\$ 110,958,935</u>	<u>\$ (4,359,124)</u>	<u>\$ -</u>	<u>\$ 106,599,811</u>

**NOTE 5 - (Continued)**

	2020			Ending Balance
	Beginning Balance	Increases	Decreases	
Capital assets, not being depreciated:				
Land	\$ 1,965,505	\$ -	\$ -	\$ 1,965,505
Total capital assets, not being depreciated	<u>1,965,505</u>	<u>-</u>	<u>-</u>	<u>1,965,505</u>
Capital assets, being depreciated:				
Buildings and improvements	106,946,012	3,213,939	-	110,159,951
Revenue vehicles	105,283,629	7,809,256	(408,571)	112,684,314
Equipment	58,129,937	2,148,398	-	60,278,335
Service vehicles	1,806,760	-	-	1,806,760
Total capital assets, being depreciated	<u>272,166,338</u>	<u>13,171,593</u>	<u>(408,571)</u>	<u>284,929,360</u>
Less accumulated depreciation for:				
Buildings and improvements	32,555,075	8,780,860	-	41,335,935
Revenue vehicles	71,082,367	7,997,744	(408,571)	78,671,540
Equipment	50,061,214	4,150,138	-	54,211,352
Service vehicles	1,586,452	130,651	-	1,717,103
Total accumulated depreciation	<u>155,285,108</u>	<u>21,059,393</u>	<u>(408,571)</u>	<u>175,935,930</u>
Total capital assets, being depreciated, net	<u>116,881,230</u>	<u>(7,887,800)</u>	<u>-</u>	<u>108,993,430</u>
Capital assets, net	<u>\$ 118,846,735</u>	<u>\$ (7,887,800)</u>	<u>\$ -</u>	<u>\$ 110,958,935</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.

**NOTE 6 - (Continued)**

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

	<u>2021</u>	<u>2020</u>
Investment in Holyoke Intermodal Facility, LLC, beginning	\$ 3,982,536	\$ 3,981,884
Gain (Loss) from Holyoke Intermodal Facility, LLC	613	652
Distributions from Holyoke Intermodal Facility, LLC	<u>(37,129)</u>	<u>-</u>
Investment in Holyoke Intermodal Facility, LLC, ending	<u>\$ 3,946,020</u>	<u>\$ 3,982,536</u>

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

	<u>2021</u>	<u>2020</u>
Accounts payable		
Capital projects	\$ 9,503,996	\$ 1,164,240
General operations	3,642,171	2,715,019
Fixed route operator	<u>2,054,043</u>	<u>1,385,605</u>
Total	<u>\$ 15,200,210</u>	<u>\$ 5,264,864</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, 2021 and 2020 was \$2,054,043 and \$1,385,605, respectively, and are reported as fixed route operator accounts payable in the Authority's financials statements.

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

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

	<u>2021</u>	<u>2020</u>
2.00% Revenue anticipation note, due July 16, 2021	\$ 14,500,000	
2.00% Revenue anticipation note, due July 16, 2020		<u>\$ 13,000,000</u>
Total	<u>\$ 14,500,000</u>	<u>\$ 13,000,000</u>

**Revolving Line of Credit**

The Authority has a \$3,000,000 revolving line of credit, due on demand with Berkshire Bank. The line of credit is secured by the Authority's assets. Interest is at the Prime Rate as published in the Wall Street Journal. The interest rate was 3.25% at June 30, 2021. The balance outstanding as of June 30, 2021 and 2020 was \$-0-.

**NOTE 8 - (Continued)**

On July 16, 2021, the Authority issued a \$14,500,000 operating assistance anticipation note maturing on July 15, 2022 at a rate of 1.5%. The Authority repaid the \$14,500,000 note due July 16, 2021.

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:**

	2021			
	Invested in capital assets	Restricted Reserve	Unrestricted	Total
Net income			\$ 558,155	\$ 558,155
Nonreimbursable depreciation	\$ (19,792,442)			(19,792,442)
Contributed capital	15,290,577			15,290,577
Authority funded capital	142,741		(142,741)	-
Decrease in investment in Holyoke Intermodal Facility, LLC	(36,516)		36,516	-
Increase (decrease) in net position	(4,395,640)	-	451,930	(3,943,710)
Net position, beginning	114,941,471	1,580,175	(45,760,800)	70,760,846
Net position, ending	<u>\$ 110,545,831</u>	<u>\$ 1,580,175</u>	<u>\$ (45,308,870)</u>	<u>\$ 66,817,136</u>
	2020			
	Invested in capital assets	Restricted Reserve	Unrestricted	Total
Net income			\$ 1,787,809	\$ 1,787,809
Nonreimbursable depreciation	\$ (21,059,393)			(21,059,393)
Contributed capital	13,171,593		(376,949)	12,794,644
Increase in investment in Holyoke Intermodal Facility, LLC	652		(652)	-
Increase (decrease) in net position	(7,887,148)	-	1,410,208	(6,476,940)
Net position, beginning	122,828,619	1,580,175	(47,171,008)	77,237,786
Net position, ending as restated	<u>\$ 114,941,471</u>	<u>\$ 1,580,175</u>	<u>\$ (45,760,800)</u>	<u>\$ 70,760,846</u>



## NOTE 10 - OPERATING LEASES

### *Springfield Union Station Lease*

In July 2017, the Authority entered into a 25-year agreement to lease space at the Springfield Union Station Intermodal Facility at 55 Frank B. Murray Street, Springfield, MA. The Authority has the right to renew the lease for seven consecutive ten-year terms. The leased premises consist of 18 bus berths, 2,300 square feet of support (office) space, 1,800 square feet of waiting area space, and 10 parking spaces. The Authority shall pay to the Lessor a base fee for the parking spaces and their pro-rata share of operation and maintenance expenses of the bus berths, support space, and waiting area space.

### Parking Spaces

The Authority shall pay a base fee of \$7,800 per annum, increasing 1.5% each year (\$8,156 for fiscal year 2021).

### Pro-rata Share of Operating and Maintenance Costs

Every year during the lease, the Authority shall pay, as additional fees, their pro-rata allocation of shared services for the operation and maintenance of the bus berths, support space, and waiting area space, based on the Authority's total rentable square feet and occupied bus berths. The additional fees shall be paid monthly in the amounts reasonably estimated by the Lessor, with an adjustment made after the close of the lease year to account for the actual operating and maintenance costs.

Total lease expense for the year ended June 30, 2021 was \$410,024 (\$406,919 for 2020); \$8,156 for parking space (\$8,036 for 2020) and \$401,868 for the Authority's pro-rata share of operating and maintenance costs, as reconciled by the Lessor (\$398,883 for 2020).

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

	Parking Spaces	Pro-rata Share of Operating Costs (Estimated)*
2022	\$ 8,279	\$ 400,000
2023	8,403	Not Available
2024	8,529	Not Available
2025	8,657	Not Available
2026	8,787	Not Available
2027 - 2042	159,928	Not Available
Total	<u>\$ 202,583</u>	

\* Pro-rata share of operating and maintenance costs are dependent upon the operating costs of the Lessor each year, which are unknown at this time. The estimate for fiscal year 2022 is based on information received from the Lessor, which will be reconciled to an actual amount at the end of fiscal year 2022.

### *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 (50<sup>th</sup>) 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. CAM charges for the years ended June 30, 2021 and 2020 were \$21,346 and \$18,762, respectively

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

## NOTE 11 - PVTA PENSION PLAN

### Plan

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 for fiscal year ended June 30, 2021 are based on liabilities developed in an actuarial valuation performed as of June 30, 2020 with a measurement date of June 30, 2020.

Results of the Plan for fiscal year ended June 30, 2020 are based on liabilities developed in an actuarial valuation performed as of June 30, 2019 with a measurement date of June 30, 2019.

### 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

The following employees were covered by the benefit terms for the plan year ending June 30:

	2020	2019
Active employees	15	19
Inactive employees entitled to but not yet receiving benefits	25	21
Inactive employees or beneficiaries currently receiving benefits	25	25
Total	<u>65</u>	<u>65</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. Before July 1, 1999, the benefit was 2.25% of average compensation times years of service to a maximum of 35 years. The normal retirement date is the first day of the month following a participant's 65<sup>th</sup> 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 65<sup>th</sup> 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 plan year ending June 30, 2020, the average employee contribution was 12.74% (16.11% for plan year ending June 30, 2019) and the Authority's average contribution rate was 42.86% (36.86% for plan year ending June 30, 2019) of annual payroll.

## NOTE 11 - (Continued)

### Actuarial Assumptions

The total pension liability in the June 30, 2020 and 2019 actuarial valuations were determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation:	3% and for future periods
Salary increases:	4% annually 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 2020 and 2019 IRS Mortality Tables 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 for the 2020 and 2019 actuarial valuations were 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	<u>100.00%</u>	

### Discount rate

The discount rate used to measure the total pension liability was 6.88% for the 2020 and 2019 actuarial valuations. 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 – PVTA Pension Plan**

	Increase (Decrease)		
	(Plan year end June 30, 2020)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2020	\$ 8,261,234	\$ 5,730,834	\$ 2,530,400
Changes for the year:			
Service cost	174,453		174,453
Interest	594,104		594,104
Changes in benefit terms	-		-
Differences between actual and expected experience	(265,360)		(265,360)
Contributions - employer		547,481	(547,481)
Contributions - employee		162,677	(162,677)
Net investment income		215,527	(215,527)
Benefit payments, including refunds of member contributions	(399,085)	(399,085)	-
Administrative expense	-	-	-
Net changes	<u>104,112</u>	<u>526,600</u>	<u>(422,488)</u>
Balances at June 30, 2021	<u>\$ 8,365,346</u>	<u>\$ 6,257,434</u>	<u>\$ 2,107,912</u>

	Increase (Decrease)		
	(Plan year end June 30, 2019)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2019	\$ 7,944,473	\$ 4,768,924	\$ 3,175,549
Changes for the year:			
Service cost	234,749		234,749
Interest	574,663		574,663
Changes in benefit terms	-		-
Differences between actual and expected experience	(145,773)		(145,773)
Contributions - employer		470,855	(470,855)
Contributions - employee		205,808	(205,808)
Net investment income		632,125	(632,125)
Benefit payments, including refunds of member contributions	(346,878)	(346,878)	-
Administrative expense	-	-	-
Net changes	<u>316,761</u>	<u>961,910</u>	<u>(645,149)</u>
Balances at June 30, 2020	<u>\$ 8,261,234</u>	<u>\$ 5,730,834</u>	<u>\$ 2,530,400</u>

**NOTE 11 - (Continued)****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%)
<b>Plan net pension liability as of June 30, 2021</b> for plan year ending June 30, 2020	\$ 3,111,566	\$ 2,107,912	\$ 1,262,280
<b>Plan net pension liability as of June 30, 2020</b> for plan year ending June 30, 2019	\$ 3,503,178	\$ 2,530,400	\$ 1,667,484

**Pension Expense and Deferred Inflows and Outflows of Resources**

For the year ended June 30, 2021, the Transit Authority recognized pension expense (recovery) of \$(328,021), which includes the change in deferred outflows and inflows of resources (pension expense of \$407,675 for the year ended June 30, 2020). The Transit Authority reported deferred outflows and deferred inflows of resources related to pensions from the following sources at June 30:

	2021		2020	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 465,764	\$ (249,969)	\$ 639,023	\$ (121,322)
Changes in assumptions	-	-	-	-
Net difference between projected and actual earnings on pension plan investments	151,564	(384,834)	-	(623,724)
Contributions subsequent to the measurement date	254,497	-	128,015	-
<b>Total</b>	<b>\$ 871,825</b>	<b>\$ (634,803)</b>	<b>\$ 767,038</b>	<b>\$ (745,046)</b>
Net deferred outflows (inflows) of resources	<u>\$ 237,022</u>		<u>\$ 21,992</u>	

Amounts reported as of June 30 for deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	2021	2020
2021		\$ 13,857
2022	\$ 152,477	(51,725)
2023	(137,232)	(86,937)
2024	(10,425)	(47,514)
2025	58,267	20,377
2026	20,378	20,377
Thereafter	153,557	153,557
<b>Total deferred outflows (inflows) of resources</b>	<b>\$ 237,022</b>	<b>\$ 21,992</b>

**Payable to Pension Plan**

At June 30, 2021, the Authority reported a payable of \$-0- for outstanding contributions to the Plan (\$-0- for the year ended June 30, 2020).

## **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 \$43.52 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, 2021 and 2020, SATCo's pension expense for the TERP plan was \$318,000 and \$400,000, respectively. The funding surplus as of July 1, 2020 was \$3,580,936. The funding surplus as of July 1, 2019 was \$3,509,851.

The TERP Plan issues a publicly available financial report that includes financial statements and required supplementary information for the plan. The TERP 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, 2021, SATCo reported a payable of \$-0- for outstanding contributions to the Plan (\$-0- for the year ended June 30, 2020).

## **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 for fiscal year ended June 30, 2021 are based on liabilities developed in an actuarial valuation performed as of June 30, 2020 with a measurement date of June 30, 2020.

Results of the SERP Plan for fiscal year ended June 30, 2020 are based on liabilities developed in an actuarial valuation performed as of June 30, 2019 with a measurement date of June 30, 2019.

## 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 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

The following employees were covered by the benefit terms for the plan year ending June 30:

	2020	2019
Active employees	232	241
Inactive employees entitled to but not yet receiving benefits	13	9
Inactive employees or beneficiaries currently receiving benefits	80	69
Total	<u>325</u>	<u>319</u>

### 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 65<sup>th</sup> birthday. The normal retirement benefit is a monthly benefit of \$42.57 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 2.56% for plan year ending June 30, 2020 (2.39% for plan year ending June 30, 2019) of annual payroll.

## NOTE 13 - (Continued)

### Actuarial Assumptions

The total pension liability in the June 30, 2020 and 2019 actuarial valuations were determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation:	2.50% 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 2020 and 2019 IRS Mortality Tables for small plans
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 for the 2020 and 2019 actuarial valuations were 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	<u>100.00%</u>	

### Discount rate

The discount rate used to measure the total pension liability was 6.27% for the 2020 and 2019 actuarial valuations. 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)		
	(Plan year end June 30, 2020)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2020	\$ 9,826,054	\$ 9,063,522	\$ 762,532
Changes for the year:			
Service cost	405,985		405,985
Interest	648,403		648,403
Changes in benefit terms	-		-
Changes in assumptions	(13,691)		(13,691)
Differences between actual and expected experience	(17,058)		(17,058)
Contributions - employer		408,549	(408,549)
Contributions - employee		531,451	(531,451)
Net investment income		391,852	(391,852)
Benefit payments, including refunds of member contributions	(218,642)	(218,642)	-
Administrative expense		(67,848)	67,848
Net changes	<u>804,997</u>	<u>1,045,362</u>	<u>(240,365)</u>
Balances at June 30, 2021	<u>\$ 10,631,051</u>	<u>\$ 10,108,884</u>	<u>\$ 522,167</u>

	Increase (Decrease)		
	(Plan year end June 30, 2019)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2019	\$ 8,981,831	\$ 7,444,020	\$ 1,537,811
Changes for the year:			
Service cost	404,377		404,377
Interest	594,567		594,567
Changes in benefit terms	-		-
Differences between actual and expected experience	38,305		38,305
Contributions - employer		380,619	(380,619)
Contributions - employee		529,779	(529,779)
Net investment income		944,844	(944,844)
Benefit payments, including refunds of member contributions	(193,026)	(193,026)	-
Administrative expense		(42,714)	42,714
Net changes	<u>844,223</u>	<u>1,619,502</u>	<u>(775,279)</u>
Balances at June 30, 2020	<u>\$ 9,826,054</u>	<u>\$ 9,063,522</u>	<u>\$ 762,532</u>

**NOTE 13 - (Continued)****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%)
<b>Plan net pension liability (asset) as of June 30, 2021</b> for plan year ending June 30, 2020	\$ 1,889,608	\$ 522,167	\$ (620,370)
<b>Plan net pension liability (asset) as of June 30, 2020</b> for plan year ending June 30, 2019	\$ 2,040,511	\$ 762,532	\$ (305,237)

**Pension Expense and Deferred Inflows and Outflows of Resources**

For the year ended June 30, 2021, the Transit Authority recognized pension expense of \$1,563,983, which includes the change in deferred inflows and outflows of resources (\$446,236 for the year ended June 30, 2020). The Transit Authority reported deferred outflows and deferred inflows of resources related to pensions from the following sources at June 30:

	2021		2020	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 536,927	\$ (16,078)	\$ 680,231	\$ (10,524)
Changes in assumptions	-	(11,512)	-	-
Net difference between projected and actual earnings on pension plan investments	157,534	(300,197)	-	(412,823)
Contributions subsequent to the measurement date	-	-	700,000	-
<b>Total</b>	<b>\$ 694,461</b>	<b>\$ (327,787)</b>	<b>\$ 1,380,231</b>	<b>\$ (423,347)</b>
 Net deferred outflows (inflows) of resources	 <b>\$ 366,674</b>		 <b>\$ 956,884</b>	

Amounts reported as of June 30 for deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	2021	2020
2021		\$ 721,889
2022	\$ 63,903	29,413
2023	71,503	37,013
2024	73,128	38,638
2025	134,495	100,007
2026	23,645	29,924
<b>Total deferred outflows (inflows) of resources</b>	<b>\$ 366,674</b>	<b>\$ 956,884</b>

**Payable to Pension Plan**

At June 30, 2021, SATCo reported a payable of \$472,138 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2021 (\$408,265 for the year ended June 30, 2020).

## 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. 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, 2021, there were 31 plan participants; 16 active members, 9 retirees and beneficiaries, and 6 terminated vested members.

For the years ended June 30, 2020 and 2019, SATCo's pension expense for the TMP plan was \$145,000 and \$154,000, respectively, and the funding surplus was \$199,149 and \$277,441, respectively.

The TMP plan issues a publicly available financial report that includes financial statements and required supplementary information for the 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:

	2021	2020
Annual required contribution	\$ 46,692	\$ -
Contributions made	<u>(122,789)</u>	<u>(120,343)</u>
Increase (decrease) in net pension obligation	(76,097)	(120,343)
Other adjustments and assumption changes	154,389	(177,410)
Net pension liability (asset) at beginning of year	<u>(277,441)</u>	<u>20,312</u>
Net pension liability (asset) at end of year	<u>\$ (199,149)</u>	<u>\$ (277,441)</u>

	2021	2020
Actuarial value of assets	\$ 3,992,923	\$ 3,739,401
Actuarial accrued liability	<u>3,793,774</u>	<u>3,461,960</u>
Funding surplus (shortfall)	<u>\$ 199,149</u>	<u>\$ 277,441</u>

## **NOTE 14 - (Continued)**

### **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, 2020
Actuarial cost method:	Traditional unit credit cost method
Amortization method:	Level dollar
Asset valuation method:	Market value
Investment rate of return:	4.21% (5.69% at July 1, 2019)

### **Payable to Pension Plan**

At June 30, 2021, SATCo reported a payable of \$22,211 for the outstanding amount of contributions to the pension plan (\$33,657 for the year ended June 30, 2020).

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, 2017, the Authority implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefit Plans Other than Pensions*. This statement established new financial reporting requirements for government entities that provide other postemployment benefits (OPEB) to its employees and retirees and required the Authority to record the net OPEB liability measured as the total actuarially accrued liability.

### **Plan Description and Benefits Provided**

The Pioneer Valley Transit Authority Retiree Welfare Plan (the 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 20% of medical and dental premiums in retirement.

The Authority does not issue separate financial statements on this plan.

### **Accounting Policy**

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of 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 are recognized when due and payable in accordance with the benefit terms.

**NOTE 15 - (Continued)**

**Plan Membership**

The following employees were covered by the benefit terms for the plan year ending June 30:

	<u>2021</u>	<u>2020</u>
Active employees	25	25
Inactive employees or beneficiaries currently receiving benefits	<u>17</u>	<u>19</u>
Total	<u>42</u>	<u>44</u>

**Contributions**

In fiscal year 2018, the Authority established a Qualified OPEB Trust (the Trust) with the intention that it qualifies as a tax-exempt trust performing an essential governmental function within the meaning of Section 115 of the Internal Revenue Code and Regulations issued thereunder and as a trust for OPEB in accordance with MGL Chapter 32B, Section 20.

The Trust was created for the sole purpose of providing funding for OPEB, as determined by the Authority, or as may be required by collective bargaining agreement, or by any general or special law providing for such benefits, for the exclusive benefit of the retired employees and their eligible dependents and for defraying the reasonable administrative, legal, actuarial and other expenses of the Trust. The assets held in the Trust shall not be used for or diverted to any other purpose, except as described in the Trust. The Trust is irrevocable and no trust funds shall revert to the Authority until all benefits owed to the retired employees have been satisfied or released. In addition, the assets are legally protected from creditors of the Authority and the Plan administrator.

The Authority shall have no obligation to make contributions to the Trust to fund OPEB, and the size of the Trust may not be sufficient at any one time to meet the OPEB liabilities. The fair market value of the Trust assets as of June 30, 2021 is \$591 (\$476 at June 30, 2020).

**Actuarial Methods and Assumptions**

Results of the Plan for the fiscal year ended on June 30, 2021 are based on liabilities developed in an actuarial valuation performed as of July 1, 2020 with a measurement date of June 30, 2021.

Results of the Plan for the fiscal year ended on June 30, 2020 are based on liabilities developed in an actuarial valuation performed as of July 1, 2018 with a measurement date of June 30, 2020.

The total OPEB liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial cost method:	Individual entry age normal
Inflation:	2.50% and for future periods
Salary increases:	3% annually and for future periods
Discount rate:	2.25% per annum for 2021 (2.75% for 2020)
Municipal bond rate:	2.18% as of June 30, 2021 (2.79% as of June 30, 2020). Source is the S&P Municipal Bond 20-Year High Grade Index
Participation rate:	Assumed that 80% of employees eligible to receive retirement benefits would enroll in the Plan

**NOTE 15 - (Continued)**

Pre- and post-retirement mortality: Mortality rates were based upon the RP-2014 Mortality Table for Blue Collar Employees projected generationally with scale MP-2016 for males and females, set forward 1 year for females

Healthcare trend rate: Assumed 4.50% for 2021 and 2020 increase in healthcare costs

**Changes in net OPEB liability**

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
<b>Balances at June 30, 2019</b>	\$ 5,806,628	\$ -	\$ 5,806,628
Changes for the year:			
Service cost	209,018		209,018
Interest	163,543		163,543
Changes in benefit terms	-		-
Changes in assumptions	-		-
Differences between actual and expected experience	-		-
Net investment income		(24)	24
Employer contributions - premiums		138,705	(138,705)
Benefit payments - premiums		(138,205)	138,205
Benefit payments including implicit cost	(138,205)		(138,205)
Administrative expense	-	-	-
Net changes	<u>234,356</u>	<u>476</u>	<u>233,880</u>
<b>Balances at June 30, 2020</b>	<u>6,040,984</u>	<u>476</u>	<u>6,040,508</u>
Changes for the year:			
Service cost	220,047		220,047
Interest	170,206		170,206
Changes in benefit terms	-		-
Changes in assumptions	1,537,121		1,537,121
Differences between actual and expected experience	(461,016)		(461,016)
Net investment income		115	(115)
Employer contributions - premiums		144,388	(144,388)
Benefit payments - premiums		(144,388)	144,388
Benefit payments including implicit cost	(144,388)		(144,388)
Administrative expense	-	-	-
Net changes	<u>1,321,970</u>	<u>115</u>	<u>1,321,855</u>
<b>Balances at June 30, 2021</b>	<u>\$ 7,362,954</u>	<u>\$ 591</u>	<u>\$ 7,362,363</u>

**NOTE 15 - (Continued)**

**Sensitivity of the Net OPEB Liability to Changes in the Discount Rate and Healthcare Cost Trend Rates**

The following presents the net OPEB liability, as well as what the net OPEB liability would be if it were calculated using a discount and healthcare cost trend rate that is 1 percentage point lower or 1 percentage point higher than the current rates:

	<u>Discount Rate</u>		
	<u>1% Decrease (1.25%)</u>	<u>Current (2.25%)</u>	<u>1% Increase (3.25%)</u>
Net OPEB liability as of June 30, 2021	\$ 8,994,520	\$ 7,362,363	\$ 6,112,467
	<u>Discount Rate</u>		
	<u>1% Decrease (1.75%)</u>	<u>Current (2.75%)</u>	<u>1% Increase (3.75%)</u>
Net OPEB liability as of June 30, 2020	\$ 7,231,604	\$ 6,040,508	\$ 5,157,782
	<u>Healthcare Cost Trend Rate</u>		
	<u>1% Decrease (3.50%)</u>	<u>Current (4.50%)</u>	<u>1% Increase (5.50%)</u>
Net OPEB liability as of June 30, 2021	\$ 6,071,759	\$ 7,362,363	\$ 9,117,249
	<u>Healthcare Cost Trend Rate</u>		
	<u>1% Decrease (3.50%)</u>	<u>Current (4.50%)</u>	<u>1% Increase (5.50%)</u>
Net OPEB liability as of June 30, 2020	\$ 4,985,884	\$ 6,040,508	\$ 7,450,027

**OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources**

For the year ended June 30, 2021, the Authority recognized OPEB expense of \$357,659, which includes the change in deferred outflows and inflows of resources (\$191,978 for the year ended June 30, 2020). At June 30, the Authority reported deferred outflows and inflows of resources related to OPEB from the following sources:

	<u>2021</u>		<u>2020</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ (427,075)	\$ -	\$ (47,878)
Changes in assumptions	1,317,532	(51,883)	-	(77,825)
Net difference between projected and actual earnings on OPEB plan investments	-	(81)	-	-
Total	<u>\$ 1,317,532</u>	<u>\$ (479,039)</u>	<u>\$ -</u>	<u>\$ (125,703)</u>
Net deferred outflows (inflows) of resources		<u>\$ 838,493</u>		<u>\$ (125,703)</u>

**NOTE 15 - (Continued)**

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

Year ended June 30:	<u>2021</u>	<u>2020</u>
2021		\$ (41,902)
2022	\$ 111,808	(41,902)
2023	111,811	(41,899)
2024	153,710	-
2025	153,709	-
2026	153,730	-
Thereafter	<u>153,725</u>	<u>-</u>
Total deferred outflows (inflows) of resources	<u>\$ 838,493</u>	<u>\$ (125,703)</u>

**Payable to the OPEB Plan**

At June 30, 2021, the Authority reported a payable of \$-0- for outstanding contributions to the Plan (\$-0- for the year ended June 30, 2020).

**NOTE 16 - SATCO OTHER POSTEMPLOYMENT BENEFITS**

The liability for other postemployment 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.

**Plan Description and Benefits Provided**

The Springfield Area Transportation Company Other Postemployment Benefits Plan (the Plan) is a single-employer defined benefit plan which 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. 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.

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

**Accounting Policy**

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of 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 are recognized when due and payable in accordance with the benefit terms.

**Plan Membership**

The following employees were covered by the benefit terms for the plan year ending June 30:

	<u>2021</u>	<u>2020</u>
Active employees	241	255
Inactive employees or beneficiaries		
currently receiving benefits	<u>127</u>	<u>127</u>
Total	<u>368</u>	<u>382</u>



## **NOTE 16 - (Continued)**

### **Contributions**

In fiscal year 2018, the Authority established a Qualified OPEB Trust (the Trust) for the benefit of SATCO's OPEB Plan with the intention that it qualifies as a tax-exempt trust performing an essential governmental function within the meaning of Section 115 of the Internal Revenue Code and Regulations issued thereunder and as a trust for OPEB in accordance with MGL Chapter 32B, Section 20.

The Trust was created for the sole purpose of providing funding for OPEB, as determined by the Authority, or as may be required by collective bargaining agreement, or by any general or special law providing for such benefits, for the exclusive benefit of the retired employees and their eligible dependents and for defraying the reasonable administrative, legal, actuarial and other expenses of the Trust. The assets held in the Trust shall not be used for or diverted to any other purpose, except as described in the Trust. The Trust is irrevocable and no trust funds shall revert to the Authority until all benefits owed to the retired employees have been satisfied or released. In addition, the assets are legally protected from creditors of the Authority, SATCo, and the Plan administrator.

The Authority and SATCo shall have no obligation to make contributions to the Trust to fund OPEB, and the size of the Trust may not be sufficient at any one time to meet the OPEB liabilities. The fair market value of the trust assets as of June 30, 2021 is \$645,750 (\$524,590 as of June 30, 2020).

### **Payable to OPEB Plan**

At June 30, 2021, SATCo reported a payable of \$-0- for outstanding contributions to the Plan (\$-0- for the year ended June 30, 2020).

### **Actuarial Methods and Assumptions**

Results of the Plan for the fiscal year ended on June 30, 2021 are based on liabilities developed in an actuarial valuation performed as of July 1, 2019 with a measurement date of June 30, 2021.

Results of the Plan for the fiscal year ended on June 30, 2020 are based on liabilities developed in an actuarial valuation performed as of July 1, 2019 with a measurement date of June 30, 2020.

The total OPEB liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial cost method:	Individual entry age normal
Inflation:	2.50% and for future periods
Salary increases:	3% annually and for future periods
Discount rate:	3.00% for 2021 (4.25% for 2020)
Investment rate of return:	5.54%, net of OPEB plan investment expense (5.64% for 2020)
Municipal bond rate:	2.18% as of June 30, 2021 (2.66% as of June 30, 2020)
Pre- and post-retirement mortality:	Mortality rates were based upon the RP-2014 Blue Collar Employee Mortality Tables for males and females
Healthcare trend:	Assumed 4.50% for 2021 and 2020 increase in healthcare costs
Participation rate:	Assumed that 100% of employees eligible to received retirement benefits would enroll in the plan

**NOTE 16 - (Continued)**

**Changes in net OPEB liability**

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
<b>Balances at June 30, 2019</b>	\$ 35,308,134	\$ 516,299	\$ 34,791,835
Changes for the year:			
Service cost	798,091		798,091
Interest	1,429,115		1,429,115
Changes in benefit terms	-		-
Changes in assumptions	(3,670,465)		(3,670,465)
Differences between actual and expected experience	(5,818,732)		(5,818,732)
Net investment income		8,291	(8,291)
Employer contributions to trust		-	-
Employer contributions - premiums		764,208	(764,208)
Benefit payments - premiums		(764,208)	764,208
Benefit payments including implicit cost	(764,208)		(764,208)
Administrative expense	-	-	-
Net changes	<u>(8,026,199)</u>	<u>8,291</u>	<u>(8,034,490)</u>
<b>Balances at June 30, 2020</b>	27,281,935	524,590	26,757,345
Changes for the year:			
Service cost	869,836		869,836
Interest	1,179,290		1,179,290
Changes in benefit terms	-		-
Changes in assumptions	6,110,270		6,110,270
Differences between actual and expected experience	-		-
Net investment income		121,160	(121,160)
Employer contributions to trust		-	-
Employer contributions - premiums		816,030	(816,030)
Benefit payments - premiums		(816,030)	816,030
Benefit payments including implicit cost	(816,030)		(816,030)
Administrative expense	-	-	-
Net changes	<u>7,343,366</u>	<u>121,160</u>	<u>7,222,206</u>
<b>Balances at June 30, 2021</b>	<u>\$ 34,625,301</u>	<u>\$ 645,750</u>	<u>\$ 33,979,551</u>

**NOTE 16 - (Continued)****Discount rate**

The discount rate used to measure the total OPEB liability was 3.00% as of June 30, 2021 and 4.25% as of June 30, 2020. The projection of cash flows used to determine the discount rate assumed that contributions will be made in accordance with the Authority's funding policy. Based on these assumptions, the OPEB Plan's Fiduciary Net Position is projected to be insufficient to make all projected benefit payments to current plan members. Therefore, the long-term expected rate of return on the OPEB Plan assets is applied to the projected benefits payments which the Fiduciary Net Position is expected to be sufficient to cover and the Municipal Bond Rate is applied thereafter. The Municipal Bond Rate is based on the S&P Municipal Bond 20-Year High Grade Index ("SAPIHG"), which was 2.18% as of June 30, 2021. The S&P Municipal Bond 20-Year High Grade Index is the index rate for 20 year, tax exempt general obligation municipal bonds with an average rate of AA/Aa or higher.

**Long-term rate of return**

The long term rate of return on OPEB plan investments for the 2021 actuarial valuation 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	60.00%	4.90%
Fixed income	25.00%	1.40%
Cash	15.00%	0.00%
Total	100.00%	

**Sensitivity of the Net OPEB Liability to Changes in the Discount Rate and Healthcare Cost Trend Rates**

The following presents the net OPEB liability, as well as what the net OPEB liability would be if it were calculated using a discount and healthcare cost trend rate that is 1 percentage point lower or 1 percentage point higher than the current rates:

	<b>Discount Rate</b>		
	1% Decrease (2.00%)	Current (3.00%)	1% Increase (4.00%)
Net OPEB liability as of June 30, 2021	\$ 40,218,243	\$ 33,979,551	\$ 28,846,489
	1% Decrease (3.25%)	Current (4.25%)	1% Increase (5.25%)
Net OPEB liability as of June 30, 2020	\$ 31,301,144	\$ 26,757,345	\$ 23,090,086

**NOTE 16 - (Continued)**

	<b>Healthcare Cost Trend Rate</b>		
	1% Decrease (3.50%)	Current (4.50%)	1% Increase (5.50%)
Net OPEB liability as of June 30, 2021	\$ 28,270,341	\$ 33,979,551	\$ 41,424,580
	1% Decrease (3.50%)	Current (4.50%)	1% Increase (5.50%)
Net OPEB liability as of June 30, 2020	\$ 22,624,385	\$ 26,757,345	\$ 32,052,003

**OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources**

For the year ended June 30, 2021, the Authority recognized OPEB expense (recovery) of \$(628,141), which includes the change in deferred outflows and deferred inflows of resources (recovery of \$1,582,685 for the year ended June 30, 2020). At June 30, the Authority reported deferred outflows or resources and deferred inflows of resources related to OPEB from the following sources:

	2021		2020	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ (3,702,292)	\$ -	\$ (5,004,246)
Changes in assumptions	4,907,461	(4,292,487)	-	(6,010,819)
Net difference between projected and actual earnings on OPEB plan investments	12,496	(74,568)	16,662	(1,334)
Total	<u>\$ 4,919,957</u>	<u>\$ (8,069,347)</u>	<u>\$ 16,662</u>	<u>\$ (11,016,399)</u>
Net deferred outflows (inflows) of resources		<u>\$ (3,149,390)</u>		<u>\$ (10,999,737)</u>

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

Year ended June 30:	2021	2020
2021		\$ (3,016,564)
2022	\$ (1,832,175)	(3,016,564)
2023	(1,684,505)	(2,868,894)
2024	(745,534)	(1,929,923)
2025	1,016,599	(167,792)
2026	96,225	-
Total deferred outflows (inflows) of resources	<u>\$ (3,149,390)</u>	<u>\$ (10,999,737)</u>

## NOTE 17 - COMMITMENTS AND CONTINGENT LIABILITIES

### *Fiscal year 2022 budget*

For the fiscal year 2022, the Authority has an operating budget of \$53,188,029 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 effect 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 \$1,000,000 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, 2021, the Authority's insurance claims reserve is \$2,500,000 (\$2,750,000 at June 30, 2020) 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:

	<u>2021</u>	<u>2020</u>
Insurance claims reserve, beginning	\$ 2,750,000	\$ 2,750,000
Increase in reserve for claims provisions	217,297	520,976
Claims paid	<u>(467,297)</u>	<u>(520,976)</u>
Insurance claims reserve, ending	<u>\$ 2,500,000</u>	<u>\$ 2,750,000</u>

## NOTE 18 - FEDERAL CARES ACT FUNDING

The Authority was awarded federal operating assistance under the Coronavirus Aid Relief and Economic Security (CARES) Act through an existing federal program 49 USC Section 5307. The funding is to cover eligible operating expenses and other costs, net of fare revenue, incurred as part of the Authority's response to COVID-19 beginning on or after January 20, 2020. Per the CARES Act and the awarding contract, the funding covers 100% of eligible expenses and does not require state or local matches.

The following contract was awarded to the Authority:

	<u>Performance Period</u>	<u>Total Contract Amount</u>	<u>Funds Spent in Fiscal Year 2020</u>	<u>Funds Spent in Fiscal Year 2021</u>	<u>Remaining Contract Amount</u>
Federal CARES Act Funding					
Federal Section 5307	1/20/2020 until spent	<u>\$ 36,615,416</u>	<u>\$ 1,771,285</u>	<u>\$ 8,642,859</u>	<u>\$ 26,201,272</u>

## NOTE 19 - IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS

The Governmental Accounting Standards Board (GASB) issued Statement No. 84, *Fiduciary Activities*, for implementation in fiscal year 2021. The statement enhances the consistency and comparability of fiduciary activity reporting by state and local governments. It narrows the existing definition of a fiduciary fund and clarifies how these funds should be treated in the financial statements. This statement had no impact on the Authority's financial reporting.

The GASB also issued Statement No. 90, *Majority Equity Interests*, for implementation in fiscal year 2021. The statement helps clarify the reporting requirements for state and local government entities that have a majority equity interest in an organization that remains legally separate after acquisition. This statement had no impact on the Authority's financial reporting.

**PIONEER VALLEY TRANSIT AUTHORITY**  
(A Component Unit of the Massachusetts Department of Transportation)

**SCHEDULE OF CHANGES IN NET PENSION LIABILITIES AND RELATED RATIOS**

**REQUIRED SUPPLEMENTARY INFORMATION**

June 30, 2021

	<b>PVTA Pension Plan</b> (see also Note 11) Plan Year End June 30,						
	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
<b>Total pension liability</b>							
Service cost	\$ 174,453	\$ 234,749	\$ 399,036	\$ 237,541	\$ 218,696	\$ 199,780	\$ 226,520
Interest	594,104	574,663	528,550	458,403	426,044	405,613	360,702
Changes of benefit terms	-	-	-	-	-	-	-
Differences between expected and actual experience	(265,360)	(145,773)	238,470	447,146	101,296	(70,204)	398,081
Changes of assumptions	-	-	-	-	-	-	-
Benefit payment, including refunds of employee contributions	(399,085)	(346,878)	(336,643)	(302,220)	(297,102)	(270,461)	(294,010)
Net change in total pension liability	104,112	316,761	829,413	840,870	448,934	264,728	691,293
Total pension liability, beginning	8,261,234	7,944,473	7,115,060	6,274,190	5,825,256	5,560,528	4,869,235
<b>Total pension liability, ending (a)</b>	<b>\$ 8,365,346</b>	<b>\$ 8,261,234</b>	<b>\$ 7,944,473</b>	<b>\$ 7,115,060</b>	<b>\$ 6,274,190</b>	<b>\$ 5,825,256</b>	<b>\$ 5,560,528</b>
<b>Plan fiduciary net position</b>							
Contributions - employer	\$ 547,481	\$ 470,855	\$ 174,456	\$ 355,018	\$ 377,718	\$ 157,377	\$ 141,588
Contributions - employee	162,677	205,808	56,625	60,494	55,906	48,887	45,886
Net investment income	215,527	632,125	310,301	364,336	259,833	144,609	469,701
Benefit payments, including refunds of employee contributions	(399,085)	(346,878)	(336,643)	(302,220)	(297,102)	(270,461)	(294,010)
Administrative expense	-	-	-	(40)	(14,305)	-	-
Net change in plan fiduciary net position	526,600	961,910	204,739	477,588	382,050	80,412	363,165
Plan fiduciary net position, beginning	5,730,834	4,768,924	4,564,185	4,086,597	3,704,547	3,624,135	3,260,970
<b>Plan fiduciary net position, ending (b)</b>	<b>\$ 6,257,434</b>	<b>\$ 5,730,834</b>	<b>\$ 4,768,924</b>	<b>\$ 4,564,185</b>	<b>\$ 4,086,597</b>	<b>\$ 3,704,547</b>	<b>\$ 3,624,135</b>
<b>Net pension liability (a) - (b)</b>	<b>\$ 2,107,912</b>	<b>\$ 2,530,400</b>	<b>\$ 3,175,549</b>	<b>\$ 2,550,875</b>	<b>\$ 2,187,593</b>	<b>\$ 2,120,709</b>	<b>\$ 1,936,393</b>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	74.80%	69.37%	60.03%	64.15%	65.13%	63.59%	65.18%
<b>Covered employee payroll</b>	\$ 1,277,270	\$ 1,277,270	\$ 1,528,975	\$ 1,529,167	\$ 1,223,784	\$ 1,223,784	\$ 1,169,373
<b>Net pension liability as a percentage of covered employee payroll</b>	165.03%	198.11%	207.69%	166.81%	178.76%	173.29%	165.59%

See independent auditors' report.

**PIONEER VALLEY TRANSIT AUTHORITY**  
**(A Component Unit of the Massachusetts Department of Transportation)**

**SCHEDULE OF CHANGES IN NET PENSION LIABILITIES AND RELATED RATIOS**

**REQUIRED SUPPLEMENTARY INFORMATION**

June 30, 2021

	SATCo SERP Plan (see also Note 13) Plan Year End June 30,						
	2020	2019	2018	2017	2016	2015	2014
<b>Total pension liability</b>							
Service cost	\$ 405,985	\$ 404,377	\$ 408,631	\$ 399,561	\$ 365,630	\$ 327,274	\$ 290,750
Interest	648,403	594,567	527,876	448,386	399,919	351,881	317,682
Changes of benefit terms	-	-	-	-	-	-	-
Differences between expected and actual experience	(17,058)	38,305	434,823	461,424	41,217	96,577	(63,258)
Changes of assumptions	(13,691)	-	-	-	-	-	-
Benefit payment, including refunds of employee contributions	(218,642)	(193,026)	(266,628)	(122,646)	(86,013)	(60,634)	(44,384)
Net change in total pension liability	804,997	844,223	1,104,702	1,186,725	720,753	715,098	500,790
Total pension liability, beginning	9,826,054	8,981,831	7,877,129	6,690,404	5,969,651	5,254,553	4,753,763
<b>Total pension liability, ending (a)</b>	<u>\$ 10,631,051</u>	<u>\$ 9,826,054</u>	<u>\$ 8,981,831</u>	<u>\$ 7,877,129</u>	<u>\$ 6,690,404</u>	<u>\$ 5,969,651</u>	<u>\$ 5,254,553</u>
<b>Plan fiduciary net position</b>							
Contributions - employer	\$ 408,549	\$ 380,619	\$ 625,074	\$ 635,316	\$ 1,295,000	\$ 129,644	\$ 470,000
Contributions - employee	531,451	529,779	524,926	533,279	505,000	490,356	-
Net investment income	391,852	944,844	439,395	407,457	233,325	44,799	211,580
Benefit payments, including refunds of employee contributions	(218,642)	(193,026)	(266,628)	(122,646)	(86,013)	(60,634)	(44,384)
Administrative expense	(67,848)	(42,714)	(50,575)	(41,841)	(27,871)	(18,764)	(13,093)
Net change in plan fiduciary net position	1,045,362	1,619,502	1,272,192	1,411,565	1,919,441	585,401	624,103
Plan fiduciary net position, beginning	9,063,522	7,444,020	6,171,828	4,760,263	2,840,822	2,255,421	1,631,318
<b>Plan fiduciary net position, ending (b)</b>	<u>\$ 10,108,884</u>	<u>\$ 9,063,522</u>	<u>\$ 7,444,020</u>	<u>\$ 6,171,828</u>	<u>\$ 4,760,263</u>	<u>\$ 2,840,822</u>	<u>\$ 2,255,421</u>
<b>Net pension liability (a) - (b)</b>	<u>\$ 522,167</u>	<u>\$ 762,532</u>	<u>\$ 1,537,811</u>	<u>\$ 1,705,301</u>	<u>\$ 1,930,141</u>	<u>\$ 3,128,829</u>	<u>\$ 2,999,132</u>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	95.09%	92.24%	82.88%	78.35%	71.15%	47.59%	42.92%
<b>Covered employee payroll</b>	\$ 15,973,184	\$ 15,901,029	\$ 15,301,015	\$ 14,477,280	\$ 14,742,434	\$ 14,042,201	\$ 12,774,455
<b>Net pension liability as a percentage of covered employee payroll</b>	3.27%	4.80%	10.05%	11.78%	13.09%	22.28%	23.48%

See independent auditors' report.



**PIONEER VALLEY TRANSIT AUTHORITY**  
(A Component Unit of the Massachusetts Department of Transportation)

**SCHEDULE OF PENSION CONTRIBUTIONS**

**REQUIRED SUPPLEMENTARY INFORMATION**

**June 30, 2021**

	<b>PVTA Pension Plan</b> (see also Note 11) <b>Plan Year End June 30,</b>						
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially determined contribution	\$ 389,354	\$ 492,723	\$ 722,782	\$ 497,602	\$ 441,721	\$ 415,986	\$ 423,935
Contributions in relation to the actuarially determined contribution	<u>710,158</u>	<u>676,663</u>	<u>231,081</u>	<u>415,512</u>	<u>433,624</u>	<u>206,264</u>	<u>187,474</u>
Contribution deficiency (excess)	<u>\$ (320,804)</u>	<u>\$ (183,940)</u>	<u>\$ 491,701</u>	<u>\$ 82,090</u>	<u>\$ 8,097</u>	<u>\$ 209,722</u>	<u>\$ 236,461</u>
Covered employee payroll	\$ 1,277,270	\$ 1,277,270	\$ 1,528,975	\$ 1,529,167	\$ 1,223,784	\$ 1,223,784	\$ 1,169,373
Contribution as a percentage of covered employee payroll	55.60%	52.98%	15.11%	27.17%	35.43%	16.85%	16.03%

**Notes to Schedules for PVTA Pension Plan**

*Valuation date:*

Actuarially determined contribution rates are calculated as of June 30, 2020.

*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% and for future periods
Salary increases:	4% annually and for future periods
Investment rate of return:	6.88%, net of pension plan investment expense, including inflation for small plans

Last 10 years: Only plan years 2014 to 2020 available

See independent auditors' report.

**PIONEER VALLEY TRANSIT AUTHORITY**  
**(A Component Unit of the Massachusetts Department of Transportation)**

**SCHEDULE OF PENSION CONTRIBUTIONS**

**REQUIRED SUPPLEMENTARY INFORMATION**

**June 30, 2021**

	<b>SATCo SERP Plan</b> <b>(see also Note 13)</b> <b>Plan Year End June 30,</b>						
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially determined contribution	\$ 457,459	\$ 479,545	\$ 560,224	\$ 567,665	\$ 555,898	\$ 635,705	\$ 586,396
Contributions in relation to the actuarially determined contribution	<u>408,549</u>	<u>380,619</u>	<u>625,074</u>	<u>635,316</u>	<u>1,295,000</u>	<u>129,644</u>	<u>470,000</u>
Contribution deficiency (excess)	<u>\$ 48,910</u>	<u>\$ 98,926</u>	<u>\$ (64,850)</u>	<u>\$ (67,651)</u>	<u>\$ (739,102)</u>	<u>\$ 506,061</u>	<u>\$ 116,396</u>
Covered employee payroll	\$ 15,973,184	\$ 15,901,029	\$ 15,301,015	\$ 14,477,280	\$ 14,742,434	\$ 14,042,201	\$ 12,774,455
Contribution as a percentage of covered employee payroll	2.56%	2.39%	4.09%	4.39%	8.78%	0.92%	3.68%

**Notes to Schedules for SATCO SERP Pension Plan**

*Valuation date:*

Actuarially determined contribution rates are calculated as of June 30, 2020.

*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% 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

Last 10 years: Only plan years 2014 to 2020 available

See independent auditors' report.

**PIONEER VALLEY TRANSIT AUTHORITY**  
(A Component Unit of the Massachusetts Department of Transportation)

**SCHEDULE OF CHANGES IN NET OPEB  
LIABILITIES AND RELATED RATIOS**  
**REQUIRED SUPPLEMENTARY INFORMATION**

June 30, 2021

	<b>PVTA OPEB Plan</b> (see also Note 15) <b>Plan Year End June 30,</b>			
	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
<b>Total OPEB liability</b>				
Service cost	\$ 220,047	\$ 209,018	\$ 196,680	\$ 310,684
Interest	170,206	163,543	151,826	171,289
Changes of benefit terms	-	-	414,737	-
Changes of assumptions	1,537,121	-	(129,709)	-
Differences between actual and expected experience	(461,016)	-	(79,798)	-
Benefit payments including implicit cost	(144,388)	(138,205)	(141,814)	(93,312)
Net change in total OPEB liability	1,321,970	234,356	411,922	388,661
Total OPEB liability, beginning	6,040,984	5,806,628	5,394,706	5,006,045
<b>Total OPEB liability, ending (a)</b>	<b>\$ 7,362,954</b>	<b>\$ 6,040,984</b>	<b>\$ 5,806,628</b>	<b>\$ 5,394,706</b>
<b>Plan fiduciary net position</b>				
Interest	\$ -	\$ -	\$ -	\$ -
Net investment income	115	(24)	-	-
Employer contributions - premiums	144,388	138,705	141,814	93,312
Benefit payments - premiums	(144,388)	(138,205)	(141,814)	(93,312)
Administrative expense	-	-	-	-
Net change in plan fiduciary net position	115	476	-	-
Plan fiduciary net position, beginning	476	-	-	-
<b>Plan fiduciary net position, ending (b)</b>	<b>\$ 591</b>	<b>\$ 476</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Net OPEB liability (a) - (b)</b>	<b>\$ 7,362,363</b>	<b>\$ 6,040,508</b>	<b>\$ 5,806,628</b>	<b>\$ 5,394,706</b>
<b>Plan fiduciary net position as a percentage of the total OPEB liability</b>	0.01%	0.01%	0.00%	0.00%
<b>Covered employee payroll</b>	\$ 1,470,015	\$ 1,550,298	\$ 1,505,144	\$ 1,442,016
<b>Net OPEB liability as a percentage of covered employee payroll</b>	500.84%	389.64%	385.79%	374.11%

**Notes to Schedule:**

Changes of assumptions:

Effective June 30, 2021, discount rate changed from 2.75% to 2.25%.

Mortality table updated from RP-2000 with scale BB to RP-2014 with scale MP-2016

Last 10 years: Only plan years 2018 to 2021 available

See independent auditors' report.

**PIONEER VALLEY TRANSIT AUTHORITY**  
(A Component Unit of the Massachusetts Department of Transportation)

**SCHEDULE OF CHANGES IN NET OPEB  
LIABILITIES AND RELATED RATIOS**

**REQUIRED SUPPLEMENTARY INFORMATION**

June 30, 2021

	SATCo OPEB Plan (see also Note 16) Plan Year End June 30,			
	2021	2020	2019	2018
<b>Total OPEB liability</b>				
Service cost	\$ 869,836	\$ 798,091	\$ 1,292,292	\$ 1,533,958
Interest	1,179,290	1,429,115	1,484,613	1,173,374
Changes of benefit terms	-	-	2,130,904	-
Changes of assumptions	6,110,270	(3,670,465)	(5,055,906)	-
Differences between actual and expected experience	-	(5,818,732)	-	(805,038)
Benefit payments including implicit cost	(816,030)	(764,208)	(726,472)	(574,275)
Net change in total OPEB liability	7,343,366	(8,026,199)	(874,569)	1,328,019
Total OPEB liability, beginning	27,281,935	35,308,134	36,182,703	34,854,684
<b>Total OPEB liability, ending (a)</b>	<u>\$ 34,625,301</u>	<u>\$ 27,281,935</u>	<u>\$ 35,308,134</u>	<u>\$ 36,182,703</u>
<b>Plan fiduciary net position</b>				
Interest	\$ -	\$ -	\$ -	\$ -
Net investment income	121,160	8,291	16,299	-
Employer contributions to trust	-	-	500,000	-
Employer contributions - premiums	816,030	764,208	726,472	574,275
Benefit payments - premiums	(816,030)	(764,208)	(726,472)	(574,275)
Administrative expense	-	-	-	-
Net change in plan fiduciary net position	121,160	8,291	516,299	-
Plan fiduciary net position, beginning	524,590	516,299	-	-
<b>Plan fiduciary net position, ending (b)</b>	<u>\$ 645,750</u>	<u>\$ 524,590</u>	<u>\$ 516,299</u>	<u>\$ -</u>
<b>Net OPEB liability (a) - (b)</b>	<u>\$ 33,979,551</u>	<u>\$ 26,757,345</u>	<u>\$ 34,791,835</u>	<u>\$ 36,182,703</u>
<b>Plan fiduciary net position as a percentage of the total OPEB liability</b>	1.86%	1.92%	1.46%	0.00%
<b>Covered employee payroll</b>	\$ 16,378,060	\$ 15,901,029	\$ 15,640,248	\$ 14,477,280
<b>Net OPEB liability as a percentage of covered employee payroll</b>	207.47%	168.27%	222.45%	249.93%

**Notes to Schedule:**

Changes of assumptions:

Effective June 30, 2021, discount rate changed from 4.25 to 3.00%.

Last 10 years: Only plan years 2018 to 2021 available

See independent auditors' report.

**PIONEER VALLEY TRANSIT AUTHORITY**  
**(A Component Unit of the Massachusetts Department of Transportation)**

**SCHEDULE OF OPEB CONTRIBUTIONS**  
**REQUIRED SUPPLEMENTARY INFORMATION**

**June 30, 2021**

	<b>PVTA OPEB Plan</b>			
	<b>(see also Note 15)</b>			
	<b>Plan Year End June 30,</b>			
	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
Actuarially determined contribution	\$ 440,343	\$ 488,100	\$ 475,762	\$ 585,941
Contributions in relation to the actuarially determined contribution	<u>144,388</u>	<u>138,205</u>	<u>141,814</u>	<u>93,312</u>
Contribution deficiency (excess)	<u>\$ 295,955</u>	<u>\$ 349,895</u>	<u>\$ 333,948</u>	<u>\$ 492,629</u>
Covered employee payroll	\$ 1,470,015	\$ 1,550,298	\$ 1,505,144	\$ 1,442,016
Contribution as a percentage of covered employee payroll	9.82%	8.91%	9.42%	6.47%

**Notes to Schedule**

*PVTA OPEB Valuation date:*

Actuarially determined contribution rates were calculated as of July 1, 2020 with a measurement date of June 30, 2021.

*Methods and assumptions used to determine contribution rates for PVTA:*

Actuarial cost method:	Individual entry age normal
Municipal bond rate:	2.18% as of June 30, 2021 (Source: S&P Municipal Bond 20-Year High Grade Index)
Discount rate:	2.25%
Inflation:	2.50% as of June 30, 2021 and for future periods
Salary increases:	3.00% annually and for future periods
Pre- and post-retirement mortality:	Mortality rates were based upon the RP-2014 Mortality Table for Blue Collar Employees projected generationally with scale MP-2016 for males and females, set forward 1 year for females
Disabled mortality:	Mortality rate was based upon the RP-2014 Mortality Table for Blue Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females, set forward 1 year.

*Changes in assumptions:*

Effective June 30, 2021, discount rate changed from 2.75% to 2.25%.  
Mortality table updated from RP-2000 with scale BB to RP-2014 with scale MP-2016

Last 10 years: Only plan years 2018 to 2021 available

See independent auditors' report.

**PIONEER VALLEY TRANSIT AUTHORITY**  
**(A Component Unit of the Massachusetts Department of Transportation)**

**SCHEDULE OF OPEB CONTRIBUTIONS**  
**REQUIRED SUPPLEMENTARY INFORMATION**

**June 30, 2021**

	<b>SATCo OPEB Plan</b> <b>(see also Note 16)</b> <b>Plan Year End June 30,</b>			
	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
Actuarially determined contribution	\$ 2,002,488	\$ 2,327,770	\$ 3,226,922	\$ 3,343,115
Contributions in relation to the actuarially determined contribution	<u>816,030</u>	<u>764,208</u>	<u>1,226,472</u>	<u>574,275</u>
Contribution deficiency (excess)	<u>\$ 1,186,458</u>	<u>\$ 1,563,562</u>	<u>\$ 2,000,450</u>	<u>\$ 2,768,840</u>
Covered employee payroll	\$ 16,378,060	\$ 15,901,029	\$ 15,640,248	\$ 14,477,280
Contribution as a percentage of covered employee payroll	4.98%	4.81%	7.84%	3.97%

**Notes to Schedule**

*SATCo OPEB Valuation date:*

Actuarially determined contribution rates were calculated as of July 1, 2019 with a measurement date of June 30, 2021.

*Methods and assumptions used to determine contribution rates for SATCo:*

Actuarial cost method:	Individual entry age normal
Municipal bond rate:	2.18% as of June 30, 2021 (Source: S&P Municipal Bond 20-Year High Grade Index)
Discount rate:	3.00%
Inflation:	2.50% as of June 30, 2021 and for future periods
Salary increases:	3.00% annually and for future periods
Pre- and post-retirement mortality:	Mortality rates were based upon the RP-2014 Blue Collar Employee Mortality Tables for males and females projected generationally with scale MP-2016 for males and females, set forward 1 year for females
Disabled mortality:	Mortality rate was based upon the RP-2014 Blue Collar Healthy Annuitant Table projected with scale MP-2016 for males and females, set forward 1 year
<i>Changes in assumptions:</i>	Effective June 30, 2021, discount rate changed from 4.25% to 3.00%.

Last 10 years: Only plan years 2018 to 2021 available

See independent auditors' report.

**PIONEER VALLEY TRANSIT AUTHORITY**  
**(A Component Unit of the Massachusetts Department of Transportation)**

**STATEMENT OF NET COST OF SERVICE**

**SUPPLEMENTARY INFORMATION**

**For the Year Ended June 30,**

	Total Service Area 2021	Total Service Area 2020
Operating costs		
Administrative costs	\$ 3,069,209	\$ 4,237,739
Purchased services		
Fixed route	36,270,960	34,003,278
Paratransit	6,993,034	8,052,161
Shuttle	280,171	241,614
Debt service	113,876	209,597
Eliminate GASB adjustment for other post employment benefits	270,482	1,390,706
Eliminate GASB adjustment for pension expense	287,673	397,103
Total operating costs	<u>47,285,405</u>	<u>48,532,198</u>
Operating assistance and revenues		
Federal operating and administrative assistance	7,607,847	7,055,374
Other operating assistance	538,010	510,297
Revenues		
Local revenues		
Fixed route	3,002,979	5,090,852
Paratransit	276,208	586,382
Shuttle	10,748	12,259
Advertising	242,938	289,959
Other income	236,500	185,894
Interest	7,203	145,760
Total operating assistance and revenues	<u>11,922,433</u>	<u>13,876,777</u>
Net operating deficit	35,362,972	34,655,421
Increase in reserve for extraordinary expense	-	-
Net cost of service	<u>\$ 35,362,972</u>	<u>\$ 34,655,421</u>
Local assessments	\$ 9,400,873	\$ 9,171,583
State contract assistance	<u>25,962,099</u>	<u>25,483,838</u>
Total	<u>\$ 35,362,972</u>	<u>\$ 34,655,421</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 adjustment for the change in the Authority's other post employment benefits and net pension liability

See independent auditors' report.

**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, a component unit of the Massachusetts Department of Transportation, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise Pioneer Valley Transit Authority's basic financial statements, and have issued our report thereon dated September 10, 2021.

**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) as a basis for designing 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## Purpose of this Report

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

*Adelson + Company PC*

ADELSON & COMPANY PC

September 10, 2021