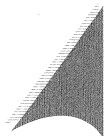


PIONEER VALLEY TRANSIT AUTHORITY

**Financial Statements and
Supplementary Information
June 30, 2010**

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Adelson Moynihan Kowalczyk PC

CERTIFIED PUBLIC ACCOUNTANTS

Established 1938

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the business-type activities of Pioneer Valley Transit Authority, a component unit of the Commonwealth of Massachusetts, as of and for the years ended June 30, 2010 and 2009, which comprise the Pioneer Valley Transit Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Pioneer Valley Transit Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as discussed in the following paragraph, 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In the fiscal year 2009 financial statements, we were unable to confirm \$5,975,759 of noncurrent Commonwealth of Massachusetts operating assistance receivables and an estimated liability due to the government of \$1,428,298. During fiscal year 2010, the Authority recorded an allowance against the receivables due from the Commonwealth of Massachusetts (Note 3) and settled the liability due to the government (Note 8).

In our opinion, except for the effect on the 2009 financial statements as discussed in the preceding paragraph, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the Pioneer Valley Transit Authority, as of June 30, 2010 and 2009, and the changes in its net assets, and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated August 30, 2010 on our consideration of the Pioneer Valley Transit Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on page 4, the budgetary comparisons on pages 6 and 7, and the Required Supplementary Information on pages 31 and 32 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.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information starting on page 33 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

Adelson Moynihan Kowalczyk PC
ADELSON MOYNIHAN KOWALCZYK PC

August 30, 2010



PIONEER VALLEY TRANSIT AUTHORITY

Management's Discussion and Analysis

For the Year Ended June 30, 2010

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, 2010.

Financial Highlights

- The assets of the Authority exceeded its liabilities at June 30, 2010 by \$28,178,650.
- The Authority's total net assets decreased by \$(15,991,926) in fiscal year 2010 as shown below:

	6/30/2010
Increase in other post employment benefits as required by GASB 45	\$ (1,766,524)
Increase in reserves for extraordinary expenses	187,352
Loss before capital and other items	(1,579,172)
Increase in capital assets, net of depreciation	4,957,757
Decrease in Union Station construction in process (Note 5)	(14,680,409)
Doubtful State operating receivables (Note 3)	(5,975,759)
Debt settlement with government (Note 8)	943,502
Other changes (Note 8)	342,155
	\$ (15,991,926)

- The total operating revenue decreased \$(39,259) (1%) from fiscal year 2009.
- The operating expenses decreased \$(457,309) (1%) from fiscal year 2009.
- The Authority expended \$10,912,389 on capital assets.

The Authority's operations are funded annually through a state required computation of the net cost of service. Except for the establishment of a restricted reserve, as allowed under Massachusetts General Laws, the Authority's funding cannot exceed its net cost of service. However, a deficit can result if funding is not sufficient to cover expenses.

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 Assets, Statement of Revenues, Expenses and Changes in Net Assets, Statement of Cash Flows and Notes to the Financial Statements. The Authority is a special purpose government engaged in only 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

Management's Discussion and Analysis

For the Year Ended June 30, 2010

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 30 of this report.

In addition to the basic financial statements and accompanying notes, this report also presents budgetary information, pension funding progress and retiree health plan funding progress which is required supplemental information. The supplementary information can be found on pages 6, 31 and 32 of this report.

Government Financial Analysis

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

The Authority currently has no capital lease obligations or capital debt.

Summary of Net Assets

	<u>6/30/2010</u>	<u>6/30/2009</u>
Total current assets	\$ 36,235,715	\$ 36,551,570
Restricted cash	3,766,374	1,884,344
Prior receivables from the State	5,975,759	5,975,759
Allowance for uncollectible	(5,975,759)	---
Property and equipment, net	<u>39,511,803</u>	<u>49,256,455</u>
Total assets	79,513,892	93,668,128
Total liabilities	<u>51,335,242</u>	<u>49,497,552</u>
Investment in capital assets, net of related debt	39,511,803	49,256,455
Restricted for other purposes	187,352	---
Unrestricted	<u>(11,520,505)</u>	<u>(5,085,879)</u>
Total net assets	<u>\$ 28,178,650</u>	<u>\$ 44,170,576</u>

Net assets may serve over time as a useful indicator of a financial position. The Authority's assets exceeded its liabilities by \$28,178,650 at the close of fiscal year 2010.

PIONEER VALLEY TRANSIT AUTHORITY

Management's Discussion and Analysis

For the Year Ended June 30, 2010

An additional portion of the Authority's net assets, shown as "Restricted for other purposes", represents resources that are subject to external restrictions on how they may be used. As of June 30, 2010, the Authority's reserve for extraordinary expenses was \$187,352.

Unrestricted net assets represent funds that may be used to fund current operations. During fiscal year 2010, the Authority's unrestricted fund balance decreased a net amount of (\$6,434,626) from fiscal year 2009 for a total negative unrestricted fund balance of (\$11,520,505) at June 30, 2010. This net decrease in unrestricted fund balance is due to the current year accrual of (\$1,766,524) in other post employment benefits as required by GASB 45, recording an allowance for doubtful accounts against prior years unfunded State operating receivables of (\$5,975,759), final settlement with the government for disallowed costs on the Springfield Union Station, Westfield and Holyoke intermodal center projects of \$1,285,657, and \$22,000 in reimbursable depreciation expense.

**Summary of Statement of Revenues, Expenses
and Changes in Net Assets**

	<u>6/30/2010</u>	<u>6/30/2009</u>
Total operating revenues	\$ 6,469,925	\$ 6,509,184
Total operating expenses	<u>37,647,337</u>	<u>38,104,646</u>
Operating income (loss)	(31,177,412)	(31,595,462)
Total non-operating revenues (expenses)	<u>29,598,240</u>	<u>29,281,227</u>
Income (loss) before capital contributions and other items	(1,579,172)	(2,314,235)
Capital contributions	10,810,140	11,496,611
Other capital asset additions	102,249	---
Nonreimbursable depreciation	(5,954,632)	(5,313,383)
Union Station (Note 5)	(14,680,409)	---
Doubtful State operating receivables (Note 3)	(5,975,759)	---
Debt settlement with government (Note 8)	943,502	---
Other changes (Note 8)	<u>342,155</u>	<u>(1,428,298)</u>
Change in net assets	(15,991,926)	2,440,695
Net assets, beginning	<u>44,170,576</u>	<u>41,729,881</u>
Net assets, ending	<u>\$ 28,178,650</u>	<u>\$ 44,170,576</u>

PIONEER VALLEY TRANSIT AUTHORITY

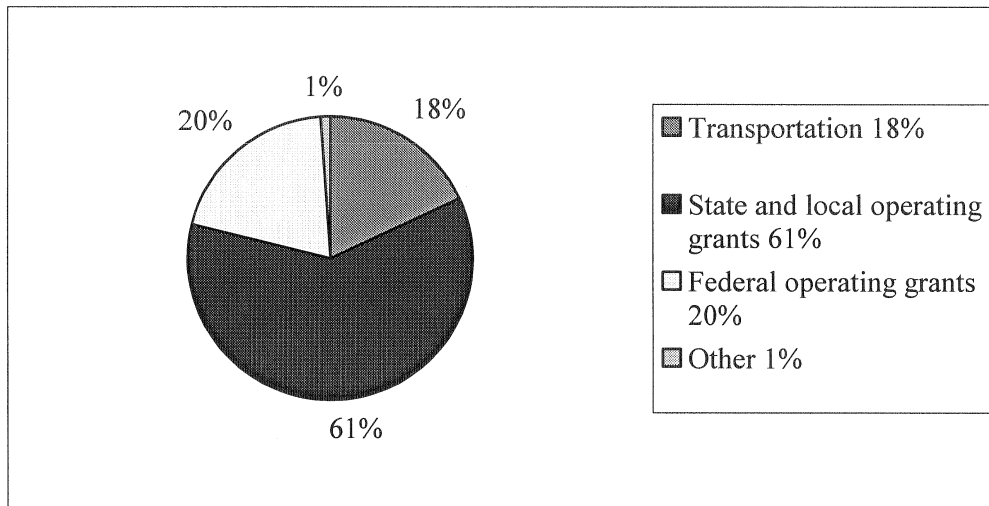
Management's Discussion and Analysis

For the Year Ended June 30, 2010

Operating revenues decreased \$(39,259) (1%) from the prior year. This decrease is consistent with the slight drop in ridership.

Operating expenses decreased \$(457,309) (1%) from the prior year; fixed route service decreased (\$1,332,968) from fiscal year 2009 mainly due to decreased costs for fuel, contracted labor and related fringes; paratransit services increased \$273,067 from fiscal year 2009; shuttle service decreased (\$30,604) from fiscal year 2009; salaries, taxes and fringe benefits increased \$618,128 from fiscal year 2009 primarily due to the current year accrual (\$443,442) of other post employment benefits as required by GASB 45 and to increase the pension fund which has suffered in recent economic times; and other administrative expenses increased a net \$15,068 from fiscal year 2009 due to a combination of an increase in rent and cost savings in other line items.

Total Operating and Non-operating
Revenues of \$36,714,944 by Source

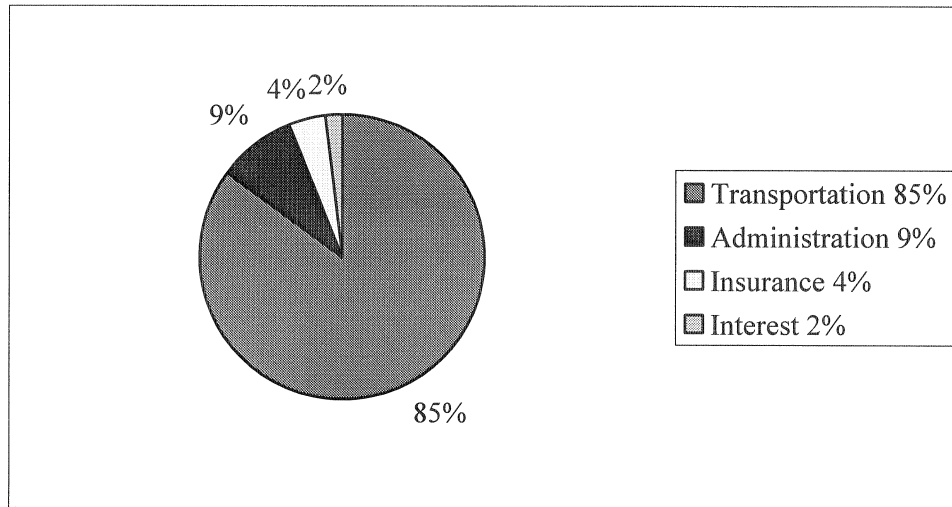


PIONEER VALLEY TRANSIT AUTHORITY

Management's Discussion and Analysis

For the Year Ended June 30, 2010

Total Operating and Non-operating
Expenses of \$38,294,116 by source



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

Overall, the Authority was able to use operational savings, American Recovery and Reinvestment (ARRA) operating funds, and strong federal and fare revenue generation to offset a significant reduction to budget in State Contract Assistance and eliminate/minimize any fiscal year 2010 funding deficits. More details are provided below:

Revenues (\$)

	FY2010 Actual	FY2010 Budget	Variance + (-)
Fare revenue	\$ 6,469,925	\$ 6,362,485	\$ 107,440

High fuel prices helped retain or attract riders, minimizing the loss of riders that had been budgeted due to the fare increase.

PIONEER VALLEY TRANSIT AUTHORITY

Management's Discussion and Analysis

For the Year Ended June 30, 2010

	FY2010 <u>Actual</u>	FY2010 <u>Budget</u>	Variance <u>+ (-)</u>
Federal assistance	\$ 6,276,174	\$ 5,520,875	\$ 755,299
State contract assistance	16,119,383	17,808,476	(1,689,093)
Local assistance	6,401,179	6,401,179	---
Other Federal assistance	1,021,525	726,309	295,216
Other State assistance	110,000	110,000	---

Federal Assistance exceeded budget due to maximizing the allowable support to preventive maintenance costs.

State Contract Assistance was adjusted to reflect the most recent contracts with the Massachusetts Department of Transportation. The reduction in State assistance was funded by operational savings, the use of prior years' extraordinary reserves, and the application of ARRA operating funds.

Other Federal Assistance represents the Job Access Reverse Commute (JARC) and New Freedom grants that were awarded in fiscal year 2010 for the preservation of two fixed routes (G1 & P21) and the extension of the R44 and introduction of Flex Shuttle service. Other Federal Assistance also includes the re-classification of leasing and planning revenues from capital. Under previous audits these revenues were classified as capital grant contributions but have been re-classed to operating during the fiscal year.

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

	FY2010 <u>Actual</u>	FY2010 <u>Budget</u>	Variance <u>+ (-)</u>
Advertising	\$ 268,228	\$ 275,000	\$ (6,772)
Other income	9,687	10,776	(1,089)
Interest income	38,843	173,781	(134,938)

Advertising revenue continued to increase since bringing it in house in fiscal year 2009. Actual revenue fell slightly short of the budget.

Interest Income suffered from the poor economic conditions in fiscal year 2010 and the on-going cuts to investment rates throughout the year.

PIONEER VALLEY TRANSIT AUTHORITY

Management's Discussion and Analysis

For the Year Ended June 30, 2010

Expenses (\$)

	FY2010 <u>Actual</u>	FY2010 <u>Budget</u>	Variance <u>+ (-)</u>
Fixed route service	\$ 26,224,917	\$ 25,750,403	\$ (474,514)
Paratransit service	7,498,439	7,420,582	(77,857)
Shuttle service	287,480	341,312	53,832
Administrative salaries, taxes and fringe benefit	2,296,160	1,717,871	(578,289)
Other administrative expenses	1,318,341	1,158,396	(159,945)

Fixed route costs exceeded budget primarily because of the increase in the accrual required under GASB 45 to record the liability for non-pension post-retirement benefits. This is an unfunded accrual and has no impact on current year funding or deficit levels. Additionally, insurance reserves were increased approximately \$465,000 to better support the Authority's \$1 million self-insurance deductible. Diesel fuel costs for the Springfield/Northampton/UMass operator were, however, below budget due to the fact that contracts were secured early in the year to minimize any escalation in prices.

Paratransit costs collectively came in under budget primarily because the average cost of gasoline fell below the budgeted average over the course of the year. There were additional savings in the cost of the Operator contract due to the lower number of off-peak trips.

Administrative salaries were over due primarily to an additional funding of the pension and other post employment benefits that had suffered in recent economic times.

Other Administrative costs exceeded budget primarily due to the re-class of leasing and planning expenditures that had previously been reflected as capital assets. This amount represents the federal portion of these expenditures which under previous audits were classed differently. There is no net-effect on this re-class as there is an offsetting revenue source reflected in federal revenue assistance. Savings in other areas such as equipment maintenance helped to minimize the effects of this re-class

Conclusion – the re-class of leasing and planning costs had no net-impact on the budget. The additional accruals for the GASB 45 representation of non-pension post-retirement benefits created “on-paper” overages but have no impact on balancing to State Contract Assistance levels. The use of operational savings, additional revenue, extraordinary reserves, and ARRA operating assistance allowed the Authority to meet the reduced State Contract Assistance level in fiscal year 2010.

PIONEER VALLEY TRANSIT AUTHORITY

Management's Discussion and Analysis

For the Year Ended June 30, 2010

Capital and Debt Administration

Capital Assets

The Authority's investment in capital assets as of June 30, 2010 amounted to \$39,511,803, net of accumulated depreciation. The investment in capital assets includes land, construction in progress, buildings, vehicles, and equipment. The Authority primarily acquires its capital assets under federal capital grants with state matching funds. The total net decrease in capital assets for the current year was \$(9,744,652) or a (20%) decrease.

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

1. Construction in progress expenditures for the intermodal centers of \$3,558,005
2. The Union Station project was transferred over to the Springfield Redevelopment Center. As a result the Authority decreased its construction in process by \$(14,680,409) representing planning, engineering and design costs through June 30, 2010
3. Building improvements of \$1,635,753
4. Acquisition of revenue vehicles of \$1,819,720 and disposal of old revenue vehicles of \$(2,484,428)
5. Acquisition of equipment of \$3,898,911
6. Disposal of old service vehicles of \$(90,731)
7. Net change in accumulated depreciation during the current year of \$(3,401,473)

Capital Assets

	<u>6/30/2010</u>	<u>6/30/2009</u>
Land	\$ 265,500	\$ 265,500
Construction in progress	6,357,703	17,480,107
Buildings	20,251,532	18,615,779
Revenue vehicles	65,483,802	66,148,510
Equipment	28,300,056	24,401,145
Service vehicles	<u>1,132,411</u>	<u>1,223,142</u>
Total capital assets	121,791,004	128,134,183
Accumulated depreciation	<u>(82,279,201)</u>	<u>(78,877,728)</u>
Capital assets, net	<u>\$ 39,511,803</u>	<u>\$ 49,256,455</u>

PIONEER VALLEY TRANSIT AUTHORITY

Management's Discussion and Analysis

For the Year Ended June 30, 2010

Revenue Anticipation Notes

At the end of fiscal year 2010, the Authority had revenue anticipation notes of \$35,400,000. These notes provide operating cash flow until Commonwealth appropriations are received.

Subsequent to fiscal year end June 30, 2010, the Authority issued a \$30,000,000 operating anticipation note maturing on July 29, 2011 at a rate of 2.00%. The favorable interest rate is due to the legislative reinstatement of the full faith and credit of the Commonwealth to repay this note, should Authority funds not be available. The Authority repaid their \$30,000,000 note due July 29, 2010.

Status of Intermodal Centers

Holyoke Multi-Modal Transportation Center

Phase II construction of the Holyoke Multimodal Transportation Center (HMTC) project is in the final stages of development. Tenants are already moving into the building as temporary elevator and occupancy permits have been secured. Final punch list items are being addressed prior to the scheduled opening of the building to Holyoke Community College and Head Start classes September 7th. PVTA is beginning first-floor equipment move-in the same day.

The Phase IIA construction of the Bus Ports, parking areas and streetscape is tentatively scheduled to be complete September 22nd. The canopy has been erected and concrete poured for bus platforms, sidewalks and walkways. Milling and paving of the site is scheduled for Sept. 9th and 10th with final landscaping, crosswalk treatments and site completion to follow. All site work with the exception of the canopy work is scheduled for completion on September 17th. Tentatively, the Authority will conduct a soft-opening of operations a few days in advance of the opening day ceremonies on September 27th.

Westfield Intermodal Transportation Center

PVTA met with the Mayor of Westfield and staff in early August to discuss proceeding with the Facility Design Study for the Intermodal Center to be located at the corner of Elm Street and Arnold Street in Downtown Westfield. The Facility Design Study will include a programming element for the facility as well as an engineering cost analysis and schedule development for the project. The Facility Design Study will be used to secure additional federal and state funding to design and construct the project. The Authority has developed a Draft Memorandum of Understanding (MOU) between the Authority and the City for the design study expected to begin in the fall.

Union Station Intermodal Transportation Center

The Springfield Redevelopment Authority (SRA), as facility owner, requested taking a lead role in late summer/early fall 2009 just prior to release of an RFP for designating an Owner's Project Manager for the project. After a seven month review, it was determined that the SRA was eligible to receive FTA funds for Union Station. However, the funds can not be accessed until engineering and environmental work is completed. Through a MOU with MassDot and SRA, the Authority will forward all remaining state Union Station funds to SRA.

PIONEER VALLEY TRANSIT AUTHORITY**Management's Discussion and Analysis****For the Year Ended June 30, 2010****Update on FTA review of Intermodal Center Projects**

During 2005 and 2007 the Federal Transit Administration (FTA) issued audit reports of the Authority's past Union Station and Westfield/Holyoke Intermodal Center projects, respectively. The reviews disclosed that the Authority incurred ineligible costs of \$5,736,403. During fiscal year 2009, the Authority, upon discussions and working closely with the FTA, was able to reduce these ineligible costs to approximately \$1,428,000.

During fiscal year 2010, the Authority reached a final settlement with the FTA in the amount of \$1,086,142; \$102,024 on the Westfield project and \$40,616 on the Holyoke project which was paid directly back to the FTA on November 4, 2009 and \$943,502 on the Union Station project which was settled through the de-obligation an existing federal award. The FTA also paid the Authority \$724,950 in unpaid prior year's receivables that were put on hold while the FTA conducted their review of the intermodal center projects.

Economic Factors and Next Year's Budget

Funding for the Authority's net cost of service (non-capital expenses less all non-capital revenues except state contract assistance and member municipality assessments) is dependent primarily (up to 75%) on operating assistance from the Commonwealth of Massachusetts. This operating assistance is funded a year in arrear by the State (the Authority's fiscal 2010 assistance will be included in the State's fiscal year 2011 budget). The balance (at least 25% but no more than 50%) of the Authority's net cost of service is funded also in arrears through assessments to member municipalities. These assessments may increase annually in the aggregate by no more than 2.5%, plus the members' share of any new services.

A number of economic factors will or may effect the Authority's 2011 operations, such as increases in payroll and fringe related to union contracts, fuel increases, and other costs of running the Authority. The Authority will continue to manage its expenses and services efficiently into fiscal year 2011.

Contacting the Authority's Financial Management

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

PIONEER VALLEY TRANSIT AUTHORITY

STATEMENT OF NET ASSETS

JUNE 30,

	<u>2010</u>	<u>2009</u>
ASSETS		
Current assets		
Cash and equivalents	\$ 1,136,968	\$ 1,766,567
Receivables, net	33,993,574	33,718,751
Prepaid expenses	<u>1,105,173</u>	<u>1,066,252</u>
Total current assets	36,235,715	36,551,570
Restricted cash (Note 9)	3,766,374	1,884,344
Prior receivables from the State	5,975,759	5,975,759
Allowance for uncollectible	(5,975,759)	---
Property and equipment, net	<u>39,511,803</u>	<u>49,256,455</u>
Total assets	<u>79,513,892</u>	<u>93,668,128</u>
LIABILITIES		
Accounts payable	3,036,681	4,079,392
Accrued payroll and related liabilities	220,079	324,850
Accrued pension	439,904	279,910
Insurance claims reserve	1,500,000	1,034,595
Accrued interest	643,806	822,251
Notes payable	<u>35,400,000</u>	<u>32,675,000</u>
Total current liabilities	41,240,470	39,215,998
Due to government (Note 8)	---	1,428,298
Due to Springfield Redevelopment Authority (Note 9)	3,766,374	4,319,851
Deferred revenue	291,403	262,934
Accrued other post employment benefits	<u>6,036,995</u>	<u>4,270,471</u>
Total liabilities	<u>51,335,242</u>	<u>49,497,552</u>
NET ASSETS		
Invested in capital assets, net of related debt	39,511,803	49,256,455
Restricted for other purposes	187,352	---
Unrestricted	<u>(11,520,505)</u>	<u>(5,085,879)</u>
Total net assets	<u>\$ 28,178,650</u>	<u>\$ 44,170,576</u>

See notes to financial statements.

PIONEER VALLEY TRANSIT AUTHORITY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

For the Year Ended June 30, 2010

	<u>Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
Operating revenues			
Fixed route income	\$ 5,694,560	\$ 5,786,593	\$ 92,033
Paratransit income	635,091	654,084	18,993
Shuttle service income	<u>32,834</u>	<u>29,248</u>	<u>(3,586)</u>
Total operating revenues	<u>6,362,485</u>	<u>6,469,925</u>	<u>107,440</u>
Operating expenses			
Fixed route service	25,750,403	26,224,917	(474,514)
Paratransit service	7,420,582	7,498,439	(77,857)
Shuttle service	341,312	287,480	53,832
Administrative salaries, taxes and fringe benefits	1,717,871	2,296,160	(578,289)
Other administrative expenses	1,158,396	1,318,341	(159,945)
Reimbursable depreciation	<u>---</u>	<u>22,000</u>	<u>(22,000)</u>
Total operating expenses	<u>36,388,564</u>	<u>37,647,337</u>	<u>(1,258,773)</u>
Operating income (loss)	<u>(30,026,079)</u>	<u>(31,177,412)</u>	<u>(1,151,333)</u>
Nonoperating revenues (expenses)			
Operating assistance			
Federal	5,520,875	6,276,174	755,299
Massachusetts	17,808,476	16,119,383	(1,689,093)
Member communities	6,401,179	6,401,179	---
Other Federal assistance	726,309	1,021,525	295,216
Other State assistance	110,000	110,000	---
Advertising income	275,000	268,228	(6,772)
Other income	10,776	9,687	(1,089)
Interest income	173,781	38,843	(134,938)
Interest expense	<u>(1,000,317)</u>	<u>(646,779)</u>	<u>353,538</u>
Total non-operating revenues (expenses)	<u>30,026,079</u>	<u>29,598,240</u>	<u>(427,839)</u>
Income (loss) before capital contributions and other items	<u>\$ ---</u>	<u>(1,579,172)</u>	<u>\$ (1,579,172)</u>
Capital contributions		10,810,140	
Other capital asset additions		102,249	
Nonreimbursable depreciation		(5,954,632)	
Union Station (Note 5)		(14,680,409)	
Doubtful State operating receivables (Note 3)		(5,975,759)	
Debt settlement with FTA (Note 8)		943,502	
Other changes (Note 8)		<u>342,155</u>	
Change in net assets		(15,991,926)	
Net assets, beginning		<u>44,170,576</u>	
Net assets, ending		<u>\$ 28,178,650</u>	

See notes to financial statements.

PIONEER VALLEY TRANSIT AUTHORITY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

For the Year Ended June 30, 2009

	Budget	Actual	Variance Favorable (Unfavorable)
	<u>Budget</u>	<u>Actual</u>	<u>(Unfavorable)</u>
Operating revenues			
Fixed route income	\$ 5,682,158	\$ 5,825,858	\$ 143,700
Paratransit income	741,739	649,735	(92,004)
Shuttle service income	34,637	33,591	(1,046)
Total operating revenues	<u>6,458,534</u>	<u>6,509,184</u>	<u>50,650</u>
Operating expenses			
Fixed route service	25,761,732	27,557,885	(1,796,153)
Paratransit service	7,920,481	7,225,372	695,109
Shuttle service	401,044	318,084	82,960
Administrative salaries, taxes and fringe benefits	1,610,944	1,678,032	(67,088)
Other administrative expenses	1,159,480	1,325,273	(165,793)
Total operating expenses	<u>36,853,681</u>	<u>38,104,646</u>	<u>(1,250,965)</u>
Operating income (loss)	<u>(30,395,147)</u>	<u>(31,595,462)</u>	<u>(1,200,315)</u>
Nonoperating revenues (expenses)			
Operating assistance			
Federal	5,413,845	5,767,007	353,162
Massachusetts	17,808,476	16,313,301	(1,495,175)
Member communities	6,245,053	6,245,053	---
Other Federal assistance	1,399,987	1,348,206	(51,781)
Other State assistance	110,000	110,000	---
Grant pass thru income	---	193,030	193,030
Grant pass thru expense	---	(193,030)	(193,030)
Advertising income	282,000	247,753	(34,247)
Other income	17,848	19,090	1,242
Interest income	542,355	173,778	(368,577)
Interest expense	(1,424,417)	(942,961)	481,456
Total non-operating revenues (expenses)	<u>30,395,147</u>	<u>29,281,227</u>	<u>(1,113,920)</u>
Income (loss) before capital contributions and other items	<u>\$ ---</u>	<u>(2,314,235)</u>	<u>\$ (2,314,235)</u>
Capital contributions		11,496,611	
Nonreimbursable depreciation		(5,313,383)	
Disallowed costs (Note 8)		<u>(1,428,298)</u>	
Change in net assets		2,440,695	
Net assets, beginning as restated (Note 10)		<u>41,729,881</u>	
Net assets, ending		<u>\$ 44,170,576</u>	

See notes to financial statements.

PIONEER VALLEY TRANSIT AUTHORITY

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2010

	2010	2009
Cash flows from operating activities:		
Receipts from customers	\$ 6,412,328	\$ 6,653,169
Payments for goods and services	(34,523,597)	(37,603,435)
Payments to employees	(2,400,931)	(1,591,505)
Net cash provided (used) by operating activities	(30,512,200)	(32,541,771)
Cash flows from noncapital financing activities:		
Receipts of operating grants	29,928,261	29,783,567
Proceeds from issuing revenue anticipation notes	35,400,000	32,675,000
Repayments of revenue anticipation notes	(32,675,000)	(34,675,000)
Interest paid	(825,224)	(1,347,084)
Net cash provided (used) by noncapital financing activities	31,828,037	26,436,483
Cash flows from capital and related financing activities:		
Receipts of capital grants	10,810,140	11,325,325
Payments for capital acquisitions	(10,912,389)	(11,496,611)
Net cash provided (used) by capital and related financing activities	(102,249)	(171,286)
Cash flows from investing activities:		
Interest on savings	38,843	173,778
Net cash provided (used) by investing activities	38,843	173,778
NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS	1,252,431	(6,102,796)
Cash and equivalents, beginning	3,650,911	9,753,707
CASH AND EQUIVALENTS, ENDING	\$ 4,903,342	\$ 3,650,911
Reconciliation of operating income to net cash provided (used) by operating activities:		
OPERATING LOSS	\$ (31,177,412)	\$ (31,595,462)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:		
Reimbursable depreciation	22,000	---
Advertising and other income	277,915	266,843
Change in assets and liabilities:		
(Increase) decrease in receivables	(274,823)	(5,615,869)
(Increase) decrease in prepaid expenses	(38,921)	(181,486)
Increase (decrease) in accounts payable	(1,042,711)	1,896,546
Increase (decrease) in accrued payroll and related liabilities	(104,771)	86,527
Increase (decrease) in accrued pension	159,994	136,966
Increase (decrease) in insurance claims reserve	465,405	458,004
Increase (decrease) in deferred revenue	28,469	27,249
Increase (decrease) in Due to government	(142,641)	---
Increase (decrease) in Due to Springfield Redevelopment Authority	(451,228)	---
Increase (decrease) in other post employment benefits	1,766,524	1,978,911
Net cash provided (used) by operating activities	\$ (30,512,200)	\$ (32,541,771)

See notes to financial statements.

PIONEER VALLEY TRANSIT AUTHORITY**NOTES TO FINANCIAL STATEMENTS****June 30, 2010****NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES****Organization**

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

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

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

The Authority provides ADA paratransit service for people with disabilities throughout the Pioneer Valley within $\frac{3}{4}$ miles of a fixed route. This service provides a shared-ride and door-to-door van transportation for individuals with disabilities that prevent them from riding the fixed route bus service.

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

Basis of Accounting

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

The Authority uses proprietary fund accounting, which follows all Governmental Accounting Standards Board pronouncements and all Financial Accounting Standards Board Statements and Interpretations, Accounting Principle Board opinions, and Accounting Research Bulletins issued on or before November 30, 1989.

Proprietary funds distinguish operating revenues and expenses from nonoperating 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 nonoperating revenues and expenses.

NOTE 1 - (Continued)

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

The Authority is a component unit of the Commonwealth of Massachusetts per statement No. 14 of the Governmental Accounting Standards Board. Massachusetts provides funding to the Authority.

Revenue Recognition

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

Budgetary Basis of Accounting

The Authority follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Administrator presents to the Advisory Board a proposed budget by April 1 each year for the fiscal year commencing the following July. The budget includes proposed expenditures and the means of financing them.
2. By June 1 each year, the budget is legally enacted by a vote of the Advisory Board.

Funding

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

Capital Grants

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

Accounts Receivable

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

Property and Equipment

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

Net Assets Restricted for Other Purposes

A reserve had been established by the Authority for the purpose of meeting the cost of extraordinary expenses in accordance with Massachusetts General Laws, Chapter 161B, Section 6(q). At June 30, 2010, the Authority's reserve balance was \$187,352.

NOTE 1 - (Continued)**Concentration of Source of Supply of Labor**

On June 28, 2010 the Authority extended its 5 year contract to July 31, 2010 for fixed route transportation services with the University of Massachusetts. Subsequent to fiscal year end, the Authority signed a new 5 year contract expiring on June 30, 2015.

On September 1, 2006 the Authority signed a three year contract effective September 1, 2006 which was extended for one year expiring on August 31, 2010, for its fixed route transportation services with Springfield Area Transit Company (SATCo) and Valley Area Transit Company (VATCo), divisions of First Transit, Inc.

One hundred percent (100%) of SATCo's employees are members of the Local 484 of the Amalgamated Transit Union. SATCo's labor agreement with the Union is effective through June 30, 2012.

One hundred percent (100%) 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, 2012.

Advertising Costs

Advertising costs are expensed as incurred. Advertising expense was \$13,288 and \$20,124 for the years ended June 30, 2010 and 2009.

Subsequent Events

Management has evaluated subsequent events through August 30, 2010, the date which the financial statements were available to be issued.

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.

Comparative Information

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

NOTE 2 - DEPOSITS AND INVESTMENTS

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

Custodial Credit Risk

Custodial credit risk is the risk that in the event of bank failure, the Authority's deposits may not be returned. The Authority carries deposits and short-term investments that are insured by FDIC insurance. Insured bank deposits as of June 30, 2010, were \$801,109. Uninsured bank deposits as of June 30, 2010 were \$5,182,481.

Interest Rate Risk

As of June 30, 2010, the Authority's only investment was in the State Treasurer's investment pool, MMDT. The fair value of the MMDT investment was \$28,947 and its average maturity was less than one year.

As of June 30, 2010, the Authority's investment in the state investment pool, MMDT was not rated.

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

Current receivables	<u>2010</u>	<u>2009</u>
Federal		
FTA, Operating assistance	\$ 4,923,942	\$ 4,424,260
FTA, Capital assistance	<u>2,851,618</u>	<u>2,588,639</u>
Total - Federal	<u>7,775,560</u>	<u>7,012,899</u>
Massachusetts		
Operating assistance for current year expenditures	16,216,343	16,313,301
Capital assistance	<u>1,460,756</u>	<u>2,254,827</u>
Total - Massachusetts	<u>17,677,099</u>	<u>18,568,128</u>
Member communities		
Operating assistance for current year expenditures	6,401,179	6,245,053
Operating assistance for prior year expenditures	<u>1,824,093</u>	<u>1,634,625</u>
Total - member communities	<u>8,225,272</u>	<u>7,879,678</u>
Trade receivables		
Accounts receivable	361,476	303,879
Allowance for uncollectible	<u>(45,833)</u>	<u>(45,833)</u>
Total - trade receivables	<u>315,643</u>	<u>258,046</u>
 Total current receivables	 33,993,574	 33,718,751
Noncurrent receivables*		
Massachusetts		
Operating assistance for prior years' expenditures	5,975,759	5,975,759
Allowance for uncollectible	<u>(5,975,759)</u>	<u>---</u>
 Total receivables	 <u>\$ 33,993,574</u>	 <u>\$ 39,694,510</u>

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

NOTE 3 - (Continued)

The Federal government, under 49 USC section 5311, may provide assistance of up to 50% of the Authority's net operating costs for the rural fixed routes. In addition, under 49 USC sections 5307, 5309 and 5310, the Federal government may provide 80% to 100% of the cost of capital equipment. During the year ended June 30, 2010 and 2009 the Authority was awarded American Recovery and Reinvestment funds through the Department of Transportation, of which 10% may provide for operating assistance with the remainder for capital assistance.

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. Local assessment can be increased by a maximum of 2.5% of the previous year's local assessment plus 25% of the cost of new service.

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

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

	<u>2010</u>	<u>2009</u>
Insurance	\$ 120,474	\$ 127,667
Pension	803,380	890,402
Prepaid fuel	140,793	---
Other	<u>40,526</u>	<u>48,183</u>
Total	<u>\$ 1,105,173</u>	<u>\$ 1,066,252</u>

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

	2010			Ending Balance
	Beginning Balance	Increases	Decreases	
Capital assets, not being depreciated:				
Land	\$ 265,500	\$ ---	\$ ---	\$ 265,500
Construction in progress	<u>17,480,107</u>	<u>3,558,005</u>	<u>(14,680,409)</u>	<u>6,357,703</u>
Total capital assets, not being depreciated	<u>17,745,607</u>	<u>3,558,005</u>	<u>(14,680,409)</u>	<u>6,623,203</u>
Capital assets, being depreciated:				
Buildings	18,615,779	1,635,753	---	20,251,532
Revenue vehicles	66,148,510	1,819,720	(2,484,428)	65,483,802
Equipment	24,401,145	3,898,911	---	28,300,056
Service vehicles	<u>1,223,142</u>	<u>---</u>	<u>(90,731)</u>	<u>1,132,411</u>
Total capital assets, being depreciated	<u>110,388,576</u>	<u>7,354,384</u>	<u>(2,575,159)</u>	<u>115,167,801</u>
Less accumulated depreciation for:				
Buildings	15,749,262	444,304	---	16,193,566
Revenue vehicles	41,814,508	3,790,243	(2,484,428)	43,120,323
Equipment	20,417,186	1,636,699	---	22,053,885
Service vehicles	<u>896,772</u>	<u>105,386</u>	<u>(90,731)</u>	<u>911,427</u>
Total accumulated depreciation	<u>78,877,728</u>	<u>5,976,632</u>	<u>(2,575,159)</u>	<u>82,279,201</u>
Total capital assets, being depreciated, net	<u>31,510,848</u>	<u>1,377,752</u>	<u>---</u>	<u>32,888,600</u>
Capital assets, net	<u>\$ 49,256,455</u>	<u>\$ 4,935,757</u>	<u>\$ (14,680,409)</u>	<u>\$ 39,511,803</u>

During 2010 the Federal Transit Administration approved the Springfield Redevelopment Authority (SRA) as a recipient for Union Station Project funds. Therefore, the Project was transferred from the Authority to the SRA, and as a result, the Authority reduced its construction in process by \$14,680,409, representing planning, design and engineering costs through June 30, 2010 (see Note 9).

NOTE 5 - (Continued)

	2009			
	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 265,500	\$ ---	\$ ---	\$ 265,500
Construction in progress	16,136,657	1,343,450	---	17,480,107
Total capital assets, not being depreciated	16,402,157	1,343,450	---	17,745,607
Capital assets, being depreciated:				
Buildings	17,928,386	687,393	---	18,615,779
Revenue vehicles	64,913,769	6,896,695	(5,661,954)	66,148,510
Equipment	22,140,355	2,295,275	(34,485)	24,401,145
Service vehicles	949,344	273,798	---	1,223,142
Total capital assets, being depreciated	105,931,854	10,153,161	(5,696,439)	110,388,576
Less accumulated depreciation for:				
Buildings	15,392,470	356,792	---	15,749,262
Revenue vehicles	44,030,648	3,445,814	(5,661,954)	41,814,508
Equipment	18,998,340	1,453,331	(34,485)	20,417,186
Service vehicles	839,326	57,446	---	896,772
Total accumulated depreciation	79,260,784	5,313,383	(5,696,439)	78,877,728
Total capital assets, being depreciated, net	26,671,070	4,839,778	---	31,510,848
Capital assets, net	\$ 43,073,227	\$ 6,183,228	\$ ---	\$ 49,256,455

NOTE 6 - ACCOUNTS PAYABLE CONSISTED OF THE FOLLOWING AT JUNE 30:

	2010	2009
Accounts payable		
General vendors	\$ 2,186,435	\$ 3,244,068
Fixed route operators	850,246	835,324
Total	\$ 3,036,681	\$ 4,079,392

The Authority's fixed route operators, Springfield Area Transit Company, Valley Area Transit Company and UMass Transit, maintain inventories of fuel, parts and supplies that are the property of the Authority. The accounts payable due to the fixed route operators at year end have been reduced by this inventory in the amount of \$567,516 at June 30, 2010 and \$608,371 at June 30, 2009.

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

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

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

	<u>2010</u>	<u>2009</u>
2.25% Revenue anticipation note, due July 29, 2010	\$ 30,000,000	
1.50% Revenue anticipation note, due February 23, 2011	5,400,000	
3.00% Revenue anticipation note, due July 30, 2009		\$ 28,000,000
3.50% Revenue anticipation note, due February 26, 2010		<u>4,675,000</u>
Total	<u>\$ 35,400,000</u>	<u>\$ 32,675,000</u>

On July 30, 2010, the Authority issued a \$30,000,000 operating assistance anticipation note including a premium of \$153,336 maturing on July 29, 2011 at a rate of 2.00%. The Authority repaid the \$30,000,000 note due July 29, 2010.

Effective July 1, 2008 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 8 - DUE TO GOVERNMENT

During fiscal year 2006, the Federal Transit Administration (FTA) conducted a review of the Authority's Union Station, Westfield and Holyoke Intermodal projects. The review disclosed that the Authority incurred ineligible costs of \$5,736,403; \$5,223,360 on the Union Station project plus accrued interest of \$115,956, \$351,324 on the Westfield project and \$45,763 on the Holyoke project, as set forth in FTA Circular OMB A-87 "Cost Principles for State, Local and Indian Tribal Governments". During fiscal year 2009, the Authority, upon discussions with the FTA, was able to reduce these ineligible costs, including the interest incurred thereon, to approximately \$1,142,638.

During fiscal year 2010, the Authority reached a final settlement with the FTA in the amount of \$1,086,142; \$102,024 on the Westfield project and \$40,616 on the Holyoke project which was paid directly back to the FTA on November 4, 2009 and \$943,502 on the Union Station project which was settled through a de-obligation of an existing federal award. In addition, the Authority wrote off \$342,155 in related liabilities which represented the remaining balance of the estimated settlement costs that were accrued at June 30, 2009.

NOTE 9 - DUE TO SPRINGFIELD REDEVELOPMENT AUTHORITY

The Authority received \$4,100,000 in advanced capital funds from the Commonwealth of Massachusetts in previous years for the maintenance, design and construction of the Springfield Union Station. These funds were then advanced to the Springfield Redevelopment Authority (SRA) for the Springfield Union Station project. Due to the project being put on hold for a number of years, the SRA refunded to money to the Authority. On March 10, 2009, the Commonwealth of Massachusetts agreed that the project can move forward with the funds to be restricted and expended only on the Springfield Union Station project. As of June 30, 2010, \$218,492 of interest as been earned on the funds and \$552,118 has been spent on the Union Station project, leaving a balance of \$3,766,374 in capital advance funds.

On July 26, 2010, the Authority entered into an agreement with the Massachusetts Department of Transportation and SRA, designating the SRA as the developer of the Union Station project. Upon execution of this agreement, the Authority is to transfer all project funds (\$3,766,374 as of June 30, 2010) in its accounts plus accrued interest to the SRA.

NOTE 10 - NET ASSETS CONSISTED OF THE FOLLOWING AT JUNE 30:

	2010			Total
	Invested in capital assets	Restricted	Unrestricted	
Net loss			\$ (1,579,172)	\$ (1,579,172)
Reimbursable depreciation	\$ (22,000)		22,000	---
Nonreimbursable depreciation	(5,954,632)			(5,954,632)
Capital asset additions	10,912,389			10,912,389
Union Station (Note 5)	(14,680,409)			(14,680,409)
Increase in allowance for doubtful State operating receivables (Note 3)			(5,975,759)	(5,975,759)
Debt settlement with FTA (Note 8)			943,502	943,502
Other changes (Note 8)			342,155	342,155
Increase to reserve for Extraordinary expenses		\$ 187,352	(187,352)	---
Increase (decrease) in net assets	(9,744,652)	187,352	(6,434,626)	(15,991,926)
Net assets, beginning	49,256,455	---	(5,085,879)	44,170,576
Net assets, ending	<u>\$ 39,511,803</u>	<u>\$ 187,352</u>	<u>\$ (11,520,505)</u>	<u>\$ 28,178,650</u>

NOTE 10 - (Continued)

2009

	Invested in capital assets	Restricted	Unrestricted	Total
Net loss			\$ (2,314,235)	\$ (2,314,235)
Nonreimbursable depreciation	\$ (5,313,383)			(5,313,383)
Capital contributions	11,496,611			11,496,611
Disallowed federal and state costs			(1,428,298)	(1,428,298)
Decrease to reserve for				
Extraordinary expenses		\$ (335,323)	335,323	---
Increase (decrease) in net assets	6,183,228	(335,323)	(3,407,210)	2,440,695
Net assets, beginning	43,415,321	335,323	(1,678,669)	42,071,975
*Prior period adjustment	(342,094)	---	---	(342,094)
Net assets, beginning as restated	43,073,227	335,323	(1,678,669)	41,729,881
Net assets, ending	\$ 49,256,455	\$ ---	\$ (5,085,879)	\$ 44,170,576

A reserve has been established by the Authority, restricted for the purpose of meeting the cost of extraordinary expenses in accordance with Massachusetts General Laws Chapter 161B Section 6(q). As of June 30, 2010, the Authority's reserve balance was \$187,352.

On August 28, 2009, the Authority received permission from the Secretary of Transportation to apply the accumulated reserve balance of \$335,323 towards the Authority's fiscal year 2009 deficit.

*The Authority received \$383,845 in pass-thru grants from the Federal government during fiscal years 2007 and 2008 to be passed thru to Springfield Technology Community College (STCC) and Holyoke Community College (HCC) for transportation vehicles. These grants were passed thru to STCC and HCC, but based on advice received during previous audits, were improperly recorded as assets and depreciated in the Authority's general ledger. A prior period adjustment was needed to remove \$383,845 recorded to assets and \$41,751 recorded to accumulated depreciation, for a net adjustment to the Authority's opening net assets of \$342,094 on July 1, 2008.

NOTE 11 - OPERATING LEASES*Information Center Leases*

On July 1, 2007, the Authority entered into a 5 year operating lease for its Information Center consisting of 900 square feet on the first floor of 1331 Main Street, Springfield, MA. On May 1, 2009 the lease was amended to change the area of occupancy from the first floor to the third floor consisting of 860 square feet. In addition, the Authority will be provided two months of free rent per year over the remaining three years of the lease, which is a total of 6 months of free rent beginning on July 1, 2009 as well as a reduced rate per square foot. The Authority is responsible for a pro rate share of the facilities' common area operating costs, including the cost of gas consumption, public liability, fire and property damage insurance, real estate taxes, gardening, landscaping, snow removal, trash removal and other common area facility expenses. The lease expires on June 30, 2012 with the option to extend the lease for one additional five year term. Lease expense was \$8,600 and \$12,336 for the years ended June 30, 2010 and 2009, respectively.

On July 1, 2007, the Authority entered into a 5 year operating lease for its Information Center consisting of 360 square feet on the first floor of 1341 Main Street, Springfield, MA. The Authority is responsible for a pro rate share of the facilities' common area operating costs, including the cost of gas consumption, public liability, fire and property damage insurance, real estate taxes, gardening, landscaping, snow removal, trash removal and other common area facility expenses. The lease expires on June 30, 2012 with the option to extend the lease for one additional five year term. Lease expense was \$7,283 and \$7,140 for the years ended June 30, 2010 and 2009, respectively.

Transportation Center Lease

The Authority leases transit and building space located at 1776 Main Street, Springfield, MA. On April 1, 2009 the Authority entered into a new 3 year operating lease. The leased premises consists of 470 square feet of dispatch and office area space (which was constructed by the Landlord and is to be paid solely at the Authority's expense), six bus parking bays containing 9,877 square feet, a section of the parking lot, and the right to use a portion of the concourse and public use areas at the building. The Authority is responsible for cleaning the bay area, office space area and repairs and maintenance of the leased premises (except the public use areas), as well as for its own cable, phone and any other utilities. The Authority agreed that the build out of the dispatch and office area space will be paid as additional rent in equal monthly installments and paid in full by the expiration of the initial lease term, along with payments of its monthly base rent. Lease expense, including additional rent for improvements, was \$153,852 and \$113,080 for the years ended June 30, 2010 and 2009, respectively.

The lease expires on March 31, 2012 with the option to extend the lease for up to two consecutive periods of one year each. The base rent for the leased premises shall be \$130,000 plus the greater of 4% or consumer price index (CPI).

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

	Leases			
	<u>1331 Main St.</u>	<u>1341 Main St.</u>	<u>1776 Main St. Base Rent</u>	<u>Total</u>
2011	8,722	7,428	130,000	146,150
2012	8,944	7,572	108,334	124,850
Total	<u>\$ 17,666</u>	<u>\$ 15,000</u>	<u>\$ 238,334</u>	<u>\$ 271,000</u>

NOTE 12 - PVTA PENSION PLAN**Plan Description**

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

Members of the Plan become fully vested after seven years of service.

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

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

Annual Pension Cost and Net Pension Asset

The Authority's annual pension cost and net pension asset for the years ended June 30, were as follows:

	<u>2010</u>	<u>2009</u>
Annual required contribution	\$ 362,429	\$ 343,228
Interest on net pension obligation	(51,198)	(37,284)
Adjustment to annual required contribution	<u>(62,151)</u>	<u>(44,573)</u>
Annual pension cost	249,080	261,371
Contributions made	<u>(162,058)</u>	<u>(503,353)</u>
Increase (decrease) in net pension obligation	87,022	(241,982)
Net pension (asset) obligation at beginning of year	<u>(890,402)</u>	<u>(648,420)</u>
Net pension (asset) obligation at end of year	<u>\$ (803,380)</u>	<u>\$ (890,402)</u>

NOTE 12 - (Continued)**Funding Policy and Actuarial Assumptions**

The board of trustees of the Plan established the contribution requirement; however, the Authority may amend these requirements. The Plan requires members to contribute 4% of their payroll, and requires the Authority to contribute an amount equal to approximately 11.29% of the total member payroll. The actuarial method and assumptions for the plan are as follows:

Valuation date	July 1, 2010
Actuarial cost method	Frozen entry age
Amortization method	Level dollar closed
Remaining amortization period initial unfunded	27 years
Asset valuation method	Market value
Investment rate of return	5.75%
Projected salary increase	3.50%
Cost-of-living adjustments	None

Three Year Trend Information

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

Plan Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Asset
06/30/08	\$ 128,911	57%	\$ 648,420
06/30/09	\$ 261,371	193%	\$ 890,402
06/30/10	\$ 249,080	65%	\$ 803,380

Schedule of Funding Progress

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

NOTE 13 - SATCO PENSION PLAN

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

Plan Descriptions

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

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

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

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

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

For the years ended June 30, 2010 and 2009, SATCo's pension expense for the TERP plan was \$547,796 and \$742,779. The unfunded present value of accumulated benefits as of July 1, 2009 was \$2,301,037.

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

For the years ended June 30, 2010 and 2009, SATCo's pension expense for the SERP plan was \$414,189 and \$218,000 and the unfunded present value of accumulated benefits was \$222,625 and \$-0-.

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

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

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

NOTE 13 - (Continued)

For the years ended June 30, 2010 and 2009, SATCo's pension expense for the TMP plan was \$265,538 and \$126,932 and the unfunded present value of accumulated benefits was \$339,490 and \$245,675.

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

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

Annual Pension Cost and Net Pension Asset

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

	2010	2009
Annual required contribution	\$ 140,390	\$ 116,836
Interest on net pension obligation	---	---
Adjustment to annual required contribution	---	---
Annual pension cost	140,390	116,836
Contributions made	(165,538)	(126,432)
Increase (decrease) in net pension obligation	(25,148)	(9,596)
Other adjustments and assumption changes	---	103,411
Net pension (asset) obligation at beginning of year	339,490	245,675
Net pension (asset) obligation at end of year	\$ 314,342	\$ 339,490

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, 2009
Actuarial cost method	Unit credit cost method
Amortization method	Level dollar
Remaining amortization period initial unfunded	7 years
Asset valuation method	Market Value
Investment rate of return	6.60%
Projected salary increase	3.50%
Cost-of-living adjustments	N/A

Schedule of Funding Progress

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

NOTE 13 - (Continued)

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

Three-Year Trend Information - Transit Management Pension Plan

Plan Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
06/30/08	\$ ---	0%	\$ 245,675
06/30/09	\$ 116,836	109%	\$ 339,490
06/30/10	\$ 140,390	118%	\$ 314,342

NOTE 14 - PVTA OTHER POSTEMPLOYMENT BENEFITS

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

Plan Description

The Pioneer Valley Transit Authority Retiree Welfare Plan is a single-employer defined benefit plan which provides for medical and dental insurance benefits to eligible retirees and their spouses. Employees become eligible to retire under this plan upon attainment of age 55 as an active member and completion of 10 years of service. The plan is a cost sharing plan with employees paying 12.5% of medical and dental premiums in retirement.

The Pioneer Valley Transit Authority Retiree Welfare Plan does not issue separate financial statements. In accordance with GASB Statement No. 45, the Authority is not required to have its actuarial calculation for other post-employment benefit obligations updated annually. The following actuarial information was derived from the plans valuation as of July 1, 2009.

Funding Policy

The contribution requirements of plan members and the Authority are established and may be amended through Authority ordinances. The required contribution is based on the projected pay-as-you-go financing requirements. For fiscal year 2010, total Authority premiums plus implicit costs for the retiree medical program are \$127,046.

Annual OPEB Costs and net OPEB Obligation

The Authority's annual other post employment benefit ("OPEB") cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty (30) years. The following table shows the components of the Authority's annual OPEB costs for the fiscal year ended June 30, 2009 (the most recent information available) amount actually contributed to the plan and changes in the Authority's net OPEB obligation to the plan:

NOTE 14 - (Continued)

	2010	2009
Annual required contribution	\$ 414,930	\$ 435,304
Interest on net OPEB obligation	13,007	---
Adjustment to annual required contribution	<u>(18,082)</u>	<u>---</u>
Annual OPEB cost	409,855	435,304
Contributions made	<u>(127,046)</u>	<u>(261,751)</u>
Increase (decrease) in net pension obligation	282,809	173,553
Other adjustment	151,633	---
Net OPEB obligation at beginning of year	<u>173,553</u>	<u>---</u>
Net OPEB obligation at end of year	<u>\$ 607,995</u>	<u>\$ 173,553</u>

Three Year Trend Information

The Authority's annual OPEB costs, the percentage of the annual OPEB contributed to the plan, and the net OPEB obligation were as follows for 2010 and the two preceding fiscal years:

Plan Year Ending	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/08	N/A	N/A	N/A
6/30/09	\$ 435,304	60%	\$ 173,553
6/30/10	\$ 409,855	31%	\$ 607,995

Funded Status and Funding Progress

As of July 1, 2009, the most recent valuation date, the plan was zero funded. The actuarial liability for benefits was \$4.772 million, and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of \$4.772 million, and the ratio of the UAAL to the covered payroll was 455.5%.

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

NOTE 14 - (Continued)**Actuarial Methods and Assumptions**

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

Actuarial Cost Method: Projected Unit Credit

Investment Rate of Return: 4.00% per annum

Healthcare Trend Rates:

Plan Year		
Ending	Medical	Dental
06/30/09	10.00%	8.00%
06/30/10	9.00%	7.50%
06/30/11	8.00%	7.00%
06/30/12	7.00%	6.50%
06/30/13	9.00%	6.00%
06/30/14	5.00%	5.50%
06/30/15	5.00%	5.00%

General Inflation Assumption: 3.5% per annum

Annual Compensation Increases: N/A

Actuarial Value of Assets: Market Value

Amortization of UAAL: Amortized as level dollar amount over 30 years with 28 years remaining at June 30, 2010

NOTE 15 - SATCO OTHER POSTEMPLOYMENT BENEFITS

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

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

Plan Description

Springfield Area Transportation Company, Inc. provides for medical insurance benefits to eligible retirees and their spouses. For employees hired after July 1, 1990, an employee becomes eligible to retire under this plan upon attainment of age 55 with 20 years of service; age 60 with 25 years of service; or age 65 with 30 years of service. 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. The plan is a cost sharing plan with employees paying 25% of medical premiums in retirement.

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

NOTE 15 - (Continued)**Funding Policy**

The contribution requirements of plan members and SATCo are established and may be amended through SATCo ordinances. The required contribution is based on the projected pay-as-you-go financing requirements. For fiscal year 2010 and 2009, SATCo premiums plus implicit costs for the retiree medical program were \$499,000 and \$379,082.

Annual OPEB Cost and Net OPEB Obligation

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

	2010	2009
Annual required contribution	\$ 1,855,000	\$ 2,509,000
Interest on net OPEB obligation	166,000	80,000
Adjustment to annual required contribution	<u>(244,000)</u>	<u>(113,000)</u>
Annual OPEB cost	1,777,000	2,476,000
Contributions made	<u>(499,000)</u>	<u>(379,082)</u>
Increase (decrease) in net pension obligation	1,278,000	2,096,918
Other adjustment	54,082	---
Net OPEB (asset) obligation at beginning of year	<u>4,096,918</u>	<u>2,000,000</u>
Net OPEB (asset) obligation at end of year	<u>\$ 5,429,000</u>	<u>\$ 4,096,918</u>

Three Year Trend Information

SATCo's annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan, and the net OPEB obligation for 2010 and the two preceding fiscal years were as follows:

Plan Year Ending	Annual OPEB Cost	Percentage of annual OPEB Cost Contributed	Net OPEB Obligation
06/30/08	\$ 2,290,000	12.7%	\$ 2,000,000
06/30/09	\$ 2,476,000	15.3%	\$ 4,096,918
06/30/10	\$ 1,777,000	28.1%	\$ 5,429,000

NOTE 15 - (Continued)**Funded Status and Funding Progress**

As of June 30, 2010, the most recent valuation date, the plan was zero funded. The actuarial liability for benefits was \$17.8 million, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$17.8 million.

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

Actuarial Methods and Assumptions

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

Actuarial Cost Method: Projected Unit Credit

Investment Rate of Return: N/A

Annual Compensation Increases: N/A

Medical Inflation: 8% (pre-Medicare) and 5% (post-Medicare) grading to 4.0% over 15 years

Actuarial Value of Assets: Market Value

Amortization of UAAL: Amortized as level dollar amount over 30 years with 27 years remaining at June 30, 2010

NOTE 16 - FIXED ROUTE INCOME CONSISTED OF THE FOLLOWING FOR THE YEAR ENDED JUNE 30:

	2010		Variance Favorable (Unfavorable)
	Budget	Actual	
Fare income	\$ 4,078,507	\$ 4,058,403	\$ (20,104)
Adult passes	1,090,357	1,166,113	75,756
College passes	327,925	397,024	69,099
Daily passes	15,386	15,651	265
Weekly passes	67,281	68,721	1,440
Tokens	115,104	80,681	(34,423)
Total	<u>\$ 5,694,560</u>	<u>\$ 5,786,593</u>	<u>\$ 92,033</u>

NOTE 16 - (Continued)

	2009		
	Budget	Actual	Variance Favorable (Unfavorable)
Fare income	\$ 4,088,234	\$ 4,172,543	\$ 84,309
Adult passes	1,088,903	1,115,497	26,594
College passes	296,059	335,486	39,427
Daily passes	6,127	15,741	9,614
Weekly passes	67,457	68,833	1,376
Tokens	<u>135,378</u>	<u>117,758</u>	<u>(17,620)</u>
Total	<u>\$ 5,682,158</u>	<u>\$ 5,825,858</u>	<u>\$ 143,700</u>

NOTE 17 - COMMITMENTS AND CONTINGENT LIABILITIES*Fiscal year 2011 budget*

For the fiscal year 2011, the Authority has approved an operating budget of \$35,642,000, 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

The Authority participates in a number of Federal and State grant programs. Accordingly, the Authority's compliance with the applicable grant requirements will be established at some future date. The amount of expenditures, if any, which may be disallowed by the granting agencies cannot be determined at this time although the Authority expects such amounts, if any, to be immaterial.

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.

NOTE 17 - (Continued)*Litigation and self insurance*

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

The Authority is self-insured for property damage and personal injury related to operations to a maximum amount of \$1 million 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, 2010, the Authority's insurance claims reserve is \$1,500,000 for the self insured portion of the risks associated with property damage and personal injury.

A summary of the activity in the claims liability account during the year ended June 30, 2010 are as follows:

	<u>2010</u>	<u>2009</u>
Insurance claims reserve, beginning	\$ 1,034,595	\$ 576,591
Increase in reserve for claims provisions	790,755	812,649
Claims paid	<u>(325,350)</u>	<u>(354,645)</u>
Insurance claims reserve, ending	<u>\$ 1,500,000</u>	<u>\$ 1,034,595</u>

PIONEER VALLEY TRANSIT AUTHORITY

Required Supplementary Information - Pension Funding Progress

June 30, 2010

Pioneer Valley Transit Authority:

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL)	(b - a) Unfunded AAL (UAAL)	(a/b) Funded Ratio	(c) Covered Payroll	UAAAL as a % of Covered Payroll
07/01/08	\$ 2,122,449	\$ 3,149,197	\$ 1,026,748	67%	\$ 527,995	194%
07/01/09	\$ 2,034,948	\$ 3,493,007	\$ 1,458,059	58%	\$ 1,047,748	139%
07/01/10	\$ 2,236,771	\$ 4,063,868	\$ 1,827,097	55%	\$ 1,077,011	170%

Springfield Area Transit Company, Inc:

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL)	(b - a) Unfunded AAL (UAAL)	(a/b) Funded Ratio	(c) Covered Payroll	UAAAL as a % of Covered Payroll
07/01/09	\$ 227,867	\$ 450,492	\$ 222,625	51%	N/A	N/A

Information not available prior to July 1, 2009.

Transit Management Plan

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL)	(b - a) Unfunded AAL (UAAL)	(a/b) Funded Ratio	(c) Covered Payroll	UAAAL as a % of Covered Payroll
07/01/07	\$ 884,482	\$ 1,019,443	\$ 134,961	87%	\$ 417,897	32%
07/01/08	\$ 840,576	\$ 1,086,251	\$ 245,675	77%	\$ 425,282	58%
07/01/09	\$ 773,978	\$ 1,113,468	\$ 339,490	70%	\$ 466,990	73%

PIONEER VALLEY TRANSIT AUTHORITY

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

June 30, 2010

Pioneer Valley Transit Authority Retiree Welfare Plan:

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL)	(b - a) Unfunded AAL (UAAL)	(a/b) Funded Ratio	(c) Covered Payroll	UAAAL as a % of Covered Payroll
07/01/08	\$ ---	\$ 4,532,401	\$ 4,532,401	0%	\$ 1,054,292	430%
07/01/09	\$ ---	\$ 4,772,371	\$ 4,772,371	0%	\$ 1,064,727	448%

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

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL) Frozen Entry Age	(b - a) Unfunded AAL (UAAL)	(a/b) Funded Ratio	(c) Covered Payroll	UAAAL as a % of Covered Payroll
06/30/08	\$ ---	\$ 22,930,000	\$ 22,930,000	0%	\$ 11,265,800	204%
06/30/09	\$ ---	\$ 24,400,000	\$ 24,400,000	0%	\$ 11,394,889	214%
06/30/10	\$ ---	\$ 17,800,000	\$ 17,800,000	0%	\$ 11,642,041	153%

PIONEER VALLEY TRANSIT AUTHORITY

STATEMENT OF NET COST OF SERVICE

For the Year Ended June 30,

	Total Service Area 2010	Total Service Area 2009
Operating costs		
Administrative costs	\$ 3,636,501	\$ 3,003,305
Purchased services		
Fixed route	26,224,917	27,557,885
Paratransit	7,498,439	7,225,372
Shuttle	287,480	318,084
Debt service	646,779	942,961
Less other post employment benefits required by GASB 45 that will not be funded	<u>(1,766,524)</u>	<u>(1,978,912)</u>
Total operating costs	<u>36,527,592</u>	<u>37,068,695</u>
Operating assistance and revenues		
Federal operating and administrative assistance	<u>6,276,174</u>	<u>5,767,007</u>
Revenues		
Local revenues		
Fixed route	5,786,593	5,825,858
Paratransit	654,084	649,735
Shuttle	29,248	33,591
Advertising	268,228	247,753
Miscellaneous	9,687	19,090
Interest	<u>38,843</u>	<u>173,778</u>
Total local revenues	<u>6,786,683</u>	<u>6,949,805</u>
Other operating grants		
Federal	1,021,525	1,348,206
State	<u>110,000</u>	<u>110,000</u>
Total operating grants	<u>1,131,525</u>	<u>1,458,206</u>
Total operating assistance and revenues	<u>14,194,382</u>	<u>14,175,018</u>
Net operating deficit	22,333,210	22,893,677
Increase (use) in reserve for extraordinary expense	<u>187,352</u>	<u>(335,323)</u>
Net cost of service	<u>\$ 22,520,562</u>	<u>\$ 22,558,354</u>
Local assessments	\$ 6,401,179	6,245,053
State contract assistance	<u>16,119,383</u>	<u>16,313,301</u>
Total	<u>\$ 22,520,562</u>	<u>\$ 22,558,354</u>



Adelson Moynihan Kowalczyk PC

CERTIFIED PUBLIC ACCOUNTANTS

Established 1938

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

Associates

Russell A. Faerber, CPA
 David M. Irwin, Jr., CPA
 Peter R. Ronan, CPA
 Jennifer J. Stark, CPA
 Sarah P. Voisin, CPA

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 the financial statements of Pioneer Valley Transit Authority, a component unit of the Commonwealth of Massachusetts, as of and for the year ended June 30, 2010, and have issued our report thereon dated August 30, 2010. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Pioneer Valley Transit Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Pioneer Valley Transit Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Pioneer Valley Transit Authority's internal control over financial reporting.

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 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 over financial reporting was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses or significant deficiencies as defined above.

Compliance and Other Matters

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

We noted certain other matters that we reported to management of Pioneer Valley Transit Authority in a separate letter dated August 30, 2010.

This report is intended solely for the information and use of management, Advisory Board, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Adelson Moynihan Kowalczyk PC

ADELSON MOYNIHAN KOWALCZYK PC

August 30, 2010

