PIONEER VALLEY TRANSIT AUTHORITY

Financial Statements and

Supplementary Information

June 30, 2017 and 2016

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Adelson & Company 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

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Pioneer Valley Transit Authority, a component unit of the Massachusetts Department of Transportation, as of and for the years ended June 30, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the Pioneer Valley Transit Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Pioneer Valley Transit Authority as of June 30, 2017 and 2016, and the respective changes in financial position, cash flows thereof, and the respective budgetary comparison information for the enterprise fund, for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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Other Matters

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on page 4, the schedule of changes in net pension liabilities and related ratios, schedule of pension contributions, and the schedule of retiree health plan funding progress information on pages 35 to 39 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information
Our audit was conducted for the purpose of forming opinion on the financial statements that collectively comprise the Pioneer Valley Transit Authority's basic financial statements. The supplementary information on page 40 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 8, 2017, on our consideration of the Pioneer Valley Transit Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Pioneer Valley Transit Authority's internal control over financial reporting and compliance.

Adelson + Company PC
ADELSON & COMPANY PC
Pittsfield, MA

September 8, 2017

PIONEER VALLEY TRANSIT AUTHORITY

Management's Discussion and Analysis

For the Year Ended June 30, 2017

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, 2017.

Financial Highlights

- The assets and deferred outflows of resources of the Authority exceeded its liabilities at June 30, 2017 by $73,129,039.

- The Authority's total net position increased by $11,640,405 in fiscal year 2017 as shown below:

	6/30/2017
Increase in other post employment benefits as required by GASB 45	$ (2,868,502)
Decrease in reporting for pensions as required by GASB 68	1,127,842
Increase in reserves for extraordinary expenses	249,270
Loss before capital contributions and other items	(1,491,390)
Contributed capital	27,679,580
Depreciation on capital assets	(14,547,785)
Increase in net position	$ 11,640,405

- The total operating revenue decreased $(657,025) or 8.3% from fiscal year 2016.

- The operating expenses decreased $(237,477) or 0.5% from fiscal year 2016.

- The Authority expended $27,679,580 on capital assets.

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

PIONEER VALLEY TRANSIT AUTHORITY

Management's Discussion and Analysis

For the Year Ended June 30, 2017

Overview of the Financial Statements

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

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes to the financial statements can be found on pages 9 through 34 of this report. In addition to the basic financial statements and accompanying notes, this report also presents the schedule of changes in net pension liabilities and related ratios, schedule of pension contributions, and the schedule of retiree health plan funding progress which is required supplemental information. The required supplementary information can be found on pages 35 to 39 of this report.

Government Financial Analysis

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

Summary of Net Position

	6/30/2017	6/30/2016
Total current assets	$ 30,236,597	$ 23,294,404
Investment in Holyoke Intermodal Facility, LLC	4,048,778	4,055,854
Property and equipment, net	89,812,220	76,684,902
Deferred outflows of resources related to pensions	1,696,185	1,700,147
Total assets and deferred outflows of resources	125,793,780	105,735,307
Accounts payable and other accrued liabilities	14,772,596	10,391,226
Note payable	13,100,000	10,800,000
Net pension liabilities	4,117,734	5,249,538
Accrued other post employment benefits	20,674,411	17,805,909
Total liabilities	52,664,741	44,246,673
Investment in capital assets, net of related debt	93,860,998	80,740,756
Restricted reserve	1,580,175	1,330,905
Unrestricted	(22,312,134)	(20,583,027)
Total net position	$ 73,129,039	$ 61,488,634

PIONEER VALLEY TRANSIT AUTHORITY

Management's Discussion and Analysis

For the Year Ended June 30, 2017

Net assets may serve over time as a useful indicator of a financial position. The Authority's assets exceeded its liabilities by $73,129,039 at the close of fiscal year 2017.

An additional portion of the Authority's net position, shown as "restricted reserve", represents resources that are subject to approval of the Secretary of Transportation. As of June 30, 2017, the Authority's reserve for extraordinary expenses was $1,580,175.

Unrestricted net position represents funds that may be used to fund current operations. During fiscal year 2017, the Authority's unrestricted net position decreased a net amount of 1,729,107 from fiscal year 2016 for a total negative unrestricted balance of $(22,312,134) at June 30, 2017. The details of this increase can be found in Note 9 on page 16 of the financial statements.

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

	6/30/2017	6/30/2016	Increase (Decrease)
Total operating revenues	$ 7,293,723	$ 7,950,748	$ (657,025)
Total operating expenses	47,026,174	47,263,651	(237,477)
Operating income (loss)	(39,732,451)	(39,312,903)	(419,548)
Total non-operating revenues (expenses)	38,241,061	37,628,103	612,958
Income (loss) before capital contributions and other items	(1,491,390)	(1,684,800)	193,410
Capital contributions	27,679,580	20,875,780	6,803,800
Nonreimbursable depreciation	(14,547,785)	(13,441,992)	(1,105,793)
Change in net position	11,640,405	5,748,988	5,891,417
Net assets, beginning	61,488,634	55,739,646	5,748,988
Net position, ending	$ 73,129,039	$ 61,488,634	$ 11,640,405

Operating revenues decreased ($657,025) or 8.3% from the prior year, primarily due to a decrease in farebox revenue due to the decrease in ridership on all modes of service. Fixed route was down 6% and paratransit 11% from last fiscal year. Associated pass sales and college pass revenue decreased accordingly.

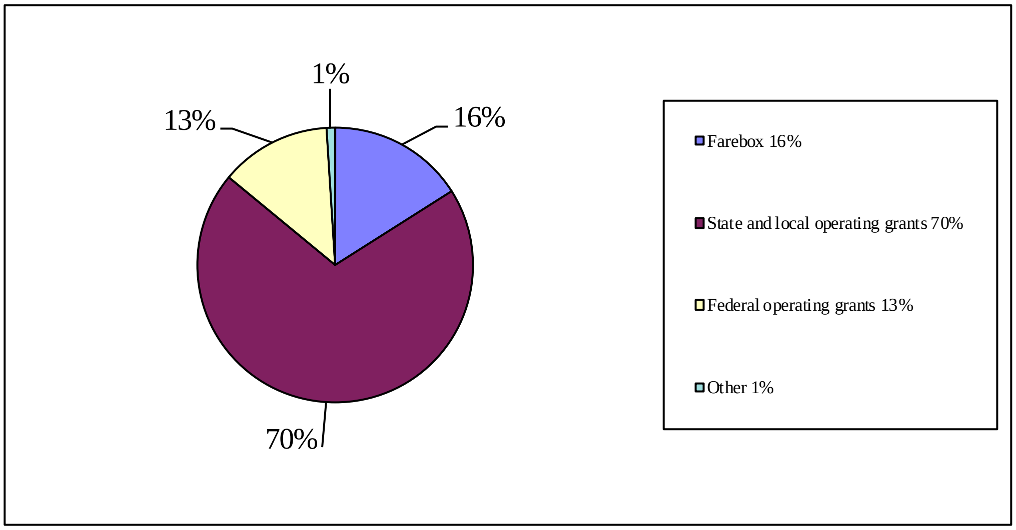
Operating expenses decreased $237,477 or 0.5% from the prior year; fixed route service increased $380,956 from fiscal year 2016 mainly due contractual labor requirements; para-transit services decreased $(437,291) from fiscal year 2016 primarily due to less fuel being purchased, with the decreased ridership and less maintenance on the newer fleet. Most of the ridership decrease (11%) was during the off-peak times which attributed to contractual savings; shuttle service decreased $(8,905) from fiscal year 2016 as demand for service was lower; administrative salaries and fringe benefits decreased by $(41,333) from fiscal year 2016; and other administrative expenses decreased by $(130,904) from fiscal year 2016 primarily due to decreases in insurance claim expenses. Additionally, $300,000 was added to the insurance reserve after analysis of open reserves.

PIONEER VALLEY TRANSIT AUTHORITY

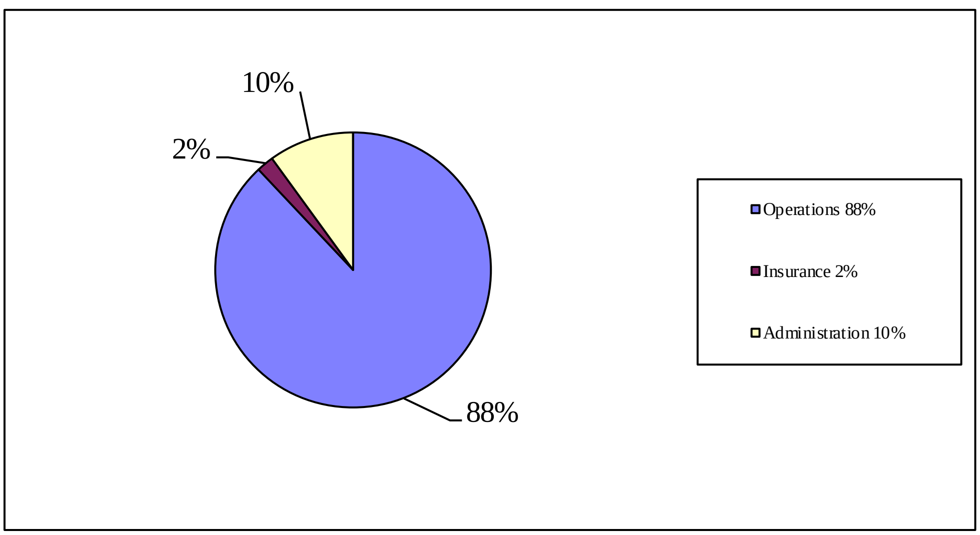
Management's Discussion and Analysis

For the Year Ended June 30, 2017

Total Operating and Non-operating
Revenues of $45,634,692 by Source



Total Operating and Non-operating
Expenses of $47,126,082 by source



PIONEER VALLEY TRANSIT AUTHORITY

Management's Discussion and Analysis

For the Year Ended June 30, 2017

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

Revenues

Fare revenues

	FY2017 Actual	FY2017 Budget	Variance + (-)
Fixed route income	$ 6,533,362	$ 7,234,014	$ (700,652)
Paratransit income	734,004	836,312	(102,308)
Shuttle service income	26,357	28,093	(1,736)
Total operating income	$ 7,293,723	$ 8,098,419	$ (804,696)

Fixed route revenue came in under the budgeted amount by $(700,652) due to a 6% drop in ridership from what was expected. Additionally, enrollment was down at the Holyoke Public Schools and Springfield Technical Community College, attributing to lower pass sales. Pass sales for the general public were also down due to lower than expected ridership. Paratransit income came in under the budgeted amount by $(102,308) due to a drop-in ridership of 11% over the past year and what was expected at budget time.

Government assistance

	FY2017 Actual	FY2017 Budget	Variance + (-)
Federal assistance	$ 5,702,070	$ 6,580,038	$ (877,968)
State contract assistance	23,554,939	23,554,939	---
Local assistance	8,516,727	8,516,727	---
Other assistance	176,813	119,699	57,114

The final Federal Assistance came in under the budgeted amount by $(877,968). Overall savings in the paratransit operations, fixed route operations, Administration, and RAN interest all contributed to less reliance on federal assistance.

Other Assistance line item exceeded the budgeted amount by $57,114 due to a grant that was received from MassDOT to offset mobility training expenses (wage and fringe) after the fiscal year 2017 budget was completed.

Other revenues

	FY2017 Actual	FY2017 Budget	Variance + (-)
Advertising	$ 234,697	$ 326,065	$ (91,368)
Other income	71,126	49,500	21,626
Interest income	84,597	30,000	54,597

Advertising decreased primarily since one of our largest advertisers had cut-backs and could not continue to advertise with us as they typically have done in the past. Other income was over budget primarily due to an increase in subrogation claims, pursuant to a change in policy implemented in the prior fiscal year.

PIONEER VALLEY TRANSIT AUTHORITY

Management's Discussion and Analysis

For the Year Ended June 30, 2017

Expenses

	FY2017 Actual	FY2017 Budget	Variance + (-)
Fixed route service	$ 33,853,451	$ 33,353,239	$ (500,212)
Paratransit service	8,231,868	9,043,695	811,827
Shuttle service	235,765	252,268	16,503
Administrative salaries, taxes and fringe benefits	2,843,361	2,541,422	(301,939)
Other administrative expenses	1,857,252	1,998,663	141,411

Fixed route costs exceeded budget primarily because of the Authority's adjustment to its net pension liability and other postemployment benefits plan (OPEB) liability. These liabilities are determined through actuarial valuations performed by Odyssey Advisors. The OPEB liability increased by $2,461,751 and the net pension liability (net of deferred outflows of resources) decreased by $(1,211,445). This net expense of $1,250,306 included in fixed route costs is non-reimbursable at this time and is therefore not budgeted for.

Savings in the budget for the fixed route service were with the SATCO labor force of $276,500. Until late in fiscal year 2017 there were still two unfilled maintenance positions, and only late in the year did SATCO achieve attainment of a full complement of operators. Additional savings were realized for the Union Station Bus Births. Instead of moving into Union Station on January 1st, as budgeted for, we moved in for 1 week in fiscal year 2017. Therefore, the budgetary savings was $192,600. Insurance claim payments were under budget by $102,949. All other line items were close to budget.

Paratransit ridership was down by 11% over fiscal year 2016 and what was budgeted for in fiscal year 2017. The trips were all off-peak, accounting for a savings of $95K in vendor payments. Fuel came in under budget by $112,016 as we purchased fuel at an average price of $.20 less per gallon than what was budgeted. We also purchased 7,180 less gallons due to the decrease in service. Van maintenance ended up under budget by $189,742 this year. The newer fleet is costing less than expected. The pilot COA program which was budgeted to kick off in four communities in fiscal year 2017 only began service in Northampton in mid-March. The delay in this pilot program saved the budget $66,673. That program is expected to begin again in fiscal year 2018 for the other communities. Insurance payments paid out on paratransit were under budget by $350,000. Tremendous strides were taken in fiscal year 2017 to reduce risk in this area. All other paratransit line items were close to budget.

Administration costs came in over budget primarily due to the increase in the accrual required under GASB 45 of $406,751 to record the liability for non-pension post-retirement benefits. There was also an unfunded accrual required under GASB 68 of $83,603 in net pension liabilities. These are unfunded accruals and have no impact on current year funding. Wages are under budget due to the resignation of an employee in May, a one-month gap in hiring of an Administrator, and $50,150 in wages expected to be paid with a January opening of Union Station that did not happen. Marketing for the smartcard rollout and printing of associated material for that program was expected but did not happen in fiscal year 2017, saving another $262,781 over budget. All other administrative categories were close to budget.

PIONEER VALLEY TRANSIT AUTHORITY

Management's Discussion and Analysis

For the Year Ended June 30, 2017

Capital and Debt Administration

Capital Assets

The Authority's investment in capital assets as of June 30, 2017 amounted to $89,812,220, net of accumulated depreciation. The investment in capital assets includes land, construction in progress, buildings, vehicles, and equipment. The Authority primarily acquires its capital assets under federal capital grants with state matching funds. The total purchase of capital assets for the current year was $27,679,580.

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

1. Construction of Cottage Street facility of $11,882,858
2. Acquisition of revenue vehicles of $3,597,565 and disposal of old revenue vehicles of $708,706
3. Acquisition of equipment of $11,985,169 and disposal of old equipment of $2,490,146
4. Acquisition of services vehicles of $213,988 and disposal of old service vehicles of $109,908

Capital Assets

	6/30/2017	6/30/2016
Land	$ 1,965,505	$ 1,965,505
Construction in progress	16,473,512	8,918,234
Buildings and improvements	38,751,098	28,955,738
Revenue vehicles	102,645,669	99,756,810
Equipment	53,605,929	49,578,686
Service vehicles	1,732,317	1,628,237
Total capital assets	215,174,030	190,803,210
Accumulated depreciation	(125,361,810)	(114,118,308)
Capital assets, net	$ 89,812,220	$ 76,684,902

Revenue Anticipation Notes

At the end of fiscal year 2017, the Authority had a revenue anticipation note of $13,100,000. This note provides operating cash flow until federal, state, and local appropriations are received.

PIONEER VALLEY TRANSIT AUTHORITY

Management's Discussion and Analysis

For the Year Ended June 30, 2017

Status of Intermodal Centers

Westfield Transit Pavilion, Arnold Street, Westfield

Forish Construction of Westfield, MA, the successful bidder on the new transit pavilion project, began construction of the new $4.5M facility in May 2016 and completed it in April 2017. The project was constructed in coordination with the City's upgrade of its Historic Gas Light District, which includes new sidewalks, streets and gas lantern style streetlights. The new automated facility includes a passenger waiting area, restrooms, automated ticketing, and electronic kiosks for bus scheduling/trip planning and real-time bus information/signage. The facility is served by an automated bike storage and repair center and has opportunity space available for a future café. It is served by 4 fixed-route bus bays, a paratransit drop-off/pick-up area, off-street parking. The facility was dedicated and named the "Olver Transportation Center" in April 2017. All punch-list construction items were addressed by June 30, 2017. The PVTA has applied for and anticipates obtaining LEED Design Silver certification from the US Green Buildings Council by the end of the calendar year 2017.

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

The Authority's new Bus Operations and Maintenance Facility Project at 649-665 Cottage Street in Springfield, Massachusetts will be constructed on an 18-acre vacant industrial site purchased by the Authority in fiscal year 2014 and located in the heart of the Springfield Metropolitan Area of Western Massachusetts. The new facility will provide light and heavy-duty maintenance to the Authority's entire fleet of up to 175+/- fixed-route buses. The new O&M facility will replace the Authority's light- and heavy-duty maintenance capabilities currently provided at its existing 108-year old maintenance facility located at 2840 Main Street, Springfield, MA.

Land was acquired, the site prepared, and environmental clearances (NEPA/MEPA) obtained. Following the 60% design phase in 2016, the planned 285,000 square foot facility was downsized to a 224,000-square foot facility due to $55.7 million in State funding being available for the project rather than the original $71 million originally requested. As a result, the Authority reduced the footprint and cost of the building, completed 100% design by the end of 2016, and changed its project delivery method from CM at Risk to traditional design-bid-build where the lowest responsive and responsible pre-qualified bidder was awarded the project. That successful bidder was Fontaine Brothers, Inc. of Springfield, MA and was awarded the project in April 2017.

By June 30, 2017, Fontaine had completed earthwork, site grading, deep plumbing, electrical and off-site utility work. They had constructed much of the building's foundations and held a steel pre-erection meeting for planned summer steel erection. The project is on budget and schedule for completion by December 2018.

Economic Factors and Next Year's Budget

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

PIONEER VALLEY TRANSIT AUTHORITY

Management's Discussion and Analysis

For the Year Ended June 30, 2017

Many economic factors will or may affect the Authority's 2018 operations, such as increases in payroll and fringe related to union contracts, fuel increases, and other costs of running the Authority. Fiscal year 2018 will see the first complete year of operations at Union Station in Springfield. This will be a challenge both operationally and financially. PVTA's Springfield customer service staff has also moved to Union Station. The estimated cost increase to operate out of Union Station is $76,000 more in fiscal year 2018 than it was in fiscal year 2017. Expenses continue to increase in the Paratransit area, with increasing need for senior service challenging the annual and future budgets of the Authority. Fuel prices, just recently rising due to natural disasters will have increasing demands on an already challenging budget year. These increased costs were expected to be offset by an increase in State Contract Assistance. However, the final state budget passed in July of this year decreased PVTA's State Contract Assistance, resulting in a deficit budget that was balanced with service reductions of $858,287, and a request to use a reserve for extraordinary expense of $431,505. That request is still pending the Secretary of Transportation's approval.

Fiscal year 2018 is the last year of the current Union contract so negotiations will begin for fiscal year 2019 and beyond for the fixed route labor force. PVTA's diesel fuel prices are locked in until June 30, 2018 at a favorable rate. We will continue to monitor the markets to try and obtain favorable rates for the future. PVTA purchases over 1.2 million gallons of diesel fuel every year. The opening of Cottage Street (either late fiscal year 2018 or early fiscal year 2019) will have some fiscal challenges to the operating budget as the building is much larger than the current facility and the vehicle miles will likely increase. It is hopeful that efficiencies in the maintenance area will serve to offset some of these increases.

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

Contacting the Authority's Financial Management

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

PIONEER VALLEY TRANSIT AUTHORITY

STATEMENTS OF NET POSITION

JUNE 30,

	2017	2016
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
Current assets		
Cash and equivalents	$ 907,729	$ 1,499,066
Short-term investments	4,342,754	2,773,493
Receivables, net	24,525,397	18,632,359
Prepaid expenses	460,717	389,486
Total current assets	30,236,597	23,294,404
Investment in Holyoke Intermodal Facility, LLC	4,048,778	4,055,854
Property and equipment, net	89,812,220	76,684,902
Total assets	124,097,595	104,035,160
Deferred outflows of resources		
Deferred outflows related to pensions	1,696,185	1,700,147
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	125,793,780	105,735,307
LIABILITIES		
Accounts payable	11,774,491	7,605,240
Accrued payroll and related liabilities	420,350	311,601
Other accrued liabilities	57,474	107,968
Insurance claims reserve	2,300,000	2,000,000
Accrued interest	179,625	147,675
Unearned revenue	40,656	218,742
Note payable	13,100,000	10,800,000
Total current liabilities	27,872,596	21,191,226
Net pension liabilities	4,117,734	5,249,538
Accrued other post employment benefits	20,674,411	17,805,909
TOTAL LIABILITIES	52,664,741	44,246,673
NET POSITION		
Invested in capital assets, net of related debt	93,860,998	80,740,756
Restricted reserve	1,580,175	1,330,905
Unrestricted	(22,312,134)	(20,583,027)
TOTAL NET POSITION	$ 73,129,039	$ 61,488,634

See notes to financial statements.

PIONEER VALLEY TRANSIT AUTHORITY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION

For the Year Ended June 30, 2017

	Budget	Actual	Variance Favorable (Unfavorable)
Operating revenues			
Fixed route income	$ 7,234,014	$ 6,533,362	$ (700,652)
Paratransit income	836,312	734,004	(102,308)
Shuttle service income	28,093	26,357	(1,736)
Total operating revenues	8,098,419	7,293,723	(804,696)
Operating expenses			
Fixed route service	33,353,239	33,853,451	(500,212)
Paratransit service	9,043,695	8,231,868	811,827
Shuttle service	252,268	235,765	16,503
Administrative salaries, taxes and fringe benefits	2,541,422	2,843,361	(301,939)
Other administrative expenses	1,998,663	1,857,252	141,411
Reimbursable depreciation	---	4,477	(4,477)
Total operating expenses	47,189,287	47,026,174	163,113
Operating income (loss)	(39,090,868)	(39,732,451)	(641,583)
Non-operating revenues (expenses)			
Government operating assistance			
Federal	6,580,038	5,702,070	(877,968)
Massachusetts	23,554,939	23,554,939	---
Member communities	8,516,727	8,516,727	---
Other assistance	119,699	176,813	57,114
Advertising income	326,065	234,697	(91,368)
Other income	49,500	71,126	21,626
Interest income	30,000	84,597	54,597
Interest expense	(86,100)	(99,908)	(13,808)
Total non-operating revenues (expenses)	39,090,868	38,241,061	(849,807)
Income (loss) before capital contributions and other items	$ ---	(1,491,390)	$ (1,491,390)
Contributed capital		27,679,580	
Nonreimbursable depreciation		(14,547,785)	
CHANGE IN NET POSITION		11,640,405	
Net position, beginning		61,488,634	
NET POSITION, ENDING		$ 73,129,039	

See notes to financial statements.

PIONEER VALLEY TRANSIT AUTHORITY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION

For the Year Ended June 30, 2016

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

See notes to financial statements.

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

	2017	2016
Cash flows from operating activities:		
Receipts from customers	$ 7,154,012	$ 8,205,623
Payments for goods and services	(42,056,113)	(39,867,254)
Payments to employees	(2,734,612)	(2,721,590)
Net cash provided (used) by operating activities	(37,636,713)	(34,383,221)
Cash flows from noncapital financing activities:		
Receipts of operating grants	36,290,587	36,980,350
Proceeds from issuing revenue anticipation notes	13,100,000	10,800,000
Repayments of revenue anticipation notes	(10,800,000)	(13,000,000)
Interest paid	(67,958)	(43,560)
Net cash provided (used) by noncapital financing activities	38,522,629	34,736,790
Cash flows from capital and related financing activities:		
Receipts of capital grants	27,679,580	21,156,355
Payments for capital acquisitions	(27,679,580)	(21,156,355)
Net cash provided (used) by capital and related financing activities	---	---
Cash flows from investing activities:		
Distribution from investment in Holyoke Intermodal Facility, LLC	7,411	---
Increase in short-term investments	(1,569,261)	(1,023,039)
Interest income	84,597	28,773
Net cash provided (used) by investing activities	(1,477,253)	(994,266)
NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS	(591,337)	(640,697)
Cash and equivalents, beginning	1,499,066	2,139,763
CASH AND EQUIVALENTS, ENDING	$ 907,729	$ 1,499,066
Reconciliation of operating income to net cash provided (used) by operating activities:		
OPERATING LOSS	$ (39,732,451)	$ (39,312,903)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:		
Reimbursable depreciation	4,477	4,777
Loss on disposal of fixed assets	---	17,121
(Gain) Loss in investment in Holyoke Intermodal Facility, LLC	(335)	531
Advertising and other income	305,823	410,804
Change in assets and liabilities:		
(Increase) decrease in receivables	(4,233,076)	(293,856)
(Increase) decrease in prepaid expenses	(71,231)	54,071
Increase (decrease) in accounts payable	4,169,251	2,454,070
Increase (decrease) in accrued payroll and related liabilities	108,749	163,104
Increase (decrease) in other accrued liabilities	(50,494)	(8,495)
Increase (decrease) in insurance claims reserve	300,000	250,000
Increase (decrease) in unearned revenue	(178,086)	(42,074)
Increase (decrease) in net pension liabilities	(1,127,842)	41,435
Increase (decrease) in other post employment benefits	2,868,502	1,878,194
Net cash provided (used) by operating activities	$ (37,636,713)	$ (34,383,221)

See notes to financial statements.

PIONEER VALLEY TRANSIT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2017 and 2016

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

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

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

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

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

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

Basis of Accounting

An enterprise fund is used to account for the Authority, which is maintained on the accrual basis of accounting. The Authority uses proprietary fund accounting which follows all Governmental Accounting Standards Board (GASB) pronouncements. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing transit services to the general public. The principal operating revenues consist of passenger fares and contract reimbursements for demand response transit services provided to agencies of the Commonwealth of Massachusetts. Operating expenses include the cost of transit services provided by third party vendors, administrative expenses and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

NOTE 1 - (Continued)

Fund Net Position

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

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

Restricted
Amounts that can be spent only for specific purposes because of state laws, or externally imposed conditions by grantors or creditors. The Authority has a restricted reserve established for the purpose of meeting the cost of extraordinary expenses in accordance with Massachusetts General Laws, Chapter 161b, Section 6(q). At June 30, 2017, the Authority's reserve balance was $1,580,175 ($1,330,905 at June 30, 2016).

Unrestricted
All amounts not included in other classifications.

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

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

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

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

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

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

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

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

NOTE 1 - (Continued)

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

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

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

Subsequent Events
Management has evaluated subsequent events through September 8, 2017, the date which the financial statements were available to be issued.

Concentration of Source of Supply of Labor
The Authority has a contract, expiring on June 30, 2020, for fixed route transportation services with the University of Massachusetts.

The Authority has a contract, expiring on August 31, 2017, for its fixed route transportation services with Springfield Area Transit Company (SATCo) and Valley Area Transit Company (VATCo), divisions of First Transit, Inc.

Ninety-seven percent (97%) of SATCo's employees are members of the Local 448 of the Amalgamated Transit Union. SATCo's labor agreement with the Union is effective through June 30, 2018.

Eighty-five percent (85%) of VATCo's employees are members of the Local 1459 United Food and Commercial Workers International Union. VATCo's labor agreement with the Union is effective through December 31, 2018.

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

NOTE 2 - DEPOSITS AND SHORT-TERM INVESTMENTS

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

Deposit Custodial Credit Risk
Custodial credit risk is the risk that in the event of bank failure, the Authority's deposits may not be returned. The Authority carries deposits that are insured by FDIC insurance. Insured bank deposits as of June 30, 2017, were $3,184,000. Uninsured bank deposits as of June 30, 2017 were $-0-.

NOTE 2 - (Continued)

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

The Authority has $4,342,754 invested in Massachusetts Municipal Depository Trust (MMDT) cash portfolio as of June 30, 2017 ($2,773,493 as of June 30, 2016). MMDT is a local government investment pool, established under Massachusetts General Laws, Chapter 29, Section 38A. The Authority reports its investment in MMDT at amortized cost as allowed by GASB 79, which approximates the net asset value of $1.00 per share. An investment in the MMDT cash portfolio is not a deposit of a bank and is neither insured nor guaranteed by the Commonwealth of Massachusetts or the U.S. government, the Federal Deposit Insurance Corporation (FDIC) or any other government agency. MMDT has no redemption restrictions.

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

	2017	2016
Current receivables		
Federal		
Operating assistance	$ 2,338,410	$ 1,431,048
Capital assistance	1,883,484	400,477
Total - Federal	4,221,894	1,831,525
Massachusetts		
Capital assistance	8,397,534	5,787,176
Total - Massachusetts	8,397,534	5,787,176
Member communities		
Operating assistance for current year expenditures	8,516,727	8,309,002
Operating assistance for prior year expenditures	3,028,323	2,483,448
Total - member communities	11,545,050	10,792,450
Trade receivables		
Accounts receivable	360,919	221,208
Allowance for uncollectible	---	---
Total - trade receivables	360,919	221,208
Total receivables	$ 24,525,397	$ 18,632,359

The Federal government, under 49 USC section 5311, may provide assistance of up to 50% of the Authority's net operating costs for the rural fixed routes. In addition, under 49 USC sections 5307, 5309 and 5310, the Federal government may provide 80% to 100% of the cost of capital equipment and maintenance. During the year ended June 30, 2017 and 2016, the Authority expended American Recovery and Reinvestment funds through the Department of Transportation.

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

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

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

	2017	2016
Insurance	$ 78,954	$ 56,191
Pension	288,869	288,869
Prepaid fuel	53,838	30,599
Other	39,056	13,827
Total	$ 460,717	$ 389,486

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

	2017				
	Beginning Balance	Increases	Decreases	Reclassification	Ending Balance
Capital assets, not being depreciated:					
Land	$ 1,965,505	$ ---	$ ---	$ ---	$ 1,965,505
Construction in progress	8,918,234	11,882,858	---	(4,327,580)	16,473,512
Total capital assets, not being depreciated	10,883,739	11,882,858	---	(4,327,580)	18,439,017
Capital assets, being depreciated:					
Buildings and improvements	28,955,738	5,467,780	---	4,327,580	38,751,098
Revenue vehicles	99,756,810	3,597,565	(708,706)	---	102,645,669
Equipment	49,578,686	6,517,389	(2,490,146)	---	53,605,929
Service vehicles	1,628,237	213,988	(109,908)	---	1,732,317
Total capital assets, being depreciated	179,919,471	15,796,722	(3,308,760)	4,327,580	196,735,013
Less accumulated depreciation for:					
Buildings and improvements	21,622,739	1,381,854	---	---	23,004,593
Revenue vehicles	51,364,652	8,762,386	(708,706)	---	59,418,332
Equipment	39,869,665	4,249,402	(2,490,146)	---	41,628,921
Service vehicles	1,261,252	158,620	(109,908)	---	1,309,964
Total accumulated depreciation	114,118,308	14,552,262	(3,308,760)	---	125,361,810
Total capital assets, being depreciated, net	65,801,163	1,244,460	---	4,327,580	71,373,203
Capital assets, net	$ 76,684,902	$ 13,127,318	$ ---	$ ---	$ 89,812,220

NOTE 5 - (Continued)

	2016				
	Beginning Balance	Increases	Decreases	Reclassification	Ending Balance
Capital assets, not being depreciated:					
Land	$ 1,965,505	$ ---	$ ---	$ ---	$ 1,965,505
Construction in progress	5,190,312	3,727,922	---	---	8,918,234
Total capital assets, not being depreciated	7,155,817	3,727,922	---	---	10,883,739
Capital assets, being depreciated:					
Buildings and improvements	27,268,637	1,687,101	---	---	28,955,738
Revenue vehicles	93,757,763	11,934,899	(5,935,852)	---	99,756,810
Equipment	46,008,563	3,572,887	(2,764)	---	49,578,686
Service vehicles	1,394,691	233,546	---	---	1,628,237
Total capital assets, being depreciated	168,429,654	17,428,433	(5,938,616)	---	179,919,471
Less accumulated depreciation for:					
Buildings and improvements	20,450,289	1,172,450	---	---	21,622,739
Revenue vehicles	49,319,281	7,964,102	(5,918,731)	---	51,364,652
Equipment	35,692,553	4,179,876	(2,764)	---	39,869,665
Service vehicles	1,130,911	130,341	---	---	1,261,252
Total accumulated depreciation	106,593,034	13,446,769	(5,921,495)	---	114,118,308
Total capital assets, being depreciated, net	61,836,620	3,981,664	(17,121)	---	65,801,163
Capital assets, net	$ 68,992,437	$ 7,709,586	$ (17,121)	$ ---	$ 76,684,902

NOTE 6 - INVESTMENT IN HOLYOKE INTERMODAL FACILITY, LLC

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

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

(Continued)

NOTE 6 - (Continued)

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

	2017	2016
Investment in Holyoke Intermodal Facility, LLC, beginning	$ 4,055,854	$ 4,056,385
Gain (Loss) from Holyoke Intermodal Facility, LLC	335	(531)
Distributions from Holyoke Intermodal Facility, LLC	(7,411)	---
Investment in Holyoke Intermodal Facility, LLC, ending	$ 4,048,778	$ 4,055,854

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

	2017	2016
Accounts payable		
Capital projects	$ 9,244,009	$ 3,818,246
General operations	848,164	2,099,376
Fixed route operators	1,682,318	1,687,618
Total	$ 11,774,491	$ 7,605,240

The Springfield Area Transit Company, Valley Area Transit Company and UMass Transit are the fixed route operators for the Authority. The assets and liabilities held by the fixed route operators are owned by the Authority and consist mainly of inventory, prepaid expenses, accounts payable and accrued wages and benefits. The value of these assets less liabilities held by the fixed route operators as of June 30, 2017 and 2016 was $1,682,318 and $1,687,618, respectively, and are reported as fixed route operator accounts payable in the Authority's financials statements.

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

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

	2017	2016
1.50% Revenue anticipation note, due July 21, 2017	$ 13,100,000	
1.50% Revenue anticipation note, due July 22, 2016		$ 10,800,000
Total	$ 13,100,000	$ 10,800,000

(Continued)

NOTE 8 - (Continued)

On July 21, 2017, the Authority issued a $13,100,000 operating assistance anticipation note maturing on July 20, 2018 at a rate of 2.00%. The Authority repaid the $13,100,000 note due July 21, 2017.

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

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

	2017			
	Invested in capital assets	Restricted Reserve	Unrestricted	Total
Net loss			$ (1,491,390)	$ (1,491,390)
Reimbursable depreciation	$ (4,477)		4,477	---
Nonreimbursable depreciation	(14,547,785)			(14,547,785)
Capital asset additions				
Government funded	27,679,580			27,679,580
Decrease in investment in Holyoke Intermodal Facility, LLC	(7,076)		7,076	---
Increase in reserve for extraordinary expenses		$ 249,270	(249,270)	---
Increase (decrease) in net position	13,120,242	249,270	(1,729,107)	11,640,405
Net position, beginning	80,740,756	1,330,905	(20,583,027)	61,488,634
Net position, ending	$ 93,860,998	$ 1,580,175	$ (22,312,134)	$ 73,129,039

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

NOTE 10 - OPERATING LEASES

Information Center Leases
On July 1, 2007, the Authority entered into an operating lease for its Information Center located at 1331 Main Street, Springfield, MA. The Authority was responsible for a pro rata share of the facilities' common area operating costs, including the cost of gas consumption, public liability, fire and property damage insurance, real estate taxes, gardening, landscaping, snow removal, trash removal and other common area facility expenses. The lease expired on June 30, 2017. In July 2017, the Authority moved the Information Center to the Springfield Union Station. Lease expense was $11,618 for each of the years ended June 30, 2017 and 2016.

On July 1, 2007, the Authority entered into an operating lease for its Information Center located at 1341 Main Street, Springfield, MA. The Authority was responsible for a pro rata share of the facilities' common area operating costs, including the cost of gas consumption, public liability, fire and property damage insurance, real estate taxes, gardening, landscaping, snow removal, trash removal and other common area facility expenses. The lease expired on June 30, 2017. In July 2017, the Authority moved the Information Center to the Springfield Union Station. Lease expense was $8,202 for the each of the years ended June 30, 2017 and 2016.

Transportation Center Lease
The Authority leased transit and building space located at 1776 Main Street, Springfield, MA. The leased premises consisted of 470 square feet of dispatch and office area space, six bus parking bays containing 9,877 square feet, a section of the parking lot, and the right to use a portion of the concourse and public use areas at the building. The Authority was responsible for cleaning the bay area, office space area and repairs and maintenance of the leased premises (except the public use areas), as well as for its own cable, phone and any other utilities. The lease expired on June 30, 2017. In July 2017, the Authority moved the Transportation Center to the Springfield Union Station. Lease expense was $273,804 for each of the years ended June 30, 2017 and 2016.

Springfield Union Station Lease
In July 2017, the Authority entered into a 25-year agreement to lease space at the Springfield Union Station Intermodal Facility at 55 Frank B. Murray Street, Springfield, MA. The leased premises consist of 18 bus berths, 2,300 square feet of office space, 1,800 square feet of waiting area space, and 10 parking spaces. The first year rent is $650 per month, increasing each year at a rate of 1.5% for the term of the lease. In addition, the Authority is responsible for a pro-rata share of the facility's common area operating costs. The lease expires June 30, 2042.

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

	Springfield Union Station
2018	$ 7,800
2019	7,917
2020	8,036
2021	8,156
2022	8,279
Thereafter	194,304
Total	$ 234,492

(Continued)

NOTE 10 - (Continued)

Holyoke Multimodal Transportation Center Lease
The Authority is leasing approximately 3,000 square feet with the right to use common areas of the Holyoke Multimodal Transportation Center building, including all driveways, parking areas and roadways serving the property. The lease commenced in September 2010 and expires on the last date of the fiftieth (50^{th}) year following the commencement date. The Authority has the option to extend the lease for separate and successive extension periods of fifty (50) lease years each. The Authority has no obligation to pay rent, it being agreed that the public funding provided for the project was in lieu of any rent owed. Notwithstanding, the Authority does have the obligation to pay for separately metered utilities and its share of common area maintenance (CAM) charges. The CAM charges shall be paid monthly at an amount determined annually by the Lessor, Holyoke Intermodal Facility, LLC, which include all expenses incurred by the Lessor in connection with the operation of the property, such as handymen, mechanics, electricians, supplies and materials, insurances, repairs, replacements and other allowable expenses as described in the lease agreement. CAM charges for the year ended June 30, 2017 were $16,839.

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

NOTE 11 - PVTA PENSION PLAN

Plan
The Authority provides retirement benefits to employees through the Pioneer Valley Transit Authority Pension Plan (the Plan), a single-employer pension plan. This is a defined benefit pension plan that covers all employees that work at least 1,000 hours in a twelve month consecutive period, and agree to make employee contributions. The Plan issues a publicly available financial report that includes financial statements and required supplementary information for the plan. The Plan's report can be obtained by writing to Pioneer Valley Transit Authority, 2808 Main Street, Springfield, Massachusetts 01107 or by calling (413) 732-6248.

Results of the Plan for fiscal year ended June 30, 2017 are based on liabilities developed in an actuarial valuation performed as of June 30, 2016 with a measurement date of June 30, 2016.

Results of the Plan for fiscal year ended June 30, 2016 were based on liabilities developed in an actuarial valuation performed as of June 30, 2015 with a measurement date of June 30, 2015.

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

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

	2016	2015
Active employees	23	20
Inactive employees entitled to but not yet receiving benefits	19	16
Inactive employees or beneficiaries currently receiving benefits	21	21
Total	63	57

NOTE 11 - (Continued)

Benefits Provided

The Plan provides retirement, death and disability benefits and provides for retirement benefits of 2.50% of a member's average compensation times the number of years of service to a maximum of 32 years. Before July 1, 1999, the benefit was 2.25% of average compensation times years of service to a maximum of 35 years. The normal retirement date is the first day of the month following a participant's 65th birthday. The normal form of payment is a monthly annuity payable for life, with 120 monthly payments guaranteed. Other options are available. Early retirement is available for any member who has attained age 55 and completed 10 years of service. The amount payable to an early retiree is the member's accrued benefit at the time of early retirement, reduced by 3% per year for each of the first five years before age 65 plus 7% for each additional year. If a participant works past age 65, the benefit payable on the deferred retirement date will be the greater of (i) the actuarial equivalent of the age 65 accrued benefit or (ii) the benefit calculated using credited service as of the participant's deferred retirement date. Members of the Plan become fully vested after seven years of service. A member becomes 100% vested in their accrued retirement pension upon their 65th birthday.

Contributions

Each year, the Authority and its employees make contributions to the Plan. While there is no statutory or regulatory requirement to contribute the actuarially determined contribution, it is the intent of the Authority to contribute the amount necessary to finance the costs of benefits earned by employees each year as well as a 15-year level dollar amortization of existing net pension liability as of the valuation date. For the plan year ending June 30, 2016, the average employee contribution was 4.57% (3.99% for plan year ending June 30, 2015) and the Authority's average contribution rate was 30.86% (12.86% for plan year ending June 30, 2015) of annual payroll.

Actuarial Assumptions

The total pension liability in the June 30, 2016 and 2015 actuarial valuations were determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial assumptions	
Inflation	3% and for future periods
Salary increases	4% annually and for future periods
Investment rate of return	6.88%, net of pension plan investment expense, including inflation
Pre- and post-retirement mortality	Mortality rates were based upon the 2016 and 2015 IRS Mortality Tables for small plans
Employee termination	None assumed
Retirement age	Age 65 or normal retirement date, if later
Pre-retirement death benefit	Calculated using aforementioned mortality, interest and termination assumptions and on the assumption that 100% of plan members have spouses
Expenses	Investment return is assumed to be net of plan expenses paid from the trust fund

NOTE 11 - (Continued)

The long term rate of return on pension plan investments for the 2016 and 2015 actuarial valuations were determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

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

Discount rate
The discount rate used to measure the total pension liability was 6.88% for the 2016 and 2015 actuarial valuations. The projection of cash flows used to determine the discount rate assumed that plan member contributions will continue to be made at the current rate and that contributions will be made at rates at least equal to the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in net pension liability – PVTA Pension Plan

	Increase (Decrease)		
June 30, 2016 Actuarial Valuation	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2015	$ 5,825,256	$ 3,704,547	$ 2,120,709
Changes for the year:			
Service cost	218,696		218,696
Interest	426,044		426,044
Changes in benefit terms	---		---
Differences between actual and expected experience	101,296		101,296
Contributions - employer		377,718	(377,718)
Contributions - employee		55,906	(55,906)
Net investment income		259,833	(259,833)
Benefit payments, including refunds of member contributions	(297,102)	(297,102)	---
Administrative expense	---	(14,305)	14,305
Net changes	448,934	382,050	66,884
Balances at June 30, 2016	$ 6,274,190	$ 4,086,597	$ 2,187,593

NOTE 11 - (Continued)

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

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

	1% Decrease (5.88%)	Current Discount (6.88%)	1% Increase (7.88%)
Plan net pension liability as of June 30, 2016	$ 2,991,870	$ 2,187,593	$ 1,510,593
Plan net pension liability as of June 30, 2015	$ 2,855,007	$ 2,120,709	$ 1,503,025

Payable to Pension Plan
At June 30, 2017, the Transit Authority reported a payable of $199,748 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2017 ($192,362 for the year ended June 30, 2016).

NOTE 11 - (Continued)

Pension Expense and Deferred Inflows and Outflows of Resources
For the year ended June 30, 2017, the Transit Authority recognized pension expense of $491,819 ($820,875 for the year ended June 30, 2016).

The Transit Authority reported deferred outflows and deferred inflows of resources related to pensions from the following sources at June 30:

	2017		2016	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 422,899	$ (47,140)	$ 357,327	$ (58,672)
Changes in assumptions	---	---	---	---
Net difference between projected and actual earnings on pension plan investments	---	(444,211)	---	(330,120)
Contributions subsequent to the measurement date	381,227	---	360,959	---
Total	$ 804,126	$ (491,351)	$ 718,286	$ (388,792)

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

	2017	2016
Year ended June 30:		
2017		$ 276,240
2018	$ 259,941	(84,719)
2019	(121,286)	(84,719)
2020	(77,148)	(40,581)
2021	(27,723)	8,843
2022	34,712	20,377
Thereafter	244,279	234,053
Total deferred outflows (inflows) or resources	$ 312,775	$ 329,494

NOTE 12 - SATCO TRANSIT EMPLOYEE RETIREMENT PLAN (TERP)

Transit Employee Retirement Plan (TERP)

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

The TERP plan, which is subject to the provisions of the Employment Retirement Income Security Act (ERISA), covers only members of the Amalgamated Transit Union Local No. 448 AFL-CIO (the Union) who were plan participants as of June 30, 2008. The TERP plan, as of June 30, 2008, was frozen and employee contributions were discontinued upon adoption of the SATCo Employees Retirement Plan (SERP) (see Note 13). Prior to June 30, 2008, employees could become members of the plan on their forty-fifth day of employment.

The TERP plan provides retirement benefits in the form of an annuities payable monthly for life, commencing on the date of retirement and terminating the month prior to death. The benefit is $40 multiplied by the years of credited service through June 30, 2008 when the plan was frozen. Pension provisions also include death and disability benefits, whereby the disabled employee or surviving spouse is entitled to receive a reduced annual benefit. Members of the TERP plan became vested after five years of service. Retirement is available if a participant has reached the age of 55 with 10 years of service. Normal retirement is attained at age 65.

For the years ended June 30, 2017 and 2016, SATCo's pension expense for the TERP plan was $450,000 and $550,000, respectively. The funding surplus as of July 1, 2016 was $3,455,423. The funding surplus as of July 1, 2015 was $2,102,299.

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

At June 30, 2017, SATCo reported a payable of $123,487 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2017 ($250,000 at June 30, 2016).

NOTE 13 - SATCO EMPLOYEE RETIREMENT PLAN (SERP)

Plan

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

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

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

Results of the SERP Plan for fiscal year ended June 30, 2017 are based on liabilities developed in an actuarial valuation performed as of June 30, 2016 with a measurement date of June 30, 2016.

Results of the SERP Plan for fiscal year ended June 30, 2016 are based on liabilities developed in an actuarial valuation performed as of June 30, 2015 with a measurement date of June 30, 2015.

NOTE 13 - (Continued)

Salary Reduction Agreement

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

Accounting Policy

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

Plan Membership

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

	2016	2015
Active employees	247	233
Inactive employees entitled to but not yet receiving benefits	17	21
Inactive employees or beneficiaries currently receiving benefits	48	42
Total	312	296

Benefits Provided

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

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

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

Contributions

Each year SATCo and its employees make contributions to the Plan. While there is no statutory or regulatory requirement to contribute the actuarially determined contribution, it is the intent of SATCo to contribute the amount necessary to meet benefit obligations when due. The Company's average contribution rate was 12.21% for plan year ending June 30, 2016 (4.42% for plan year ending June 30, 2015) of annual payroll.

NOTE 13 - (Continued)

Actuarial Assumptions
The total pension liability in the June 30, 2016 and 2015 actuarial valuations were determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5% and for future periods
Salary increases	N/A
Investment rate of return	6.27%, net of pension plan investment expense, including inflation
Cost of living adjustment	None
Pre- and post-retirement mortality	Mortality rates were based upon the 2016 and 2015 IRS Mortality Tables for small plans
Retirement age	Age 65 or normal retirement date, if later
Pre-retirement death benefit	Mortality rates were based upon the 2016 and 2015 IRS Mortality Tables for small plans
Expenses	Investment return is assumed to be net of plan expenses paid from the trust fund

The long term rate of return on pension plan investments for the 2016 and 2015 actuarial valuations were determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

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

Discount rate
The discount rate used to measure the total pension liability was 6.27% for the 2016 and 2015 actuarial valuations. The projection of cash flows used to determine the discount rate assumed that plan member contributions will continue to be made at the current rate and that contributions will be made at rates at least equal to the actuarially determined contribution rates. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

NOTE 13 - (Continued)

Changes in net pension liability – SATCo SERP

June 30, 2016 Actuarial Valuation	Increase (Decrease) Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2015	$ 5,969,651	$ 2,840,822	$ 3,128,829
Changes for the year:			
Service cost	365,630		365,630
Interest	399,919		399,919
Changes in benefit terms	---		---
Differences between actual and expected experience	41,217		41,217
Contributions - employer		1,295,000	(1,295,000)
Contributions - employee		505,000	(505,000)
Net investment income		233,325	(233,325)
Benefit payments, including refunds of member contributions	(86,013)	(86,013)	---
Administrative expense		(27,871)	27,871
Net changes	720,753	1,919,441	(1,198,688)
Balances at June 30, 2016	$ 6,690,404	$ 4,760,263	$ 1,930,141

June 30, 2015 Actuarial Valuation	Increase (Decrease) Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2014	$ 5,254,553	$ 2,255,421	$ 2,999,132
Changes for the year:			
Service cost	327,274		327,274
Interest	351,881		351,881
Changes in benefit terms	---		---
Differences between actual and expected experience	96,577		96,577
Contributions - employer		129,644	(129,644)
Contributions - employee		490,356	(490,356)
Net investment income		44,799	(44,799)
Benefit payments, including refunds of member contributions	(60,634)	(60,634)	---
Administrative expense		(18,764)	18,764
Net changes	715,098	585,401	129,697
Balances at June 30, 2015	$ 5,969,651	$ 2,840,822	$ 3,128,829

NOTE 13 - (Continued)

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

	1% Decrease (5.27%)	Current Discount (6.27%)	1% Increase (7.27%)
Plan net pension liability as of June 30, 2016	$ 2,838,804	$ 1,930,141	$ 1,172,350
Plan net pension liability as of June 30, 2015	$ 3,957,025	$ 3,128,829	$ 2,438,203

Payable to Pension Plan
At June 30, 2017, SATCo reported a payable of $450,000 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2017 ($250,000 for the year ended June 30, 2016).

Pension Expense and Deferred Inflows and Outflows of Resources
For the year ended June 30, 2017, the Transit Authority recognized pension expense of $74,961 ($117,484 for the year ended June 30, 2016).

The Transit Authority reported deferred outflows and deferred inflows of resources related to pensions from the following sources at June 30:

	2017		2016	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 106,179	$ (36,891)	$ 83,300	$ (45,680)
Changes in assumptions	---	---	---	---
Net difference between projected and actual earnings on pension plan investments	68,138	(40,422)	90,851	(57,818)
Contributions subsequent to the measurement date	1,286,406	---	1,300,000	---
Total	$ 1,460,723	$ (77,313)	$ 1,474,151	$ (103,498)

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

	2017	2016
Year ended June 30:		
2017		$ 1,307,928
2018	$ 1,298,926	7,928
2019	12,521	7,928
2020	31,792	27,200
2021	9,080	4,488
2022	16,602	3,638
Thereafter	14,489	11,543
Total deferred outflows (inflows) of resources	$ 1,383,410	$ 1,370,653

NOTE 14 - SATCO TRANSIT MANAGEMENT PENSION PLAN (TMP)

Transit Management Pension Plan (TMP)

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

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

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

At June 30, 2017, there were 23 plan participants; 12 active members, 7 retirees and beneficiaries, and 4 terminated vested members.

For the years ended June 30, 2017 and 2016, SATCo's pension expense for the TMP plan was $151,836 and $144,895, respectively, and the funding surplus was $220,737 and $228,535, respectively.

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

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

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

	2017	2016
Annual required contribution	$ ---	$ ---
Contributions made	(97,368)	(141,641)
Increase (decrease) in net pension obligation	(97,368)	(141,641)
Other adjustments and assumption changes	105,166	190,217
Net pension (asset) at beginning of year	(228,535)	(277,111)
Net pension (asset) at end of year	$ (220,737)	$ (228,535)

	2017	2016
Actuarial value of assets	$ 2,449,031	$ 2,227,731
Actuarial accrued liability	2,228,294	1,999,196
Funding surplus	$ 220,737	$ 228,535

NOTE 14 - (Continued)

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

Valuation date	July 1, 2016
Actuarial cost method	Traditional unit credit cost method
Amortization method	Level dollar
Remaining amortization period initial unfunded	2 years
Asset valuation method	Market Value
Investment rate of return	6.17% (6.36% at July 1, 2015)

Payable to Pension Plan
At June 30, 2017, SATCo reported a payable of $50,000 for the outstanding amount of contributions to the pension plan required for the year end June 30, 2017 ($75,000 for the year ended June 30, 2016).

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

NOTE 15 - PVTA OTHER POSTEMPLOYMENT BENEFITS

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

Plan Description
The Pioneer Valley Transit Authority Retiree Welfare Plan is a single-employer defined benefit plan which provides for medical and dental insurance benefits to eligible retirees and their spouses. Employees hired before April 2, 2012 become eligible to retire under this plan upon attainment of age 55 as an active member and completion of 10 years of service (age 60 with 10 years of service for those hired on or after April 2, 2012). The plan is a cost sharing plan with employees paying 15% of medical and dental premiums in retirement. As of June 30, 2017, there were 31 plan members of which 9 were retirees.

The Pioneer Valley Transit Authority Retiree Welfare Plan does not issue separate financial statements. In accordance with GASB Statement No. 45, the Authority is not required to have its actuarial calculation for other post-employment benefit obligations updated annually. The following actuarial information was derived from the plans valuation as of July 1, 2016.

Funding Policy
The contribution requirements of plan members and the Authority are established and may be amended through Authority ordinances. The required contribution is based on the projected pay-as-you-go financing requirements. For fiscal years 2016 and 2015, total Authority’s premiums plus implicit costs for the retiree medical program were $93,312 and $81,707, respectively.

NOTE 15 - (Continued)

Annual OPEB Costs and net OPEB Obligation

The Authority's annual other post employment benefit ("OPEB") cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty (30) years. The following table shows the components of the Authority's annual OPEB costs for the fiscal years ended June 30, 2017 and 2016, the amount contributed to the plan, and changes in the Authority's net OPEB obligation as of June 30:

	2017	2016
Annual required contribution (ARC)	$ 499,624	$ 452,181
Interest on net OPEB obligation	92,636	80,870
Adjustment to annual required contribution	(128,778)	(112,421)
Amortization of actuarial (gains) / losses	36,581	(44,778)
Annual OPEB cost	500,063	375,852
Contributions made	(93,312)	(81,707)
Increase (decrease) in net OPEB obligation	406,751	294,145
Net OPEB obligation at beginning of year	2,315,896	2,021,751
Net OPEB obligation at end of year	$ 2,722,647	$ 2,315,896

Three Year Trend Information

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

Plan Year Ending	Annual OPEB Cost	Employer Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/15	$ 351,295	$ 76,973	22%	$ 2,021,751
6/30/16	$ 375,852	$ 81,707	22%	$ 2,315,896
6/30/17	$ 500,063	$ 93,312	19%	$ 2,722,647

NOTE 15 - (Continued)

Funded Status and Funding Progress
As of July 1, 2016, the most recent valuation date, the actuarial liability for benefits was $4.335 million ($3.101 million as of July 1, 2015), and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of $4.335 million ($3.101 million as of July 1, 2015), and the ratio of the UAAL to the covered payroll was 310%.

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

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

Valuation Date: July 1, 2016
Actuarial Cost Method: Individual Entry Age
Investment Rate of Return: 4.00% per annum

Healthcare Cost Trend Rates:
Assumed a 5% increase in medical costs.

General Inflation Assumption: 2.75% per annum
Annual Compensation Increases: 3.00% per annum
Actuarial Value of Assets: Market Value
Amortization of UAAL: Amortized as level dollar amount over 30 years with 21 years remaining at June 30, 2017

NOTE 16 - SATCO OTHER POSTEMPLOYMENT BENEFITS

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

Plan Description
Springfield Area Transportation Company, Inc. provides for medical, dental and life insurance benefits to eligible retirees and their spouses. An employee becomes eligible to retire under this plan upon attainment of age 55 with 10 years of service or with 20 years of service regardless of age. For employees hired prior to July 1, 1990, an employee shall become eligible to retire under this plan upon the attainment of age 55 as an active member and completion of 10 years of service. As of June 30, 2017, there were 379 plan members of which 112 were retirees.

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

NOTE 16 - (Continued)

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

Funding Policy
The contribution requirements of plan members and SATCo are established and may be amended through SATCo ordinances. The required contribution is based on the projected pay-as-you-go financing requirements. For fiscal year 2017 and 2016, SATCo premiums plus implicit costs for the retiree medical program were $574,275 and $467,389, respectively.

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

	2017	2016
Annual required contribution (ARC)	$ 2,485,874	$ 2,079,148
Interest on net OPEB obligation	619,601	486,709
Adjustment to annual required contribution	(861,335)	(730,518)
Amortization to actuarial (gains) / losses	791,886	216,099
Annual OPEB cost	3,036,026	2,051,438
Contributions made	(574,275)	(467,389)
Increase (decrease) in net OPEB obligation	2,461,751	1,584,049
Net OPEB (asset) obligation at beginning of year	15,490,013	13,905,964
Net OPEB (asset) obligation at end of year	$ 17,951,764	$ 15,490,013

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

Plan Year Ending	Annual OPEB Cost	Employer Contribution	Percentage of annual OPEB Cost Contributed	Net OPEB Obligation
06/30/15	$ 2,605,619	$ 491,373	19%	$ 13,905,964
06/30/16	$ 2,051,438	$ 467,389	23%	$ 15,490,013
06/30/17	$ 3,036,026	$ 574,275	19%	$ 17,951,764

NOTE 16 - (Continued)

Funded Status and Funding Progress
As of June 30, 2017, the most recent valuation date, the plan was zero funded. The actuarial liability for benefits at June 30, 2017 was $32.26 million ($22.72 million at June 30, 2016), and the actuarial value of assets was $0, resulting in an unfunded actuarial accrued liability (UAAL) of $32.26 million ($22.72 million at June 30, 2016).

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

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

Valuation Date: June 30, 2017
Actuarial Cost Method: Individual Entry Age
Investment Rate of Return: 4.00% per annum (3.50% at June 30, 2016)
General Inflation Assumption: 2.75% per annum (2.50% at June 30, 2016)
Annual Compensation Increases: 3.00% per annum
Healthcare Trend Rates: 5% per annum
Actuarial Value of Assets: Market Value
Amortization of UAAL: Amortized as level dollar amount over 30 years with 20 years remaining at June 30, 2017

Future GASB Pronouncement

The Governmental Accounting Standards Board (GASB) issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefit Plans Other than Pensions*, which establishes new financial reporting requirements for government entities that provide other postemployment benefits (OPEB) to its employees and retirees. The implementation of this statement will represent a significant change in the accounting and reporting of OPEB expense and the related liability. This statement will require the Authority to record the net OPEB liability measured as the total actuarially accrued liability.

As of June 30, 2017, the total actuarially accrued liability for the Transit Authority is $36,596,870 ($4,335,038 for the Pioneer Valley Transit Authority Plan *plus* $32,261,832 for Springfield Area Transit Company Plan), of which the Authority has recognized $20,674,411 so far. It will also expand financial statement note disclosures and required supplementary information disclosures. The Authority's required implementation date of GASB Statement 75 is for the fiscal year ended June 30, 2018.

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

	2017			2016
	Budget	Actual	Variance Favorable (Unfavorable)	Actual
Fare income	$ 4,871,570	$ 4,701,262	$ (170,308)	$ 4,809,299
Adult passes	1,769,000	1,061,373	(707,627)	1,403,667
Other passes	593,444	650,813	57,369	771,300
Tokens	---	119,914	119,914	134,441
Total	$ 7,234,014	$ 6,533,362	$ (700,652)	$ 7,118,707

NOTE 18 - COMMITMENTS AND CONTINGENT LIABILITIES

Fiscal year 2018 budget
For the fiscal year 2018, the Authority has approved an operating budget of $46,823,529 which excludes depreciation expense. This budget includes grant-matching expenditures, which the Authority is required to meet as its share of Federal and State programs.

Federal and State funding
Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal and state governments. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. As of the date of the financial statements, the Authority is not aware of any expenditure that may be disallowed by a grantor.

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

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

The Authority is self-insured for property damage and personal injury related to operations to a maximum amount of $750,000 per incident. An excess liability, up to a maximum of $5 million of losses per policy year, is covered by comprehensive insurance policies. It is the policy of the Authority to record a liability for reported claims as well as claims incurred and not yet reported based on a review of specific claims and incidents. Insurance claims have not exceeded insurance coverage in the past three years. At June 30, 2017, the Authority's insurance claims reserve is $2,300,000 ($2,000,000 at June 30, 2016) for the self-insured portion of the risks associated with property damage and personal injury.

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

	2017	2016
Insurance claims reserve, beginning	$ 2,000,000	$ 1,750,000
Increase in reserve for claims provisions	457,153	890,694
Claims paid	(157,153)	(640,694)
Insurance claims reserve, ending	$ 2,300,000	$ 2,000,000

PIONEER VALLEY TRANSIT AUTHORITY

SCHEDULE OF CHANGES IN NET PENSION LIABILITIES AND RELATED RATIOS

Required Supplementary Information

June 30, 2017

	PVTA Pension Plan (see also Note 11) Plan Year End June 30,	
Total pension liability	**2016**	**2015**
Service cost	$ 218,696	$ 199,780
Interest	426,044	405,613
Changes of benefit terms	---	---
Differences between expected and actual experience	101,296	(70,204)
Changes of assumptions	---	---
Benefit payment, including refunds of employee contributions	(297,102)	(270,461)
Net change in total pension liability	448,934	264,728
Total pension liability, beginning	5,825,256	5,560,528
Total pension liability, ending (a)	$ 6,274,190	$ 5,825,256
Plan fiduciary net position		
Contributions - employer	$ 377,718	$ 157,377
Contributions - employee	55,906	48,887
Net investment income	259,833	144,609
Benefit payments, including refunds of employee contributions	(297,102)	(270,461)
Administrative expense	(14,305)	---
Net change in plan fiduciary net position	382,050	80,412
Plan fiduciary net position, beginning	3,704,547	3,624,135
Plan fiduciary net position, ending (b)	$ 4,086,597	$ 3,704,547
Net pension liability (a) - (b)	$ 2,187,593	$ 2,120,709
Plan fiduciary net position as a percentage of the total pension liability	65.13%	63.59%
Covered employee payroll	$ 1,223,784	$ 1,223,784
Net pension liability as a percentage of covered employee payroll	178.76%	173.29%

See independent auditors' report.

PIONEER VALLEY TRANSIT AUTHORITY

SCHEDULE OF CHANGES IN NET PENSION LIABILITIES AND RELATED RATIOS

Required Supplementary Information

June 30, 2017

	SATCo SERP Plan (see also Note 13) Plan Year End June 30, 2016	2015
Total pension liability		
Service cost	$ 365,630	$ 327,274
Interest	399,919	351,881
Changes of benefit terms	---	---
Differences between expected and actual experience	41,217	96,577
Changes of assumptions	---	---
Benefit payment, including refunds of employee contributions	(86,013)	(60,634)
Net change in total pension liability	720,753	715,098
Total pension liability, beginning	5,969,651	5,254,553
Total pension liability, ending (a)	$ 6,690,404	$ 5,969,651
Plan fiduciary net position		
Contributions - employer	$ 1,295,000	$ 129,644
Contributions - employee	505,000	490,356
Net investment income	233,325	44,799
Benefit payments, including refunds of employee contributions	(86,013)	(60,634)
Administrative expense	(27,871)	(18,764)
Net change in plan fiduciary net position	1,919,441	585,401
Plan fiduciary net position, beginning	2,840,822	2,255,421
Plan fiduciary net position, ending (b)	$ 4,760,263	$ 2,840,822
Net pension liability (a) - (b)	$ 1,930,141	$ 3,128,829
Plan fiduciary net position as a percentage of the total pension liability	71.15%	47.59%
Covered employee payroll	$ 14,742,434	$ 14,042,201
Net pension liability as a percentage of covered employee payroll	13.09%	22.28%

PIONEER VALLEY TRANSIT AUTHORITY

SCHEDULE OF PENSION CONTRIBUTIONS

Required Supplementary Information

June 30, 2017

	PVTA Pension Plan (see also Note 11) Plan Year End June 30,	
	2016	**2015**
Actuarially determined contribution	$ 441,721	$ 415,986
Contributions in relation to the actuarially determined contribution	433,624	206,264
Contribution deficiency (excess)	$ 8,097	$ 209,722
Covered employee payroll	$ 1,223,784	$ 1,223,784
Contribution as a percentage of covered employee payroll	35.43%	16.85%

Notes to Schedules for PVTA Pension Plan

Valuation date:
Actuarially determined contribution rates are calculated as of June 30, 2016.

Methods and assumptions used to determine contribution rates:

Actuarial cost method:	Entry age normal
Amortization method:	15 year level dollar of the existing net pension liability as of the valuation date
Remaining amortization period	15 years. Fresh start method with amortization remaining unfunded amortized each year.
Asset valuation method	Market value of assets as of the measurement date
Inflation:	3% as of June 30, 2016 and for future periods
Salary increases:	4% annually as of June 30, 2016 and for future periods
Investment rate of return:	6.88%, net of pension plan investment expense, including inflation for small plans

PIONEER VALLEY TRANSIT AUTHORITY

SCHEDULE OF PENSION CONTRIBUTIONS

Required Supplementary Information

June 30, 2017

	SATCo SERP Plan (see also Note 13) Plan Year End June 30,	
	2016	**2015**
Actuarially determined contribution	$ 555,898	$ 635,705
Contributions in relation to the actuarially determined contribution	1,295,000	129,644
Contribution deficiency (excess)	$ (739,102)	$ 506,061
Covered employee payroll	$ 14,742,434	$ 14,042,201
Contribution as a percentage of covered employee payroll	8.78%	0.92%

Notes to Schedules for SATCO SERP Pension Plan

Valuation date:
Actuarially determined contribution rates are calculated as of June 30, 2016.

Methods and assumptions used to determine contribution rates:

Actuarial cost method:	Entry age normal
amortization method:	15 year level dollar of the existing net pension liability as of the valuation date
Remaining amortization period	15 years. Fresh start method with amortization remaining unfunded amortized each year.
Asset valuation method	Market value of assets as of the measurement date
Inflation:	2.5% as of June 30, 2016 and for future periods
Salary increases:	N/A
Investment rate of return:	6.27%, net of pension plan investment expense, including inflation for small plans

PIONEER VALLEY TRANSIT AUTHORITY

Schedule of Retiree Health Plan Funding Progress
Other Post Employment Benefits

Required Supplementary Information

June 30, 2017

Pioneer Valley Transit Authority Retiree Welfare Plan:

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL)	(b - a) Unfunded AAL (UAAL)	(a/b) Funded Ratio	(c) Covered Payroll	([b - a]/c) UAAL as a % of Covered Payroll
7/1/2009	$ ---	$ 4,772,371	$ 4,772,371	0%	$ 1,064,727	448%
7/1/2010	$ ---	$ 2,501,977	$ 2,501,977	0%	$ 1,106,502	226%
7/1/2011	$ ---	$ 2,647,677	$ 2,647,677	0%	$ 1,156,295	229%
7/1/2012	$ ---	$ 2,820,795	$ 2,820,795	0%	$ 1,208,328	233%
7/1/2013	$ ---	$ 2,668,392	$ 2,668,392	0%	$ 1,231,462	217%
7/1/2014	$ ---	$ 2,872,450	$ 2,872,450	0%	$ 1,268,406	226%
7/1/2015	$ ---	$ 3,101,327	$ 3,101,327	0%	$ 1,306,459	237%
7/1/2016	$ ---	$ 4,335,038	$ 4,335,038	0%	$ 1,400,016	310%

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

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL) Frozen Entry Age	(b - a) Unfunded AAL (UAAL)	(a/b) Funded Ratio	(c) Covered Payroll	([b - a]/c) UAAL as a % of Covered Payroll
6/30/2010	$ ---	$ 17,800,000	$ 17,800,000	0%	$ 10,229,063	174%
6/30/2011	$ ---	$ 18,823,000	$ 18,823,000	0%	$ 10,401,243	181%
6/30/2012	$ ---	$ 19,863,000	$ 19,863,000	0%	$ 10,954,027	181%
6/30/2013	$ ---	$ 21,364,000	$ 21,364,000	0%	$ 11,000,931	194%
6/30/2014	$ ---	$ 22,879,408	$ 22,879,408	0%	$ 11,416,115	200%
6/30/2015	$ ---	$ 24,583,438	$ 24,583,438	0%	$ 12,774,455	192%
6/30/2016	$ ---	$ 22,716,270	$ 22,716,270	0%	$ 14,040,744	162%
6/30/2017	$ ---	$ 32,261,832	$ 32,261,832	0%	$ 14,742,434	219%

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

	Total Service Area 2017	Total Service Area 2016
Operating costs		
Administrative costs	$ 4,705,090	$ 4,877,327
Purchased services		
Fixed route	33,853,451	33,472,495
Paratransit	8,231,868	8,669,159
Shuttle	235,765	244,670
Debt service	99,908	72,399
Eliminate GASB 45 other post employment benefits expense	(2,868,502)	(1,878,194)
Eliminate GASB 68 (increase) reduction to pension expense	1,127,842	(41,435)
Total operating costs	45,385,422	45,416,421
Operating assistance and revenues		
Federal operating and administrative assistance	5,702,070	5,107,467
Other operating assistance	176,813	289,517
Revenues		
Local revenues		
Fixed route	6,533,362	7,118,707
Paratransit	734,004	803,792
Shuttle	26,357	28,249
Advertising	234,697	321,206
Other income	71,126	89,598
Interest	84,597	28,773
Total operating assistance and revenues	13,563,026	13,787,309
Net operating deficit	31,822,396	31,629,112
Increase in reserve for extraordinary expense	249,270	234,829
Net cost of service	$ 32,071,666	$ 31,863,941
Local assessments	$ 8,516,727	$ 8,309,002
State contract assistance	23,554,939	23,554,939
Total	$ 32,071,666	$ 31,863,941

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

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Pioneer Valley Transit Authority, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Pioneer Valley Transit Authority's basic financial statements, and have issued our report thereon dated September 8, 2017.

Internal Control Over Financial Reporting

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

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

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

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Compliance and Other Matters

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

Purpose of this Report

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

Adelson + Company PC
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Pittsfield, MA

September 8, 2017