PIONEER VALLEY TRANSIT AUTHORITY

Financial Statements and
Supplementary Information

June 30, 2018 and 2017

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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, 2018 and 2017, 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, 2018 and 2017, 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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Change in Accounting Principle
As described in Note 19 to the financial statements, in 2018, the Authority adopted new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on page 4, the schedule of changes in net pension liabilities and related ratios, schedule of pension contributions, schedule of changes in net OPEB liabilities and related ratios, and schedule of OPEB contributions, on pages 37 to 42 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 43 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 7, 2018, 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 7, 2018

PIONEER VALLEY TRANSIT AUTHORITY

Management's Discussion and Analysis

For the Year Ended June 30, 2018

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, 2018.

Change in Accounting Principle

Effective July 1, 2017, The Authority implemented GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefit Plans Other than Pensions. This statement established new financial reporting requirements for government entities that provide other postemployment benefits (OPEB) to its employees and retirees and requires the Authority to record the net OPEB liability measured as the total actuarially accrued liability. The effect of this change in accounting principle is disclosed in Note 19 to the financial statements.

Financial Highlights

- The assets and deferred outflows of resources of the Authority exceeded its liabilities at June 30, 2018 by $84,171,268.

- The Authority's total net position increased by $30,228,547 in fiscal year 2018 as shown below:

	6/30/2018
Increase in other postemployment benefits as required by GASB 75	$ (1,070,427)
Decrease in reporting for pensions as required by GASB 68	314,047
Contributed capital for purchase of rolling stock and and construction of Operations and Maintenance Facility	46,770,235
Depreciation on capital assets	(15,785,308)
Increase in net position	$ 30,228,547

- The total operating revenue decreased $(282,202) or 3.9% from fiscal year 2017.

- The operating expenses increased $350,942 or 0.7% from fiscal year 2017.

- The Authority expended $46,770,235 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, 2018

Overview of the Financial Statements

This discussion and analysis are 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 36 of this report. In addition to the basic financial statements and accompanying notes, this report also presents the schedule of changes in net pension liabilities and related ratios, schedule of pension contributions, the schedule of changes in net other postemployment benefits liabilities and related ratios, and the schedule of other postemployment benefits contributions, which are required supplemental information. The required supplementary information can be found on pages 37 to 42 of this report.

Government Financial Analysis

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

Summary of Net Position

	6/30/2018	6/30/2017
Total current assets	$ 35,370,162	$ 30,236,597
Investment in Holyoke Intermodal Facility, LLC	4,027,668	4,048,778
Property and equipment, net	120,793,716	89,812,220
Deferred outflows of resources related to pensions	2,148,674	1,696,185
Deferred outflows related to other post employment benefits	646,253	---
Total assets and deferred outflows of resources	162,986,473	125,793,780
Accounts payable and other accrued liabilities	19,881,620	14,772,596
Note payable	13,100,000	13,100,000
Net pension liabilities	4,256,176	4,117,734
Accrued other post employment benefits	41,577,409	39,860,729
Total liabilities	78,815,205	71,851,059
Investment in capital assets, net of related debt	124,821,384	93,860,998
Restricted reserve	1,580,175	1,580,175
Unrestricted	(42,230,291)	(41,498,452)
Total net position	$ 84,171,268	$ 53,942,721

PIONEER VALLEY TRANSIT AUTHORITY

Management's Discussion and Analysis

For the Year Ended June 30, 2018

The Authority's assets exceeded its liabilities by $84,171,268 at the close of fiscal year 2018. 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, 2018, 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 2018, the Authority's unrestricted net position decreased a net amount of $731,839 from fiscal year 2017 for a total negative unrestricted balance of $(42,230,291) at June 30, 2018. 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

	6/30/2018	6/30/2017	Increase (Decrease)
Total operating revenues	$ 7,011,521	$ 7,293,723	$ (282,202)
Total operating expenses	47,377,116	47,026,174	350,942
Operating income (loss)	(40,365,595)	(39,732,451)	(633,144)
Total non-operating revenues (expenses)	39,609,215	38,241,061	1,368,154
Income (loss) before capital contributions and other items	(756,380)	(1,491,390)	735,010
Capital contributions	46,770,235	27,679,580	19,090,655
Nonreimbursable depreciation	(15,785,308)	(14,547,785)	(1,237,523)
Change in net position	30,228,547	11,640,405	18,588,142
Net assets, beginning	53,942,721	61,488,634	(7,545,913)
Prior period adjustment (See Note 19)	---	(19,186,318)	19,186,318
Net position, ending	$ 84,171,268	$ 53,942,721	$ 30,228,547

Operating revenues decreased $(282,202) or 3.9% 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 5% and paratransit 2% from last fiscal year. Associated pass sales and college pass revenue decreased accordingly.

Operating expenses increased $350,942 or 0.7% from the prior year; fixed route service increased $342,332 from fiscal year 2017 mainly due contractual labor requirements. Paratransit services increased $414,861 from fiscal year 2017, primarily due contractual vendor payments ($179,682), the increase in fuel prices ($152,422), and increases in utilization of COA pilot programs ($82,757). Administrative Savings amounted to $413,981 over fiscal year 2017 with savings in personnel of $158,365, insurance reserve of 100,000, and a combination of supply, advertising, and of membership and travel expense savings over the prior year.

Non-operating revenues increased $1,368,154 or 3.6% from the prior year primarily due to an increased dependence on federal operating revenues of $1,555,936, an increase in Local Assessments of $212,918, an increase in advertising income of $33,369, increase in interest income of $27,153, increase in miscellaneous income of $39,479, and in increase in interest expense of $41,092, all offset by a decrease in State Operating assistance of $459,609.

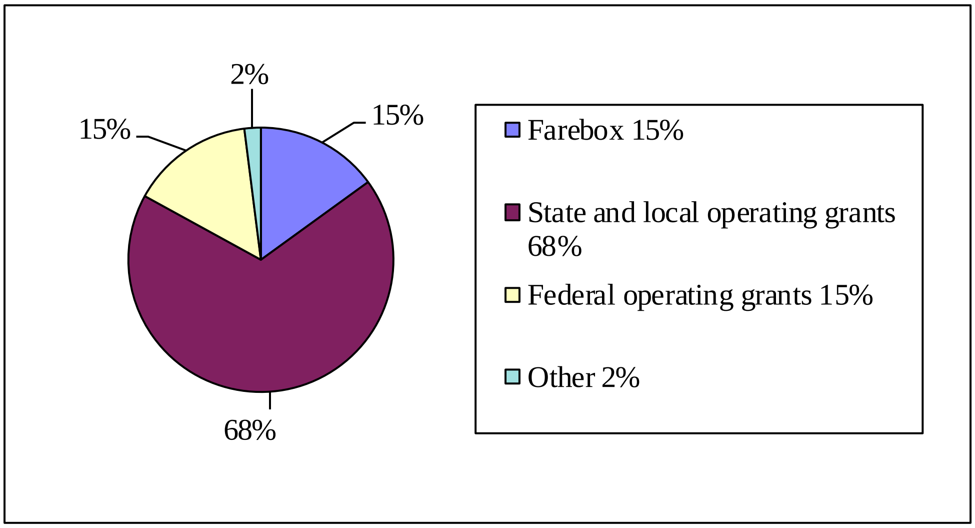
Capital contributions increased $19,090,655 or 69% from the prior year primarily due to the full year of construction of the Springfield Operations and Maintenance Facility on Cottage Street.

PIONEER VALLEY TRANSIT AUTHORITY

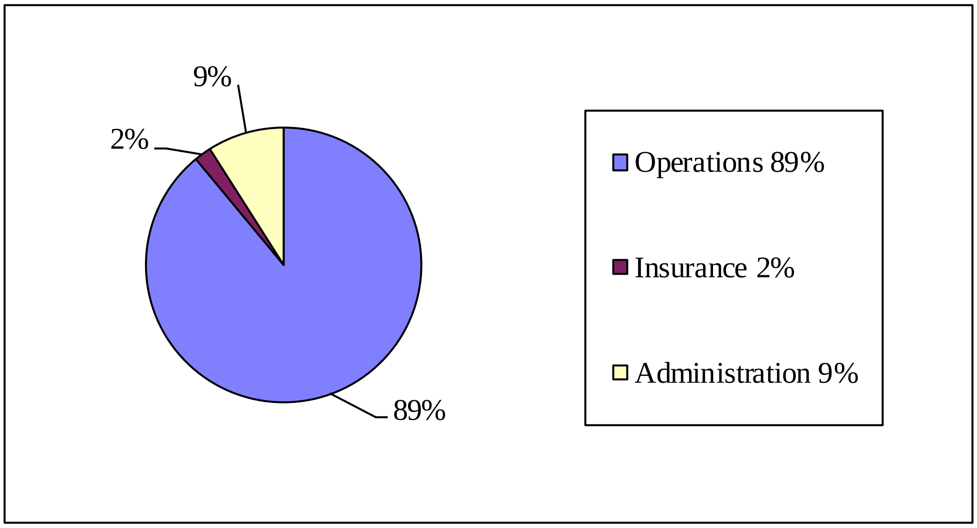
Management's Discussion and Analysis

For the Year Ended June 30, 2018

Total Operating and Non-operating
Revenues of $46,761,736 by Source



Total Operating and Non-operating
Expenses of $47,518,116 by source



PIONEER VALLEY TRANSIT AUTHORITY

Management's Discussion and Analysis

For the Year Ended June 30, 2018

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

	FY2018 Actual	FY2018 Budget	Variance + (-)
Fixed route income	$ 6,268,580	$ 6,656,845	$ (388,265)
Paratransit income	716,660	720,986	(4,326)
Shuttle service income	26,281	26,545	(264)
Total operating income	$ 7,011,521	$ 7,404,376	$ (392,855)

Fixed route revenue came in under the budgeted amount by $(388,265). This corresponds with the drop-in ridership for the same time which is down 5% for the Fixed Route service and 2% for Paratransit. Additionally, Holyoke Public School revenue dropped by 62% since its service was reduced substantially after the fiscal year 2018 budget was approved (revenue of $300,000 reduced to $112,812).

Government assistance

	FY2018 Actual	FY2018 Budget	Variance + (-)
Federal assistance	$ 6,858,006	$ 6,694,961	$ 163,045
State contract assistance	23,095,330	22,980,428	114,902
Local assistance	8,729,645	8,729,645	---
Other assistance	591,690	551,056	40,634

The final budgeted Federal Assistance came in under the budgeted amount by $(163,045). An increase in State contract assistance, and some smaller state grants as well as administrative savings on many line items allowed for less than budgeted use of federal assistance.

Other Assistance line item exceeded the budgeted amount by $40,634 due to grants received from MassDOT to offset mobility training expenses and Title VI program adherence. These grants were not expected at budget time.

Other revenues

	FY2018 Actual	FY2018 Budget	Variance + (-)
Advertising	$ 268,066	$ 228,062	$ 40,004
Other income	98,279	42,298	55,981
Interest income	109,199	101,238	7,961

Advertising revenue came in higher than budgeted as aggressive outreach at chamber events and a new advertising campaign using King signs has increased visibility and sales. Other income was over budget primarily due to unusually large gains on van sales.

PIONEER VALLEY TRANSIT AUTHORITY

Management's Discussion and Analysis

For the Year Ended June 30, 2018

Expenses

	FY2018 Actual	FY2018 Budget	Variance + (-)
Fixed route service	$ 34,195,783	$ 34,075,026	$ (120,757)
Paratransit service	8,646,729	8,611,733	(34,996)
Shuttle service	243,495	232,737	(10,758)
Administrative salaries, taxes and fringe benefits	2,684,995	2,427,744	(257,251)
Other administrative expenses	1,602,683	1,704,689	102,006

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 (net of deferred outflows of resources) increased by $681,766 and the net pension liability (net of deferred outflows of resources) decreased by $(364,441). This net expense of $317,325 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 due to the suspension of new driver training, pending the outcome of service reductions. Service reductions implemented have shown additional efficiencies relieving some of the capacity constraints that have existed which caused overtime in the past and at budget time. Additionally, a large number of people retired from SATCO this fiscal year than in recent memory, across all labor categories. The largest drop in labor dollars were operators.

Paratransit Savings in this category were due to uniform expenses being eliminated as a new paratransit contractor has been hired for fiscal year 2019 and part of that company's budget includes a uniform expense. Therefore, the Authority did not outfit current Hulmes employees in fiscal year 2018.

Administration costs came in over budget primarily due to the increase in the accrual required under GASB 45 of $388,661 to record the liability for non-pension post-retirement benefits. There was also an unfunded accrual required under GASB 68 of $50,394 in net pension liabilities. These are unfunded accruals and have no impact on current year funding.

Administrative salaries, taxes and fringe benefits savings resulted from attrition of employees. The Assistant to the CFO and the Procurement Officer, originally budgeted for left the Authority and were not replaced. Additionally, three weeks of the Director of Transit Operations and Planning dollars were not included in this projection, causing most of the savings to the budget. A negotiated settlement made with five long term employees created additional savings of $34,202.

PIONEER VALLEY TRANSIT AUTHORITY

Management's Discussion and Analysis

For the Year Ended June 30, 2018

Capital and Debt Administration

Capital Assets

The Authority's investment in capital assets as of June 30, 2018 amounted to $120,793,716, 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 $46,770,235.

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

1. Construction of Cottage Street facility of $38,661,899
2. Improvements to existing buildings of $83,995
3. Acquisition of revenue vehicles of $4,467,630 and disposal of old revenue vehicles of $2,066,935
4. Acquisition of equipment of $3,502,646 and disposal of old equipment of $1,121,618
5. Acquisition of services vehicles of $54,065

Capital Assets

	6/30/2018	6/30/2017
Land	$ 1,965,505	$ 1,965,505
Construction in progress	55,135,411	16,473,512
Buildings and improvements	38,835,093	38,751,098
Revenue vehicles	105,046,364	102,645,669
Equipment	55,986,957	53,605,929
Service vehicles	1,786,382	1,732,317
Total capital assets	258,755,712	215,174,030
Accumulated depreciation	(137,961,996)	(125,361,810)
Capital assets, net	$ 120,793,716	$ 89,812,220

Revenue Anticipation Notes

At the end of fiscal year 2018, 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.

Revolving Line of Credit

During fiscal year 2018, the Authority obtained a $3,000,000 revolving line of credit, due on demand. The line of credit is secured by the Authority's assets. Interest is at the Prime Rate as published in the Wall Street Journal. The interest rate was 5.00% at June 30, 2018. The balance outstanding as of June 30, 2018 was $-0-.

PIONEER VALLEY TRANSIT AUTHORITY

Management's Discussion and Analysis

For the Year Ended June 30, 2018

Status of Intermodal & Maintenance Centers

<u>Westfield Transit Pavilion, 10 Arnold Street, Westfield</u>

Forish Construction of Westfield, MA, the successful bidder on the new transit pavilion project, began construction of the new $3.6M 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 Transit Pavilion" Center" in April 2017. All punch-list construction items were addressed by June 30, 2018. The Authority anticipates obtaining LEED Design Silver status for the project from the U.S. Green Buildings Council by the end of calendar year 2018.

<u>New PVTA Bus Operations and Maintenance Facility, 665 Cottage Street, Springfield,</u> MA

The Authority's new Bus Operations and Maintenance Facility Project at 665 Cottage Street in Springfield, Massachusetts is being constructed on an 18.3-acre 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 Operations and Maintenance Facility will replace the Authority's light- and heavy-duty maintenance capabilities currently provided at its existing 100+-year old maintenance facility located at 2840 Main Street, Springfield, MA.

A site location study was conducted, land acquired, a business relocated, existing buildings demolished, 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 funding availability at the state level being reduced from $71M to $55.7M. 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.

Construction is being fully funded by the Massachusetts Department of Transportation. Soft costs of the construction (approximately $9 million) will be funded by federal allocated funds over a 3-year period. The project is on budget and ahead of schedule with substantial completion by the end of November 2018 and final completion by the end of December 2018. A staggered move of operations will begin in January of 2019, and be completed in April of 2019.

PIONEER VALLEY TRANSIT AUTHORITY

Management's Discussion and Analysis

For the Year Ended June 30, 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 on operating assistance from the Commonwealth of Massachusetts (50%), assessments to member municipalities (18%), and federal operating assistance (15%). The balance of the funding comes from farebox revenue, insurance recoveries, interest and advertising. The municipal assessments continue to be funded in arrears (currently 2 years back). This contributes in large part to the Authority's borrowing needs. The Authority has increased its fares in fiscal year 2019 to try and increase the share of farebox revenue (currently at 13%) to try and offset governmental subsidies, and eliminate further service reductions.

Many economic factors will or may affect the Authority's 2019 operations, such as increases in payroll and fringe related to union contracts, and other costs of running the Authority. Fuel prices, rising due to natural disasters and other international and political factors, 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. The final state budget passed in July of this year increased the Authority's State Contract Assistance by $459,608. Another $1,679,000 was awarded to the Authority via an adopted State fiscal year 2019 spending bill. The Authority still had to reduce service by $671,573 to balance its fiscal year 2019 budget.

Fiscal year 2019 will see the opening of the Springfield Maintenance and Operations facility on Cottage Street which will add some fiscal challenges to the operating budget. The building is considerably 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.

Contacting the Authority's Financial Management

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

PIONEER VALLEY TRANSIT AUTHORITY

STATEMENTS OF NET POSITION

June 30,

	2018	2017
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
Current assets		
Cash and equivalents	$ 309,232	$ 907,729
Short-term investments	2,901,317	4,342,754
Receivables, net	31,617,199	24,525,397
Prepaid expenses	542,414	460,717
Total current assets	35,370,162	30,236,597
Investment in Holyoke Intermodal Facility, LLC	4,027,668	4,048,778
Property and equipment, net	120,793,716	89,812,220
Total assets	160,191,546	124,097,595
Deferred outflows of resources		
Deferred outflows related to pensions	2,148,674	1,696,185
Deferred outflows related to other post employment benefits	646,253	---
Total deferred outflows of resources	2,794,927	1,696,185
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	162,986,473	125,793,780
LIABILITIES		
Current liabilities		
Accounts payable	16,485,583	11,774,491
Accrued payroll and related liabilities	596,028	420,350
Other accrued liabilities	28,058	57,474
Insurance claims reserve	2,500,000	2,300,000
Unearned revenue	32,451	40,656
Accrued interest	239,500	179,625
Note payable	13,100,000	13,100,000
Total current liabilities	32,981,620	27,872,596
Net pension liabilities	4,256,176	4,117,734
Accrued other post employment benefits	41,577,409	39,860,729
TOTAL LIABILITIES	78,815,205	71,851,059
NET POSITION		
Invested in capital assets, net of related debt	124,821,384	93,860,998
Restricted reserve	1,580,175	1,580,175
Unrestricted	(42,230,291)	(41,498,452)
TOTAL NET POSITION	$ 84,171,268	$ 53,942,721

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, 2018

	Budget	Actual	Variance Favorable (Unfavorable)
Operating revenues			
Fixed route income	$ 6,656,845	$ 6,268,580	$ (388,265)
Paratransit income	720,986	716,660	(4,326)
Shuttle service income	26,545	26,281	(264)
Total operating revenues	7,404,376	7,011,521	(392,855)
Operating expenses			
Fixed route service	34,075,026	34,195,783	(120,757)
Paratransit service	8,611,733	8,646,729	(34,996)
Shuttle service	232,737	243,495	(10,758)
Administrative salaries, taxes and fringe benefits	2,427,744	2,684,995	(257,251)
Other administrative expenses	1,704,689	1,602,683	102,006
Reimbursable depreciation	---	3,431	(3,431)
Total operating expenses	47,051,929	47,377,116	(325,187)
Operating income (loss)	(39,647,553)	(40,365,595)	(718,042)
Non-operating revenues (expenses)			
Government operating assistance			
Federal	6,694,961	6,858,006	163,045
Massachusetts	22,980,428	23,095,330	114,902
Member communities	8,729,645	8,729,645	---
Other assistance	551,056	591,690	40,634
Advertising income	228,062	268,066	40,004
Other income	42,298	98,279	55,981
Interest income	101,238	109,199	7,961
Interest expense	(111,430)	(141,000)	(29,570)
Total non-operating revenues (expenses)	39,216,258	39,609,215	392,957
Income (loss) before capital contributions and other items	$ (431,295)	(756,380)	$ (325,085)
Contributed capital		46,770,235	
Nonreimbursable depreciation		(15,785,308)	
CHANGE IN NET POSITION		30,228,547	
Net position, beginning as restated (see Note 19)		53,942,721	
NET POSITION, ENDING		$ 84,171,268	

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	
Prior period adjustment (see Note 19)		(19,186,318)	
NET POSITION, ENDING AS RESTATED		$ 53,942,721	

See notes to financial statements.

PIONEER VALLEY TRANSIT AUTHORITY
STATEMENTS OF CASH FLOWS
For the Year Ended June 30,

		2018		2017
Cash flows from operating activities:				
Receipts from customers	$	7,103,531	$	7,154,012
Payments for goods and services		(44,143,307)		(42,056,113)
Payments to employees		(2,509,317)		(2,734,612)
Net cash provided (used) by operating activities		(39,549,093)		(37,636,713)
Cash flows from noncapital financing activities:				
Receipts of operating grants		37,459,204		36,290,587
Proceeds from issuing revenue anticipation notes		13,100,000		13,100,000
Repayments of revenue anticipation notes		(13,100,000)		(10,800,000)
Interest paid		(81,125)		(67,958)
Net cash provided (used) by noncapital financing activities		37,378,079		38,522,629
Cash flows from capital and related financing activities:				
Receipts of capital grants		46,770,235		27,679,580
Payments for capital acquisitions		(46,770,235)		(27,679,580)
Net cash provided (used) by capital and related financing activities		---		---
Cash flows from investing activities:				
Distribution from investment in Holyoke Intermodal Facility, LLC		21,881		7,411
(Increase) decrease in short-term investments		1,441,437		(1,569,261)
Interest income		109,199		84,597
Net cash provided (used) by investing activities		1,572,517		(1,477,253)
NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS		(598,497)		(591,337)
Cash and equivalents, beginning		907,729		1,499,066
CASH AND EQUIVALENTS, ENDING	$	309,232	$	907,729
Reconciliation of operating income to net cash provided (used) by operating activities:				
OPERATING LOSS	$	(40,365,595)	$	(39,732,451)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:				
Reimbursable depreciation		3,431		4,477
(Gain) Loss in investment in Holyoke Intermodal Facility, LLC		(771)		(335)
Advertising and other income		366,345		305,823
Change in assets and liabilities:				
(Increase) decrease in receivables		(5,276,335)		(4,233,076)
(Increase) decrease in prepaid expenses		(81,697)		(71,231)
Increase (decrease) in accounts payable		4,711,092		4,169,251
Increase (decrease) in accrued payroll and related liabilities		175,678		108,749
Increase (decrease) in other accrued liabilities		(29,416)		(50,494)
Increase (decrease) in insurance claims reserve		200,000		300,000
Increase (decrease) in unearned revenue		(8,205)		(178,086)
Increase (decrease) in net pension liabilities		(314,047)		(1,127,842)
Increase (decrease) in other post employment benefits		1,070,427		2,868,502
Net cash provided (used) by operating activities	$	(39,549,093)	$	(37,636,713)

See notes to financial statements.

PIONEER VALLEY TRANSIT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2018 and 2017

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 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, 2018, the Authority's reserve balance was $1,580,175 ($1,580,175 at June 30, 2017).

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 7, 2018, 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, 2020, 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 expired on June 30, 2018. As of September 7, 2018, SATCo was still in negotiations with the Union.

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, 2018, were $1,060,883. Uninsured bank deposits as of June 30, 2018 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 $2,901,317 invested in Massachusetts Municipal Depository Trust (MMDT) cash portfolio as of June 30, 2018 ($4,342,754 as of June 30, 2017). 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:

	2018	2017
Current receivables		
Federal		
Operating assistance	$ 3,681,518	$ 2,338,410
Capital assistance	2,440,289	1,883,484
Total - Federal	6,121,807	4,221,894
Massachusetts		
Capital assistance	13,209,074	8,397,534
Total - Massachusetts	13,209,074	8,397,534
Member communities		
Operating assistance for current year expenditures	8,729,645	8,516,727
Operating assistance for prior year expenditures	3,287,764	3,028,323
Total - member communities	12,017,409	11,545,050
Trade receivables		
Accounts receivable	268,909	360,919
Allowance for uncollectible	---	---
Total - trade receivables	268,909	360,919
Total receivables	$ 31,617,199	$ 24,525,397

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.

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:

	2018	2017
Insurance	$ 104,386	$ 78,954
Pension	288,869	288,869
Prepaid fuel	96,499	53,838
Other	52,660	39,056
Total	$ 542,414	$ 460,717

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

	2018				
	Beginning Balance	Increases	Decreases	Reclassification	Ending Balance
Capital assets, not being depreciated:					
Land	$ 1,965,505	$ ---	$ ---	$ ---	$ 1,965,505
Construction in progress					
Operations and Maintenance Facility	16,473,512	38,661,899	---	---	55,135,411
Total capital assets, not being depreciated	18,439,017	38,661,899	---	---	57,100,916
Capital assets, being depreciated:					
Buildings and improvements	38,751,098	83,995	---	---	38,835,093
Revenue vehicles	102,645,669	4,467,630	(2,066,935)	---	105,046,364
Equipment	53,605,929	3,502,646	(1,121,618)	---	55,986,957
Service vehicles	1,732,317	54,065	---	---	1,786,382
Total capital assets, being depreciated	196,735,013	8,108,336	(3,188,553)	---	201,654,796
Less accumulated depreciation for:					
Buildings and improvements	23,004,593	2,171,866	---	---	25,176,459
Revenue vehicles	59,418,332	8,335,189	(2,066,935)	---	65,686,586
Equipment	41,628,921	5,112,532	(1,121,618)	---	45,619,835
Service vehicles	1,309,964	169,152	---	---	1,479,116
Total accumulated depreciation	125,361,810	15,788,739	(3,188,553)	---	137,961,996
Total capital assets, being depreciated, net	71,373,203	(7,680,403)	---	---	63,692,800
Capital assets, net	$ 89,812,220	$ 30,981,496	$ ---	$ ---	$ 120,793,716

NOTE 5 - (Continued)

	2017				
	Beginning Balance	Increases	Decreases	Reclassification	Ending Balance
Capital assets, not being depreciated:					
Land	$ 1,965,505	$ ---	$ ---	$ ---	$ 1,965,505
Construction in progress					
Operations and Maintenance Facility	4,590,654	11,882,858	---	---	16,473,512
Westfield Intermodal Center	4,327,580	---	---	(4,327,580)	---
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 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:

	2018	2017
Investment in Holyoke Intermodal Facility, LLC, beginning	$ 4,048,778	$ 4,055,854
Gain (Loss) from Holyoke Intermodal Facility, LLC	771	335
Distributions from Holyoke Intermodal Facility, LLC	(21,881)	(7,411)
Investment in Holyoke Intermodal Facility, LLC, ending	$ 4,027,668	$ 4,048,778

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

	2018	2017
Accounts payable		
Capital projects	$ 13,793,816	$ 9,244,009
General operations	1,102,951	848,164
Fixed route operators	1,588,816	1,682,318
Total	$ 16,485,583	$ 11,774,491

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, 2018 and 2017 was $1,588,816 and $1,682,318, 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:

	2018	2017
2.00% Revenue anticipation note, due July 20, 2018	$ 13,100,000	
1.50% Revenue anticipation note, due July 21, 2017		$ 13,100,000
Total	$ 13,100,000	$ 13,100,000

Revolving Line of Credit

During fiscal year 2018, the Authority obtained a $3,000,000 revolving line of credit, due on demand. The line of credit is secured by the Authority's assets. Interest is at the Prime Rate as published in the Wall Street Journal. The interest rate was 5.00% at June 30, 2018. The balance outstanding as of June 30, 2018 was $-0-.

NOTE 8 - (Continued)

On July 20, 2018, the Authority issued a $13,100,000 operating assistance anticipation note maturing on July 19, 2019 at a rate of 2.50%. The Authority repaid the $13,100,000 note due July 20, 2018.

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:

	2018			
	Invested in capital assets	Restricted Reserve	Unrestricted	Total
Net loss			$ (756,380)	$ (756,380)
Reimbursable depreciation	$ (3,431)		3,431	---
Nonreimbursable depreciation	(15,785,308)			(15,785,308)
Capital asset additions				
Government funded	46,770,235			46,770,235
Decrease in investment in Holyoke Intermodal Facility, LLC	(21,110)		21,110	---
Increase in reserve for extraordinary expenses		$ ---	---	---
Increase (decrease) in net position	30,960,386	---	(731,839)	30,228,547
Net position, beginning as restated (see Note 19)	93,860,998	1,580,175	(41,498,452)	53,942,721
Net position, ending	$ 124,821,384	$ 1,580,175	$ (42,230,291)	$ 84,171,268

	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
Prior period adjustment (see Note 19)	---	---	(19,186,318)	(19,186,318)
Net position, ending as restated	$ 93,860,998	$ 1,580,175	$ (41,498,452)	$ 53,942,721

NOTE 10 - OPERATING LEASES

Information Center Leases
The Authority leased space 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 the year ended June 30, 2017.

The Authority leased space 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 year ended June 30, 2017.

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 the year ended June 30, 2017.

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
2019	$ 7,917
2020	8,036
2021	8,156
2022	8,279
2023	8,403
Thereafter	185,901
Total	$ 226,692

(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 (50th) year following the commencement date. The Authority has the option to extend the lease for separate and successive extension periods of fifty (50) lease years each. The Authority has no obligation to pay rent, it being agreed that the public funding provided for the project was in lieu of any rent owed. Notwithstanding, the Authority does have the obligation to pay for separately metered utilities and its share of common area maintenance (CAM) charges. The CAM charges shall be paid monthly at an amount determined annually by the Lessor, Holyoke Intermodal Facility, LLC, which include all expenses incurred by the Lessor in connection with the operation of the property, such as handymen, mechanics, electricians, supplies and materials, insurances, repairs, replacements and other allowable expenses as described in the lease agreement. CAM charges for the years ended June 30, 2018 and 2017 were $19,960 and $16,839, respectively.

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

NOTE 11 - PVTA PENSION PLAN

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

Results of the Plan for fiscal year ended June 30, 2018 are based on liabilities developed in an actuarial valuation performed as of June 30, 2017 with a measurement date of June 30, 2017.

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.

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:

	2017	2016
Active employees	21	23
Inactive employees entitled to but not yet receiving benefits	19	19
Inactive employees or beneficiaries currently receiving benefits	22	21
Total	62	63

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, 2017, the average employee contribution was 3.96% (4.57% for plan year ending June 30, 2016) and the Authority's average contribution rate was 23.22% (30.86% for plan year ending June 30, 2016) of annual payroll.

Actuarial Assumptions

The total pension liability in the June 30, 2017 and 2016 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 2017 and 2016 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 2017 and 2016 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 2017 and 2016 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) (Plan year end June 30, 2017)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2017	$ 6,274,190	$ 4,086,597	$ 2,187,593
Changes for the year:			
Service cost	237,541		237,541
Interest	458,403		458,403
Changes in benefit terms	---		---
Differences between actual and expected experience	447,146		447,146
Contributions - employer		355,018	(355,018)
Contributions - employee		60,494	(60,494)
Net investment income		364,336	(364,336)
Benefit payments, including refunds of member contributions	(302,220)	(302,220)	---
Administrative expense	---	(40)	40
Net changes	840,870	477,588	363,282
Balances at June 30, 2018	$ 7,115,060	$ 4,564,185	$ 2,550,875

NOTE 11 - (Continued)

	Increase (Decrease) (Plan year end June 30, 2016) Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2016	$ 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, 2017	$ 6,274,190	$ 4,086,597	$ 2,187,593

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, 2018 for plan year ending June 30, 2017	$ 3,413,080	$ 2,550,875	$ 1,822,906
Plan net pension liability as of June 30, 2017 for plan year ending June 30, 2016	$ 2,991,870	$ 2,187,593	$ 1,510,593

Payable to Pension Plan
At June 30, 2018, the Transit Authority reported a payable of $271,106 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2018 ($199,748 for the year ended June 30, 2017).

NOTE 11 - (Continued)

Pension Expense and Deferred Inflows and Outflows of Resources
For the year ended June 30, 2018, the Transit Authority recognized pension expense of $572,485 ($491,819 for the year ended June 30, 2017).

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

	2018		2017	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 747,071	$ (35,608)	$ 422,899	$ (47,140)
Changes in assumptions	---	---	---	---
Net difference between projected and actual earnings on pension plan investments	---	(526,777)	---	(444,211)
Contributions subsequent to the measurement date	440,977	---	381,227	---
Total	$ 1,188,048	$ (562,385)	$ 804,126	$ (491,351)

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:

	2018	2017
Year ended June 30:		
2018		$ 259,941
2019	$ 349,930	(121,286)
2020	(46,909)	(77,148)
2021	2,516	(27,723)
2022	64,951	34,712
2023	40,487	29,591
Thereafter	214,688	214,688
Total deferred outflows (inflows) or resources	$ 625,663	$ 312,775

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, 2018 and 2017, SATCo's pension expense for the TERP plan was $400,000 and $450,000, respectively. The funding surplus as of July 1, 2017 was $3,162,208. The funding surplus as of July 1, 2016 was $3,455,423.

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

At June 30, 2018, SATCo reported a payable of $-0- for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2018 ($123,487 at June 30, 2017).

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, 2018 are based on liabilities developed in an actuarial valuation performed as of June 30, 2017 with a measurement date of June 30, 2017.

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.

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:

	2017	2016
Active employees	255	247
Inactive employees entitled to but not yet receiving benefits	18	17
Inactive employees or beneficiaries currently receiving benefits	49	48
Total	322	312

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 8.07% for plan year ending June 30, 2017 (12.21% for plan year ending June 30, 2016) of annual payroll.

NOTE 13 - (Continued)

Actuarial Assumptions
The total pension liability in the June 30, 2017 and 2016 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 2017 and 2016 IRS Mortality Tables for small plans
Retirement age	Age 65 or normal retirement date, if later
Pre-retirement death benefit	Calculated using aforementioned mortality, interest and termination assumptions and on the assumption that 100% of plan members have spouses
Expenses	Investment return is assumed to be net of plan expenses paid from the trust fund

The long term rate of return on pension plan investments for the 2017 and 2016 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 2017 and 2016 actuarial valuations. The projection of cash flows used to determine the discount rate assumed that plan member contributions will continue to be made at the current rate and that contributions will be made at rates at least equal to the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

NOTE 13 - (Continued)

Changes in net pension liability – SATCo SERP

	Increase (Decrease) (Plan year end June 30, 2017)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2017	$ 6,690,404	$ 4,760,263	$ 1,930,141
Changes for the year:			
Service cost	399,561		399,561
Interest	448,386		448,386
Changes in benefit terms	---		---
Differences between actual and expected experience	461,424		461,424
Contributions - employer		635,316	(635,316)
Contributions - employee		533,279	(533,279)
Net investment income		407,457	(407,457)
Benefit payments, including refunds of member contributions	(122,646)	(122,646)	---
Administrative expense		(41,841)	41,841
Net changes	1,186,725	1,411,565	(224,840)
Balances at June 30, 2018	$ 7,877,129	$ 6,171,828	$ 1,705,301

	Increase (Decrease) (Plan year end June 30, 2016)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2016	$ 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, 2017	$ 6,690,404	$ 4,760,263	$ 1,930,141

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, 2018 for plan year ending June 30, 2017	$ 2,756,663	$ 1,705,301	$ 827,477
Plan net pension liability as of June 30, 2017 for plan year ending June 30, 2016	$ 2,838,804	$ 1,930,141	$ 1,172,350

Payable to Pension Plan
At June 30, 2018, SATCo reported a payable of $360,398 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2018 ($450,000 for the year ended June 30, 2017).

Pension Expense and Deferred Inflows and Outflows of Resources
For the year ended June 30, 2018, the Transit Authority recognized pension expense of $528,146 ($74,961 for the year ended June 30, 2017). The Transit Authority reported deferred outflows and deferred inflows of resources related to pensions from the following sources at June 30:

	2018		2017	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 488,376	$ (28,102)	$ 106,179	$ (36,891)
Changes in assumptions	---	---	---	---
Net difference between projected and actual earnings on pension plan investments	45,425	(82,688)	68,138	(40,422)
Contributions subsequent to the measurement date	1,100,000	---	1,286,406	---
Total	$ 1,633,801	$ (110,790)	$ 1,460,723	$ (77,313)

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:

	2018	2017
Year ended June 30:		
2018		$ 1,298,926
2019	$ 1,157,908	12,521
2020	77,179	31,792
2021	54,467	9,080
2022	61,989	16,602
2023	69,588	8,699
Thereafter	101,880	5,790
Total deferred outflows (inflows) of resources	$ 1,523,011	$ 1,383,410

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, 2018, there were 22 plan participants; 11 active members, 7 retirees and beneficiaries, and 4 terminated vested members.

For the years ended June 30, 2018 and 2017, SATCo's pension expense for the TMP plan was $160,765 and $151,836, respectively, and the funding surplus was $39,797 and $220,737, 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:

	2018	2017
Annual required contribution	$ 113,273	$ ---
Contributions made	(236,381)	(97,368)
Increase (decrease) in net pension obligation	(123,108)	(97,368)
Other adjustments and assumption changes	304,048	105,166
Net pension (asset) at beginning of year	(220,737)	(228,535)
Net pension (asset) at end of year	$ (39,797)	$ (220,737)

	2018	2017
Actuarial value of assets	$ 2,791,789	$ 2,449,031
Actuarial accrued liability	2,751,992	2,228,294
Funding surplus	$ 39,797	$ 220,737

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, 2017
Actuarial cost method	Traditional unit credit cost method
Amortization method	Level dollar
Remaining amortization period initial unfunded	1 year
Asset valuation method	Market Value
Investment rate of return	6.05% (6.17% at July 1, 2016)

Payable to Pension Plan
At June 30, 2018, SATCo reported a payable of $50,000 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2018 ($50,000 for the year ended June 30, 2017).

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

NOTE 15 - PVTA OTHER POSTEMPLOYMENT BENEFITS

Effective July 1, 2017, The Authority implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefit Plans Other than Pensions*. This statement established new financial reporting requirements for government entities that provide other postemployment benefits (OPEB) to its employees and retirees and requires the Authority to record the net OPEB liability measured as the total actuarially accrued liability.

Plan Description and Benefits Provided
The Pioneer Valley Transit Authority Retiree Welfare Plan (the Plan) is a single-employer defined benefit plan which provides for medical and dental insurance benefits to eligible retirees and their spouses. Employees hired before April 2, 2012 become eligible to retire under this plan upon attainment of age 55 as an active member and completion of 10 years of service (age 60 with 10 years of service for those hired on or after April 2, 2012). The plan is a cost-sharing plan with employees paying 20% of medical and dental premiums in retirement.

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

Accounting Policy
For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Plan and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms.

Plan Membership
The following employees were covered by the benefit terms for the plan year ending July 1, 2017:

Active employees	26
Inactive employees or beneficiaries currently receiving benefits	15
Total	41

NOTE 15 - (Continued)

Contributions

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

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

The Authority shall have no obligation to make contributions to the Trust to fund OPEB, and the size of the Trust may not be sufficient at any one time to meet the OPEB liabilities. The Authority has not made any contributions to the OPEB Trust and the fair market value of the Trust assets as of June 30, 2018 is $-0-.

Actuarial Methods and Assumptions

Results of the Plan for the fiscal year ended on June 30, 2018 and 2017 are based on liabilities developed in an actuarial valuation performed as of July 1, 2016 with a measurement date of July 1, 2017.

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

Actuarial assumptions	
Actuarial cost method	Individual Entry Age Normal
Inflation	2.75% and for future periods
Salary increases	3% annually and for future periods
Discount Rate	3.25% per annum
Municipal Bond Rate	3.13% as of July 1, 2017 (source is the S&P Municipal Bond 20-Year High Grade Index)
Pre- and post-retirement mortality	Mortality rates were based upon the RP-2000 Employees and Healthy Annuitant Mortality Tables for males or females projected generationally with scale BB
Healthcare Trend	Assumed 5% increase in healthcare costs
Participation Rate	Assumed that 80% of employees eligible to receive retirement benefits would enroll in the Plan

NOTE 15 - (Continued)

Changes in net OPEB liability

	Increase (Decrease) (Plan year end July 1, 2017)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at June 30, 2017, as restated (see Note 19)	$ 5,006,045	$ ---	$ 5,006,045
Changes for the year:			
Service cost	310,684		310,684
Interest	171,289		171,289
Changes in benefit terms	---		---
Changes in assumptions	---		---
Differences between actual and expected experience	---		---
Net investment income		---	---
Employer contributions to trust		---	---
Benefit payments withdrawn from trust		---	---
Benefit payments including implicit cost	(93,312)		(93,312)
Administrative expense	---	---	---
Net changes	388,661	---	388,661
Balances at June 30, 2018	$ 5,394,706	$ ---	$ 5,394,706

The Authority has not made any contributions to the OPEB Trust, and the fair market value of the Trust assets as of June 30, 2018 is $-0-.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate and Healthcare Cost Trend Rates
The following presents the net OPEB liability, as well as what the net OPEB liability would be if it were calculated using a discount and healthcare cost trend rate that is 1 percentage point lower or 1 percentage point higher than the current rates:

	Discount Rate		
	1% Decrease (2.25%)	Current (3.25%)	1% Increase (4.25%)
Net OPEB liability as of June 30, 2018 for plan year ending July 1, 2017	$ 6,833,334	$ 5,394,706	$ 4,460,504

	Healthcare Cost Trend Rate		
	1% Decrease (4.00%)	Current (5.00%)	1% Increase (6.00%)
Net OPEB liability as of June 30, 2018 for plan year ending July 1, 2017	$ 4,107,459	$ 5,394,706	$ 7,152,354

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources
For the year ended June 30, 2018, the Authority recognized OPEB expense of $388,661. There was no deferred outflows and deferred inflows of resources related to OPEB for the year ended June 30, 2018:

Payable to the OPEB Plan
At June 30, 2018, the Authority reported a payable of $-0- for outstanding contributions to the Plan.

NOTE 16 - SATCO OTHER POSTEMPLOYMENT BENEFITS

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

Plan Description and Benefits Provided
The Springfield Area Transportation Company Other Postemployment Benefits Plan (the Plan) is a single-employer defined benefit plan which provides for medical, dental and life insurance benefits to eligible retirees and their spouses. An employee becomes eligible to retire under this plan upon attainment of age 55 with 10 years of service or with 20 years of service regardless of age. For employees hired prior to July 1, 1990, an employee shall become eligible to retire under this plan upon the attainment of age 55 as an active member and completion of 10 years of service. Retirees will pay 25% of premiums for non-Medicare integrated plans and 0% for Medicare integrated plans. Retirees pay 100% of premiums for dental insurance. The employer will pay 100% of life insurance premiums.

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

Accounting Policy
For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Plan and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms.

Plan Membership
The following employees were covered by the benefit terms for the plan year ending July 1, 2017:

Active employees	255
Inactive employees or beneficiaries currently receiving benefits	127
Total	382

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

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

The Authority and SATCo shall have no obligation to make contributions to the Trust to fund OPEB, and the size of the Trust may not be sufficient at any one time to meet the OPEB liabilities. The Authority nor SATCo has made any contributions to the OPEB Trust and the fair market value of the Trust assets as of June 30, 2018 is $-0-.

Payable to OPEB Plan
At June 30, 2018, SATCo reported a payable of $200,000 for outstanding contributions to the Plan.

NOTE 16 - (Continued)

Actuarial Methods and Assumptions
Results of the Plan for the fiscal year ended on June 30, 2018 and 2017 are based on liabilities developed in an actuarial valuation performed as of July 1, 2017 with a measurement date of July 1, 2017.

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

Actuarial assumptions	
Actuarial cost method	Individual Entry Age Normal
Inflation	2.75% and for future periods
Salary increases	3% annually and for future periods
Discount Rate	3.25% per annum
Municipal Bond Rate	3.13% as of July 1, 2017 (source is the S&P Municipal Bond 20-Year High Grade Index)
Pre- and post-retirement mortality	Mortality rates were based upon the RP-2000 Employees and Healthy Annuitant Mortality Tables for males or females projected generationally with scale BB
Healthcare Trend	Assumed 5% increase in healthcare costs
Participation Rate	Assumed that 100% of employees eligible to receive retirement benefits would enroll in the retiree medical, dental and life insurance plans

Changes in net OPEB liability	Increase (Decrease) (Plan year end July 1, 2017)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at June 30, 2017, as restated (see Note 19)	$ 34,854,684	$ ---	$ 34,854,684
Changes for the year:			
Service cost	1,533,958		1,533,958
Interest	1,173,374		1,173,374
Changes in benefit terms	---		---
Changes in assumptions	---		---
Differences between actual and expected experience	(805,038)		(805,038)
Net investment income		---	---
Employer contributions to trust		---	---
Benefit payments withdrawn from trust		---	---
Benefit payments including implicit cost	(574,275)		(574,275)
Administrative expense	---	---	---
Net changes	1,328,019	---	1,328,019
Balances at June 30, 2018	$ 36,182,703	$ ---	$ 36,182,703

NOTE 16 - (Continued)

The Authority nor SATCo have made any contributions to the OPEB Trust, and the fair market value of the Trust assets as of June 30, 2018 is $-0-.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate and Healthcare Cost Trend Rates
The following presents the net OPEB liability, as well as what the net OPEB liability would be if it were calculated using a discount and healthcare cost trend rate that is 1 percentage point lower or 1 percentage point higher than the current rates:

	Discount Rate		
	1% Decrease (2.25%)	Current (3.25%)	1% Increase (4.25%)
Net OPEB liability as of June 30, 2018 for plan year ending July 1, 2017	$ 43,738,467	$ 36,182,703	$ 30,313,357

	Healthcare Cost Trend Rate		
	1% Decrease (4.00%)	Current (5.00%)	1% Increase (6.00%)
Net OPEB liability as of June 30, 2018 for plan year ending July 1, 2017	$ 29,578,752	$ 36,182,703	$ 44,905,589

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources
For the year ended June 30, 2018, the Authority recognized OPEB expense of $1,328,019. At June 30, 2018, the Authority reported deferred outflows or resources and deferred inflows of resources related to OPEB from the following sources:

	2018	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 646,253	$ ---
Changes in assumptions	---	---
Net difference between projected and actual earnings on OPEB plan investments	---	---
Total	$ 646,253	$ ---

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

	2018
Year ended June 30:	
2019	$ 158,785
2020	158,785
2021	158,785
2022	158,785
2023	11,113
Total deferred outflows (inflows) or resources	$ 646,253

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

	2018			2017
	Budget	Actual	Variance Favorable (Unfavorable)	Actual
Fare income	$ 4,821,732	$ 4,417,285	$ (404,447)	$ 4,701,262
Adult passes	1,338,106	1,036,176	(301,930)	1,061,373
Other passes	497,007	712,967	215,960	650,813
Tokens	---	102,152	102,152	119,914
Total	$ 6,656,845	$ 6,268,580	$ (388,265)	$ 6,533,362

NOTE 18 - COMMITMENTS AND CONTINGENT LIABILITIES

Fiscal year 2019 budget
For the fiscal year 2019, the Authority has an operating budget of $50,803,990 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, 2018, the Authority's insurance claims reserve is $2,500,000 ($2,300,000 at June 30, 2017) 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:

	2018	2017
Insurance claims reserve, beginning	$ 2,300,000	$ 2,000,000
Increase in reserve for claims provisions	734,651	457,153
Claims paid	(534,651)	(157,153)
Insurance claims reserve, ending	$ 2,500,000	$ 2,300,000

NOTE 19 - CHANGE IN ACCOUNTING PRINCIPLE

Net position as of June 30, 2017 has been restated as follows for the implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefit Plans Other than Pensions*. As of June 30, 2017, the Statement of Net Position was restated for the effects of GASB 75. As of June 30, 2017, the Statement of Revenues, Expenses and Changes in Net Position was not restated for the effects of GASB 75, as the amounts were not determined as part of the actuarial valuation. This statement established new financial reporting requirements for government entities that provide other postemployment benefits (OPEB) to its employees and retirees and requires the Authority to record the net OPEB liability measured as the total actuarially accrued liability.

Change in accounting principle – impact on net position

	Invested in capital assets, net of related debt	Restricted Reserve	Unrestricted	Total
Net position as previously reported at June 30, 2017	$ 93,860,998	$ 1,580,175	$ (22,312,134)	$ 73,129,039
Prior period adjustment				
Measurement date as of July 1, 2017				
Reporting for OPEB - Pioneer Valley Transit Authority	---	---	(2,283,398)	(2,283,398)
Reporting for OPEB - Springfield Area Transit Company	---	---	(16,902,920)	(16,902,920)
Total	---	---	(19,186,318)	(19,186,318)
Net position as restated, June 30, 2017	$ 93,860,998	$ 1,580,175	$ (41,498,452)	$ 53,942,721

Change in accounting principle – impact on other postemployment benefits liability

	PVTA OPEB Liability	SATCo OPEB Liability	Total
Accrued other postemployment benefits liability as previously reported at June 30, 2017	$ 2,722,647	$ 17,951,764	$ 20,674,411
Prior period adjustment			
Measurement date as of July 1, 2017			
Reporting for OPEB - Pioneer Valley Transit Authority	2,283,398		2,283,398
Reporting for OPEB - Springfield Area Transit Company		16,902,920	16,902,920
Total	2,283,398	16,902,920	19,186,318
Accrued other postemployment benefits liability as restated, June 30, 2017	$ 5,006,045	$ 34,854,684	$ 39,860,729

PIONEER VALLEY TRANSIT AUTHORITY

SCHEDULE OF CHANGES IN NET PENSION LIABILITIES AND RELATED RATIOS

REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2018

	PVTA Pension Plan (see also Note 11) Plan Year End June 30,			
Total pension liability	**2017**	**2016**	**2015**	**2014**
Service cost	$ 237,541	$ 218,696	$ 199,780	$ 226,520
Interest	458,403	426,044	405,613	360,702
Changes of benefit terms	---	---	---	---
Differences between expected and actual experience	447,146	101,296	(70,204)	398,081
Changes of assumptions	---	---	---	---
Benefit payment, including refunds of employee contributions	(302,220)	(297,102)	(270,461)	(294,010)
Net change in total pension liability	840,870	448,934	264,728	691,293
Total pension liability, beginning	6,274,190	5,825,256	5,560,528	4,869,235
Total pension liability, ending (a)	$ 7,115,060	$ 6,274,190	$ 5,825,256	$ 5,560,528
Plan fiduciary net position				
Contributions - employer	$ 355,018	$ 377,718	$ 157,377	$ 141,588
Contributions - employee	60,494	55,906	48,887	45,886
Net investment income	364,336	259,833	144,609	469,701
Benefit payments, including refunds of employee contributions	(302,220)	(297,102)	(270,461)	(294,010)
Administrative expense	(40)	(14,305)	---	---
Net change in plan fiduciary net position	477,588	382,050	80,412	363,165
Plan fiduciary net position, beginning	4,086,597	3,704,547	3,624,135	3,260,970
Plan fiduciary net position, ending (b)	$ 4,564,185	$ 4,086,597	$ 3,704,547	$ 3,624,135
Net pension liability (a) - (b)	$ 2,550,875	$ 2,187,593	$ 2,120,709	$ 1,936,393
Plan fiduciary net position as a percentage of the total pension liability	64.15%	65.13%	63.59%	65.18%
Covered employee payroll	$ 1,529,167	$ 1,223,784	$ 1,223,784	$ 1,169,373
Net pension liability as a percentage of covered employee payroll	166.81%	178.76%	173.29%	165.59%

PIONEER VALLEY TRANSIT AUTHORITY

SCHEDULE OF CHANGES IN NET PENSION LIABILITIES AND RELATED RATIOS

REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2018

	SATCo SERP Plan (see also Note 13) Plan Year End June 30,			
Total pension liability	**2017**	**2016**	**2015**	**2014**
Service cost	$ 399,561	$ 365,630	$ 327,274	$ 290,750
Interest	448,386	399,919	351,881	317,682
Changes of benefit terms	---	---	---	---
Differences between expected and actual experience	461,424	41,217	96,577	(63,258)
Changes of assumptions	---	---	---	---
Benefit payment, including refunds of employee contributions	(122,646)	(86,013)	(60,634)	(44,384)
Net change in total pension liability	1,186,725	720,753	715,098	500,790
Total pension liability, beginning	6,690,404	5,969,651	5,254,553	4,753,763
Total pension liability, ending (a)	$ 7,877,129	$ 6,690,404	$ 5,969,651	$ 5,254,553
Plan fiduciary net position				
Contributions - employer	$ 635,316	$ 1,295,000	$ 129,644	$ 470,000
Contributions - employee	533,279	505,000	490,356	---
Net investment income	407,457	233,325	44,799	211,580
Benefit payments, including refunds of employee contributions	(122,646)	(86,013)	(60,634)	(44,384)
Administrative expense	(41,841)	(27,871)	(18,764)	(13,093)
Net change in plan fiduciary net position	1,411,565	1,919,441	585,401	624,103
Plan fiduciary net position, beginning	4,760,263	2,840,822	2,255,421	1,631,318
Plan fiduciary net position, ending (b)	$ 6,171,828	$ 4,760,263	$ 2,840,822	$ 2,255,421
Net pension liability (a) - (b)	$ 1,705,301	$ 1,930,141	$ 3,128,829	$ 2,999,132
Plan fiduciary net position as a percentage of the total pension liability	78.35%	71.15%	47.59%	42.92%
Covered employee payroll	$ 14,477,280	$ 14,742,434	$ 14,042,201	$ 12,774,455
Net pension liability as a percentage of covered employee payroll	11.78%	13.09%	22.28%	23.48%

See independent auditors' report.

PIONEER VALLEY TRANSIT AUTHORITY

SCHEDULE OF PENSION CONTRIBUTIONS

REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2018

	PVTA Pension Plan (see also Note 11) Plan Year End June 30,			
	2017	**2016**	**2015**	**2014**
Actuarially determined contribution	$ 497,602	$ 441,721	$ 415,986	$ 423,935
Contributions in relation to the actuarially determine contribution	415,512	433,624	206,264	187,474
Contribution deficiency (excess)	$ 82,090	$ 8,097	$ 209,722	$ 236,461
Covered employee payroll	$ 1,529,167	$ 1,223,784	$ 1,223,784	$ 1,169,373
Contribution as a percentage of covered employee payroll	27.17%	35.43%	16.85%	16.03%

Notes to Schedules for PVTA Pension Plan

Valuation date:
Actuarially determined contribution rates are calculated as of June 30, 2017.

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, 2017 and for future periods
Salary increases:	4% annually as of June 30, 2017 and for future periods
Investment rate of return:	6.88%, net of pension plan investment expense, including inflation for small plans

Last 10 years: Only plan years 2014 to 2017 available

PIONEER VALLEY TRANSIT AUTHORITY

SCHEDULE OF PENSION CONTRIBUTIONS

REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2018

	SATCo SERP Plan (see also Note 13) Plan Year End June 30,			
	2017	**2016**	**2015**	**2014**
Actuarially determined contribution	$ 567,665	$ 555,898	$ 635,705	$ 586,396
Contributions in relation to the actuarially determined contribution	635,316	1,295,000	129,644	470,000
Contribution deficiency (excess)	$ (67,651)	$ (739,102)	$ 506,061	$ 116,396
Covered employee payroll	$ 14,477,280	$ 14,742,434	$ 14,042,201	$ 12,774,455
Contribution as a percentage of covered employee payroll	4.39%	8.78%	0.92%	3.68%

Notes to Schedules for SATCO SERP Pension Plan

Valuation date:
Actuarially determined contribution rates are calculated as of June 30, 2017.

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, 2017 and for future periods
Salary increases:	N/A
Investment rate of return:	6.27%, net of pension plan investment expense, including inflation for small plans

Last 10 years: Only plan years 2014 to 2017 available

PIONEER VALLEY TRANSIT AUTHORITY

SCHEDULE OF CHANGES IN NET OPEB LIABILITIES AND RELATED RATIOS

REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2018

	PVTA OPEB Plan (see also Note 15) Plan Year End July 1, 2017	SATCo OPEB Plan (see also Note 16) Plan Year End July 1, 2017
Total OPEB liability		
Service cost	$ 310,684	$ 1,533,958
Interest	171,289	1,173,374
Changes of benefit terms	---	---
Changes of assumptions	---	---
Differences between actual and expected experience	---	(805,038)
Benefit payments including implicit cost	(93,312)	(574,275)
Net change in total OPEB liability	388,661	1,328,019
Total OPEB liability, beginning	5,006,045	34,854,684
Total pension liability, ending (a)	$ 5,394,706	$ 36,182,703
Plan fiduciary net position		
Contributions - employer	$ ---	$ ---
Interest	---	---
Net investment income	---	---
Benefit payments	---	---
Administrative expense	---	---
Net change in plan fiduciary net position	---	---
Plan fiduciary net position, beginning	---	---
Plan fiduciary net position, ending (b)	$ ---	$ ---
Net OPEB liability (a) - (b)	$ 5,394,706	$ 36,182,703
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%	0.00%
Covered employee payroll	$ 1,442,016	$ 14,477,280
Net OPEB liability as a percentage of covered employee payroll	374.11%	249.93%

Notes to Schedule:

Benefit changes for PVTA and SATCo OPEB Plan: None

Changes of assumptions for PVTA and SATCo OPEB Plan: effective July 1, 2017, discount rate changed from 4.00% to 3.25%

Last 10 years: Only plan year 2017 available

PIONEER VALLEY TRANSIT AUTHORITY

SCHEDULE OF OPEB CONTRIBUTIONS

REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2018

	PVTA OPEB Plan (see also Note 15) Plan Year End July 1, 2017	SATCo OPEB Plan (see also Note 15) Plan Year End July 1, 2017
Actuarially determined contribution	$ 585,941	$ 3,343,115
Contributions in relation to the actuarially determined contribution	93,312	574,275
Contribution deficiency (excess)	$ 492,629	$ 2,768,840
Covered employee payroll	$ 1,442,016	$ 14,477,280
Contribution as a percentage of covered employee payroll	6.47%	3.97%

Notes to Schedule

PVTA OPEB Valuation date:
Actuarially determined contribution rates were calculated as of July 1, 2016 with a measurement date of July 1, 2017.

SATCo OPEB Valuation date:
Actuarially determined contribution rates were calculated as of July 1, 2017 with a measurement date of July 1, 2017.

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

Actuarial cost method:	Individual entry age normal
Municipal bond rate:	3.13% as of July 1, 2017 (Source: S&P Municipal Bond 20-Year High Grade Index)
Discount rate:	3.25%
Inflation:	2.75% as of July 1, 2017 and for future periods
Salary increases:	3.00% annually and for future periods
Pre- and post-retirement mortality:	Mortality rates were based upon the RP-2000 Employees and Healthy Annuitant Mortality Tables for males and females projected generationally with scale BB
Disabled mortality:	Mortality rate was based upon the RP-2000 Healthy Annuitant Table projected with scale BB
Changes in assumptions:	Effective July 1, 2017, discount rate changed from 4.00% to 3.25%

Last 10 years: Only plan year 2017 available

See independent auditors' report.

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

	Total Service Area 2018	Total Service Area 2017
Operating costs		
Administrative costs	$ 4,291,109	$ 4,705,090
Purchased services		
Fixed route	34,195,783	33,853,451
Paratransit	8,646,729	8,231,868
Shuttle	243,495	235,765
Debt service	141,000	99,908
Eliminate GASB 75 other post employment benefits expense	(1,070,427)	(2,868,502)
Eliminate GASB 68 (increase) reduction to pension expense	314,047	1,127,842
Total operating costs	46,761,736	45,385,422
Operating assistance and revenues		
Federal operating and administrative assistance	6,858,006	5,702,070
Other operating assistance	591,690	176,813
Revenues		
Local revenues		
Fixed route	6,268,580	6,533,362
Paratransit	716,660	734,004
Shuttle	26,281	26,357
Advertising	268,066	234,697
Other income	98,279	71,126
Interest	109,199	84,597
Total operating assistance and revenues	14,936,761	13,563,026
Net operating deficit	31,824,975	31,822,396
Increase in reserve for extraordinary expense	---	249,270
Net cost of service	$ 31,824,975	$ 32,071,666
Local assessments	$ 8,729,645	$ 8,516,727
State contract assistance	23,095,330	23,554,939
Total	$ 31,824,975	$ 32,071,666

The following nonreimbursable items are not included in the eligible expenses above:
- Depreciation taken on property and equipment purchased with capital grant funding
- GASB 75 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

See independent auditors' report.

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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, 2018, 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 7, 2018.

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

ADELSON & COMPANY PC
Pittsfield, MA

September 7, 2018