

BERKSHIRE REGIONAL TRANSIT AUTHORITY

**Financial Statements and
Supplementary Information
June 30, 2015**

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INDEPENDENT AUDITORS' REPORT

To the Advisory Board of the
BERKSHIRE REGIONAL TRANSIT AUTHORITY
 One Columbus Avenue, Suite 201
 Pittsfield, MA 01201

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Berkshire Regional Transit Authority, a component unit of the Massachusetts Department of Transportation, as of and for the years ended June 30, 2015 and 2014, and the related notes to the financial statements, which collectively comprise Berkshire Regional 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 Berkshire Regional Transit Authority as of June 30, 2015 and 2014, and the respective changes in financial position, and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 11 to the financial statements, in 2015, the Berkshire Regional Transit Authority adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. 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, budgetary comparison information on pages 6 and 7, and schedules of changes in net pension liability and related ratios and pension contributions on pages 22 and 23 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Berkshire Regional Transit Authority's basic financial statements. The supplementary on pages 24 and 25 are 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. Such 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 supplementary 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 24, 2015, on our consideration of Berkshire Regional 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 Berkshire Regional Transit Authority's internal control over financial reporting and compliance.

Adelson + Company PC

ADELSON & COMPANY PC
Pittsfield, MA

September 24, 2015



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BERKSHIRE REGIONAL TRANSIT AUTHORITY

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2015

The Berkshire Regional Transit Authority's (the Authority) management discussion and analysis for the fiscal year ended June 30, 2015, is designed to assist the reader in focusing on significant financial issues, provide an overview of the Authority's financial activity, identify changes in the Authority's financial position and identify any material deviations from the financial plan (the approved budget).

Financial Highlights

- The assets of the Authority exceeded its liabilities and deferred inflows of resources at June 30, 2015 by \$15,922,671.
- The Authority's total net position had a net decrease of \$(77,616) from fiscal year 2014, mainly due to contributed capital assets of \$1,299,413, current year non-reimbursable depreciation on capital assets of \$(1,398,023), an increase in the Authority's reserve of \$4,100 as allowed under M.G.L. 161B Section 6(q), and a decrease in the Authority's net pension liability of \$16,894.
- Operating revenues increased \$1,353,633 or 19% from fiscal year 2014.
- Operating expenses increased \$1,385,701 or 11% from fiscal year 2014.
- The Authority expended \$1,299,413 on capital assets of which 100% was contributed by the federal and state government.
- 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, the Authority's funding cannot exceed its net cost of service. However, a deficit can result if funding is not sufficient to cover expenses.

Change in Accounting Principle

As described in Note 11 to the financial statements, the Authority adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Accordingly, the Authority recorded a prior period adjustment to record a net pension liability, as of June 30, 2014, in the amount of \$439,586. This amount was adjusted to \$426,226 as of June 30, 2015. The Authority also recorded a prior period adjustment to record the deferred inflows of resources related to the pensions, as of June 30, 2014, in the amount of \$79,108. This amount was adjusted to \$75,574 as of June 30, 2015.

Overview of the Financial Statements

The Authority is a component unit of the Massachusetts Department of Transportation formed for the purpose of carrying out business-type activities in 24 western Massachusetts communities. The Authority's financial statements consist of three main statements: Statement of Net Position, Statement of Revenues, Expenses and Changes in Fund Net Position, and Statement of Cash Flows. Notes and supplementary information that disclose information about the nature of the Authority's business, accounting policies and additional information about specific statement amounts follow these statements.

BERKSHIRE REGIONAL TRANSIT AUTHORITY

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2015

The Authority's net position consists of its net investment in capital assets (e.g. land, buildings, revenue vehicles and office equipment), less any debt used to acquire those assets, and working capital held by the Authority's fixed route operator. The Authority uses these capital assets and working capital held by the fixed route operator to provide transportation services to individuals within its service area. Although the Authority's 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. Net position also consists of a restricted reserve for extraordinary expenses as allowed by Massachusetts General Laws Chapter 161B Section 6(q). Unfunded deficits are reported as unrestricted net position.

The Statement of Revenues, Expenses and Changes in Fund Net Position report the results of both operating and non-operating activities. Increases or decreases in the Authority's net position indicate whether the financial health is improving or deteriorating.

The Statement of Cash Flows, which is presented using the direct method, accounts for the change in the cash and equivalents balance between July 1 and June 30. The cash flows statement provides the detail on the cash the Authority received from and paid for operating and non-operating activities, investing, and financing activities.

Summary of Net Position

	<u>6/30/2015</u>	<u>6/30/2014</u>
Total current assets	\$ 6,579,878	\$ 6,781,409
Property and equipment, net	15,622,985	15,745,699
Total assets	<u>22,202,863</u>	<u>22,527,108</u>
Accounts payable and other accrued liabilities	1,078,392	808,127
Notes payable	4,700,000	5,200,000
Net pension liability	426,226	439,586
Deferred inflows of resources	<u>75,574</u>	<u>79,108</u>
Total liabilities and deferred inflows of resources	<u>6,280,192</u>	<u>6,526,821</u>
Investment in capital assets, net of related debt	15,518,558	15,617,168
Restricted		
Reserve	168,097	163,997
Working capital held by fixed route operator	737,816	737,816
Unrestricted	<u>(501,800)</u>	<u>(518,694)</u>
Total net position	<u>\$ 15,922,671</u>	<u>\$ 16,000,287</u>

BERKSHIRE REGIONAL TRANSIT AUTHORITY

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2015

Restricted and unrestricted net position

The Authority's restricted net position represents amounts that can be spent only for specific purposes because of state laws, externally imposed conditions by grantors or creditors, and other restrictions for a particular purpose. The Authority's restricted net position consisted of the following at June 30:

Net Position Restricted for Other Purposes		
	<u>6/30/2015</u>	<u>6/30/2014</u>
Restricted net position		
Accumulated reserve established under Massachusetts General Laws for extraordinary expenses	\$ 168,097	\$ 163,997
Working capital held by Berkshire Transit Management, Inc. for operation of the fixed route	<u>737,816</u>	<u>737,816</u>
Total	<u>\$ 905,913</u>	<u>\$ 901,813</u>

Unrestricted net position

Unrestricted net position represents funds that may be used to fund current operations. The unrestricted fund balance is summarized below:

Current year net income	\$ 20,994
Reimbursable depreciation on capital assets	32,082
Increase in reserve for extraordinary expenses	<u>(4,100)</u>
Change in unrestricted net position	16,894
Unrestricted net position, beginning as restated (see Note 11)	<u>(518,694)</u>
Unrestricted net position, ending	<u>\$ (501,800)</u>

BERKSHIRE REGIONAL TRANSIT AUTHORITY

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2015

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

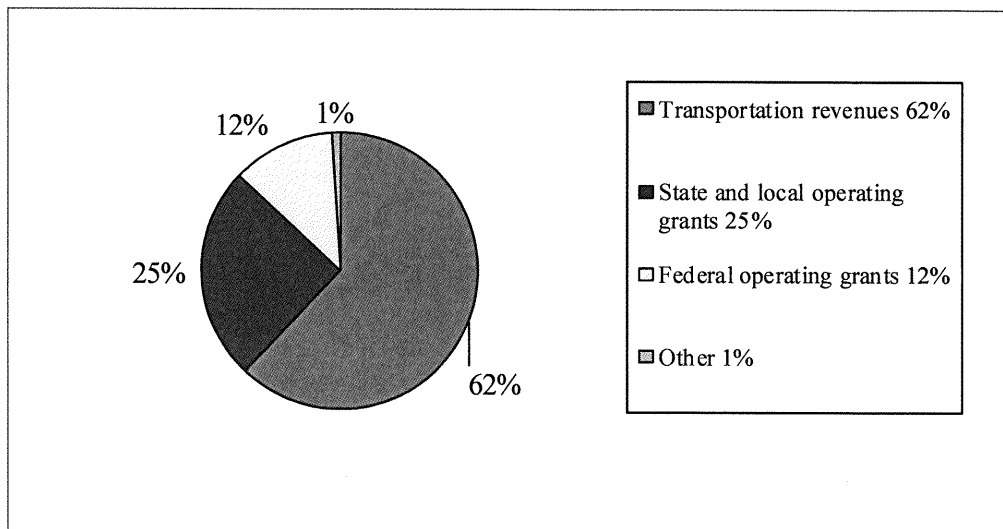
	<u>6/30/2015</u>	<u>6/30/2014</u>	<u>Change</u>
Total operating revenues	\$ 8,319,700	\$ 6,966,067	\$ 1,353,633
Total operating expenses	<u>13,404,914</u>	<u>12,019,213</u>	<u>1,385,701</u>
Operating income (loss)	(5,085,214)	(5,053,146)	(32,068)
 Total non-operating revenues (expenses)	 <u>5,106,208</u>	 <u>5,057,146</u>	 <u>49,062</u>
Income (loss) before capital contributions and other items	20,994	4,000	16,994
Capital contributions	1,299,413	2,824,005	(1,524,592)
Nonreimbursable depreciation	(1,398,023)	(1,244,167)	(153,856)
State forward funding of prior years deficits	<u>---</u>	<u>274,520</u>	<u>(274,520)</u>
Change in net position	(77,616)	1,858,358	(1,935,974)
 Net position, beginning	 16,000,287	 14,660,623	 1,339,664
Prior period adjustment (see Note 11)	<u>---</u>	<u>(518,694)</u>	<u>518,694</u>
 Net position, ending	 <u>\$ 15,922,671</u>	 <u>\$ 16,000,287</u>	 <u>\$ (77,616)</u>

Operating revenues increased \$1,353,633 or 19% from the prior year. This increase is attributable to an increase in fixed route income of \$37,070; an increase of \$13,925 in demand response income; and an increase of \$1,302,638 in brokerage service income. The increase in brokerage service income of \$1,302,638 is due to increased trip activity.

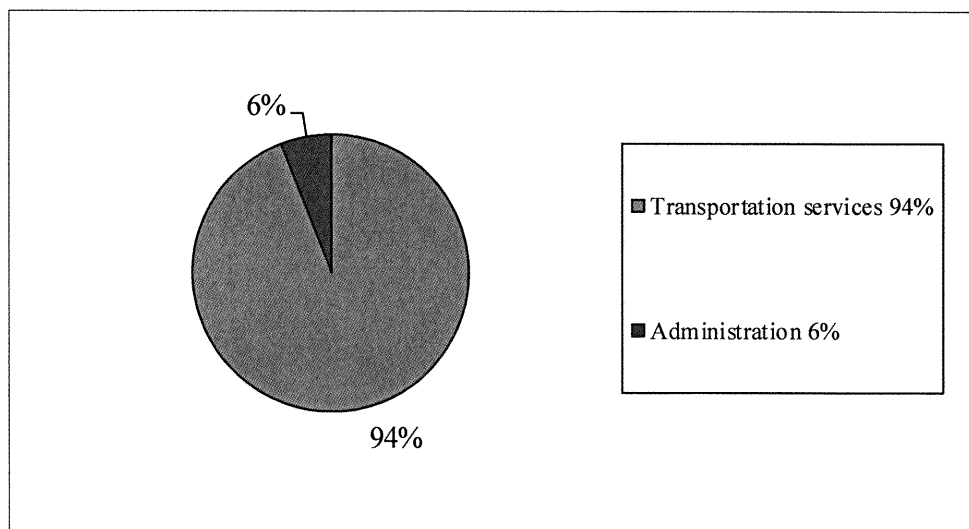
Operating expenses increased \$1,385,701 or 11% from the prior year. This increase is attributable to an increase in fixed route service expenses of \$237,030 mainly due to fuel cost and insurance increases; a decrease in demand response service of \$(21,977); an increase in brokerage service expenses of \$1,200,069 due to increased trip activity; a decrease in administrative salaries, taxes and fringe benefits of \$(1,264); and a decrease in other administrative costs of \$(28,157).

BERKSHIRE REGIONAL TRANSIT AUTHORITY**Management's Discussion and Analysis****For the Fiscal Year Ended June 30, 2015**

Total Operating and Non-operating
Revenues of \$13,448,353 by Source



Total Operating and Non-operating
Expenses of \$13,427,359 by Source



BERKSHIRE REGIONAL TRANSIT AUTHORITY

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2015

Budget vs. Actual – an analysis of significant budget variances, including reasons for the variances that may affect future services or liquidity is as follows:

- Brokerage service income exceeded budget by \$1,014,538 and expenses exceeded budget by \$807,675 as a result of increased trip activity.
- Fixed route service income was under budget by \$21,641. Fixed route service expenses were under budget by \$215,127 primarily due to a cost savings at Berkshire Transit Management, the Authority's fixed route operator.
- Administrative salaries, taxes and fringe benefits were over budget by \$64,892. This was mainly due to a full-time position that was originally budgeted as contracted services.
- Interest expense is under budget by \$38,555 due to a more favorable interest rate on the Authority's revenue anticipation note between the budget completion in May and the borrowing in September.

Capital Asset and Debt Administration

Capital assets

The Authority's net decrease in capital assets during the year ending June 30, 2015 was \$(122,714). The Authority primarily acquires its capital assets under federal and state capital grants. The details on capital assets totaling \$15,622,985, net of accumulated depreciation, are disclosed in Note 5 of the financial statements.

This net decrease in investment in capital assets includes:

Purchases	
Building improvements and renovations	\$ 483,029
Revenue vehicles	610,461
Office equipment and furniture	7,922
Service vehicle	205,979
Total purchases	1,307,391
Current year depreciation	(1,430,105)
Net decrease in capital assets	\$ (122,714)

BERKSHIRE REGIONAL TRANSIT AUTHORITY**Management's Discussion and Analysis****For the Fiscal Year Ended June 30, 2015***Revenue Anticipation Notes*

At the end of fiscal year 2015, the Authority had a revenue anticipation note payable of \$4,700,000 maturing on September 25, 2015 at a rate of 1.00%. This note provides cash flow until federal and state appropriations are received.

CharlieCard

In January 2014, the Authority initiated the CharlieCard, which is a reusable, rechargeable, "stored value" smart card that can be used to ride the Authority's transit system. It is the most affordable, flexible, and convenient way to ride. It can also function in place of a pass, holding up to two passes at a time. It is interoperable and can be used to ride the buses of participating regional transit authorities including Boston, Brockton, Cape Anne, Cape Cod, Lowell, Merrimack Valley, Metrowest, Montachusett, Southeastern and Worcester. Implementation of this system has provided our riders ease of use and flexibility. The Authority's future focus is to increase ridership through travel training instruction.

Status of the Veteran's Transportation and Community Living Initiative

In July 2012, the Authority received an award allocation of \$2,000,000 for the Veterans Transportation and Community Living Initiative. This initiative will improve transportation options and mobility for American veterans, service members, and their families. The Authority completed construction, training and implementation of a "One-Call/One-Click" Travel Management Coordination Center system that enables veterans and their families in Massachusetts to better understand and coordinate the transportation options available to them and to avail lower cost public transportation options.

Economic Factors and Next Year's Budget

Funding for the Authority's net cost of service (non-capital expenses less all non-capital revenues except state contract assistance and member municipality assessments) is dependent primarily (up to 75%) on operating assistance from the Commonwealth of Massachusetts. Effective fiscal year 2014, the operating assistance received from the State is now funded in the same year it is appropriated by the State. The balance (at least 25% but no more than 50%) of the Authority's net cost of service is funded in arrears through assessments to member municipalities. These assessments may increase annually in the aggregate by no more than 2.5% plus the member's share of any new services.

Requests for Information

This financial report is designed to provide a general overview of the Authority's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Berkshire Regional Transit Authority, One Columbus Avenue – Suite 201, Pittsfield, MA, 01201.

BERKSHIRE REGIONAL TRANSIT AUTHORITY

STATEMENTS OF NET POSITION

JUNE 30,

	<u>2015</u>	<u>2014</u>
ASSETS		
Current assets		
Cash and equivalents	\$ 1,294,767	\$ 1,314,039
Receivables, net	4,199,181	4,729,554
Prepaid expenses	348,114	---
Working capital held by fixed route operator	<u>737,816</u>	<u>737,816</u>
Total current assets	6,579,878	6,781,409
Property and equipment, net	<u>15,622,985</u>	<u>15,745,699</u>
TOTAL ASSETS	<u>22,202,863</u>	<u>22,527,108</u>
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES		
Accounts payable	660,514	645,082
Accrued payroll and related liabilities	15,868	31,976
Unearned revenue	366,857	92,920
Accrued interest	35,153	38,149
Notes payable	4,700,000	5,200,000
Net pension liability	<u>426,226</u>	<u>439,586</u>
Total liabilities	6,204,618	6,447,713
Deferred inflows of resources		
Deferred inflows related to pensions	<u>75,574</u>	<u>79,108</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	<u>6,280,192</u>	<u>6,526,821</u>
NET POSITION		
Invested in capital assets, net of related debt	15,518,558	15,617,168
Restricted		
Reserve	168,097	163,997
Working capital held by fixed route operator	737,816	737,816
Unrestricted	<u>(501,800)</u>	<u>(518,694)</u>
TOTAL NET POSITION	<u>\$ 15,922,671</u>	<u>\$ 16,000,287</u>

See notes to financial statements.

BERKSHIRE REGIONAL TRANSIT AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
For the Year Ended June 30, 2015

	Budget	Actual	Variance Favorable (Unfavorable)
Operating revenues			
Fixed route income	\$ 827,841	\$ 806,200	\$ (21,641)
Demand response income	124,750	146,809	22,059
Brokerage service income	6,352,153	7,366,691	1,014,538
Total operating revenues	<u>7,304,744</u>	<u>8,319,700</u>	<u>1,014,956</u>
Operating expenses			
Fixed route service	4,938,174	4,723,047	215,127
Demand response service	715,491	754,679	(39,188)
Brokerage service	6,352,154	7,159,829	(807,675)
Administrative salaries, taxes and fringe benefits	341,828	406,720	(64,892)
Other administrative expenses	291,765	328,557	(36,792)
Reimbursable depreciation	---	32,082	(32,082)
Total operating expenses	<u>12,639,412</u>	<u>13,404,914</u>	<u>(765,502)</u>
Operating income (loss)	<u>(5,334,668)</u>	<u>(5,085,214)</u>	<u>249,454</u>
Non-operating revenues (expenses)			
Government operating assistance			
Federal	1,950,604	1,627,424	(323,180)
Massachusetts	2,493,472	2,492,638	(834)
Member communities	861,492	861,492	---
Advertising income	25,000	47,754	22,754
Rental income	38,100	38,119	19
Other income	24,000	57,949	33,949
Interest income	3,000	3,277	277
Interest expense	(61,000)	(22,445)	38,555
Total non-operating revenues (expenses)	<u>5,334,668</u>	<u>5,106,208</u>	<u>(228,460)</u>
Income (loss) before capital contributions and other items	<u>\$ ---</u>	20,994	<u>\$ 20,994</u>
Capital contributions		1,299,413	
Nonreimbursable depreciation		<u>(1,398,023)</u>	
CHANGE IN NET POSITION		(77,616)	
Net position, beginning as restated (see Note 11)		<u>16,000,287</u>	
NET POSITION, ENDING		<u>\$ 15,922,671</u>	

See notes to financial statements.

BERKSHIRE REGIONAL TRANSIT AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
For the Year Ended June 30, 2014

	Budget	Actual	Variance Favorable (Unfavorable)
Operating revenues			
Fixed route income	\$ 782,779	\$ 769,130	\$ (13,649)
Demand response income	128,500	132,884	4,384
Brokerage service income	5,716,976	6,064,053	347,077
Total operating revenues	<u>6,628,255</u>	<u>6,966,067</u>	<u>337,812</u>
Operating expenses			
Fixed route service	4,677,524	4,486,017	191,507
Demand response service	703,888	776,656	(72,768)
Brokerage service	5,716,976	5,959,760	(242,784)
Administrative salaries, taxes and fringe benefits	299,180	407,984	(108,804)
Other administrative expenses	337,300	361,170	(23,870)
Reimbursable depreciation	---	27,626	(27,626)
Total operating expenses	<u>11,734,868</u>	<u>12,019,213</u>	<u>(284,345)</u>
Operating income (loss)	<u>(5,106,613)</u>	<u>(5,053,146)</u>	<u>53,467</u>
Non-operating revenues (expenses)			
Government operating assistance			
Federal	2,133,070	1,987,665	(145,405)
Massachusetts	2,084,863	2,109,152	24,289
Member communities	840,480	840,480	---
Advertising income	38,000	47,170	9,170
Rental income	38,100	38,119	19
Other income	29,600	54,511	24,911
Interest income	3,500	3,689	189
Interest expense	(61,000)	(23,640)	37,360
Total non-operating revenues (expenses)	<u>5,106,613</u>	<u>5,057,146</u>	<u>(49,467)</u>
Income (loss) before capital contributions and other items	<u>\$ ---</u>	4,000	<u>\$ 4,000</u>
Capital contributions		2,824,005	
Nonreimbursable depreciation		(1,244,167)	
State forward funding of prior years deficits		<u>274,520</u>	
CHANGE IN NET POSITION		1,858,358	
Net position, beginning		14,660,623	
Prior period adjustment (see Note 11)		<u>(518,694)</u>	
NET POSITION, ENDING AS RESTATED		<u>\$ 16,000,287</u>	

See notes to financial statements.

BERKSHIRE REGIONAL TRANSIT AUTHORITY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30,

	2015	2014
Cash flows from operating activities:		
Receipts from customers	\$ 11,896,351	\$ 6,775,428
Payments for goods and services	(15,703,674)	(11,164,048)
Payments to employees	(663,361)	(629,988)
Net cash provided (used) by operating activities	(4,470,684)	(5,018,608)
Cash flows from noncapital financing activities:		
Receipts of operating grants	4,981,554	6,419,096
Receipt of forward funding grant for prior years deficits	---	274,520
Proceeds from issuing revenue anticipation notes	4,700,000	5,200,000
Repayments of revenue anticipation notes	(5,200,000)	(6,100,000)
Interest paid	(25,441)	(31,117)
Net cash provided (used) by noncapital financing activities	4,456,113	5,762,499
Cash flows from capital and related financing activities:		
Receipts of capital grants	1,299,413	2,824,005
Payments for capital acquisitions	(1,307,391)	(2,856,976)
Net cash provided (used) by capital and related financing activities	(7,978)	(32,971)
Cash flows from investing activities:		
Interest on savings	3,277	3,689
Net cash provided (used) by investing activities	3,277	3,689
NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS	(19,272)	714,609
Cash and equivalents, beginning	1,314,039	599,430
CASH AND EQUIVALENTS, ENDING	\$ 1,294,767	\$ 1,314,039
Reconciliation of operating income to net cash provided (used) by operating activities:		
OPERATING LOSS	\$ (5,085,214)	\$ (5,053,146)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:		
Reimbursable depreciation	32,082	27,626
Advertising income	47,754	47,170
Rental income	38,119	38,119
Other income	57,949	54,511
Change in assets and liabilities:		
(Increase) decrease in receivables	530,373	505,304
(Increase) decrease in prepaid expenses	(348,114)	---
Increase (decrease) in accounts payable	15,432	(686,669)
Increase (decrease) in accrued payroll and related liabilities	(16,108)	2,576
Increase (decrease) in unearned revenue	273,937	45,901
Increase (decrease) in net pension liability	(16,894)	---
Net cash provided (used) by operating activities	\$ (4,470,684)	\$ (5,018,608)

See notes to financial statements.

BERKSHIRE REGIONAL TRANSIT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Berkshire Regional 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 of Pittsfield and North Adams and the towns of Adams, Alford, Becket, Cheshire, Clarksburg, Dalton, Egremont, Florida, Great Barrington, Hinsdale, Lanesborough, Lee, Lenox, Monterey, Mt. Washington, Otis, Richmond, Sheffield, Stockbridge, Washington, Williamstown and Windsor. 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 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.

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.

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.

NOTE 1 - (Continued)*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, 2015, the Authority's reserve balance was \$168,097.

Unrestricted

All amounts not included in other spendable 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.

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 earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable.

Property and Equipment

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

NOTE 1 - (Continued)**Allocation of Indirect Costs**

An indirect cost allocation plan established under Office of Management and Budget Circular A-87 is utilized in which all costs that are not chargeable directly to a program are allocated to each program on the basis of either salaries or operating expenses charged directly to each program.

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 24, 2015, the date which the financial statements were available to be issued.

Concentration of Source of Supply of Labor

The Authority signed a contract effective July 1, 2011 for its fixed route transportation services with Berkshire Transit Management (BTM), a division of First Transit, Inc. The contract has been extended for two one-year periods, expiring on June 30, 2016.

Approximately, seventy-two percent (72%) of BTM employees are members of the International Brotherhood of Teamsters, Local 404 (the Union). BTM's labor agreement with the Union is effective through June 30, 2018.

Advertising Costs

Advertising costs are expensed as incurred. The amounts for each year were not material to the financial statements.

Comparative Data

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

NOTE 2 - DEPOSITS AND INVESTMENTS

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

Custodial Credit Risk Related to Deposits

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 and DIF insurance. Insured bank deposits as of June 30, 2015, were \$1,611,278. Uninsured bank deposits as of June 30, 2015, were \$-0-.

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

	<u>2015</u>	<u>2014</u>
Federal		
Operating assistance	\$ 1,554,724	\$ 2,224,807
Capital assistance	<u>96,678</u>	<u>30,961</u>
Total federal	<u>1,651,402</u>	<u>2,255,768</u>
Massachusetts		
Capital assistance	146,261	12,284
Brokerage services	<u>1,124,280</u>	<u>1,258,890</u>
Total Massachusetts	<u>1,270,541</u>	<u>1,271,174</u>
Member communities		
Operating assistance for current year expenditures	861,492	840,480
Operating assistance for prior year expenditures	<u>183,634</u>	<u>161,468</u>
Total member communities	<u>1,045,126</u>	<u>1,001,948</u>
Other receivables	<u>232,112</u>	<u>200,664</u>
Total receivables	<u>\$ 4,199,181</u>	<u>\$ 4,729,554</u>

The Federal government, under 49 USC sections 5307, 5311 and other sections, provides for assistance of up to 50% of the Authority's operating deficit. In addition, under 49 USC sections 5307, 5309 and 5310, the Federal government may provide 80% to 100% of the cost of capital equipment.

Massachusetts general laws require the operating assistance assessed upon member communities be at least 25% of net cost of service including new services. The local assessment can be increased by a maximum of 2.5% over 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 - WORKING CAPITAL HELD BY FIXED ROUTE OPERATOR

Berkshire Transit Management, Inc. (BTM) is the fixed route operator for the Authority. The assets and liabilities held by BTM are owned by the Authority and consist mainly of cash, inventory, prepaid expenses, and accounts payable and accrued wages. The value of these assets less liabilities held by BTM as of June 30, 2015 and 2014 was \$737,816 and are reported as working capital held by the fixed route operator in the Authority's financial statements.

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

	2015			
	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 61,628	\$ ---	\$ ---	\$ 61,628
Construction in process	194,021	374,362	(556,295)	12,088
Total capital assets, not being depreciated	255,649	374,362	(556,295)	73,716
Capital assets, being depreciated:				
Buildings	14,102,436	664,962	---	14,767,398
Revenue equipment	9,409,979	610,461	(454,926)	9,565,514
Office equipment and furniture	183,414	7,922	---	191,336
Service vehicles	197,278	205,979	---	403,257
Total capital assets, being depreciated	23,893,107	1,489,324	(454,926)	24,927,505
Less accumulated depreciation for:				
Buildings	4,756,988	367,327	---	5,124,315
Revenue equipment	3,315,054	1,035,624	(454,926)	3,895,752
Office equipment and furniture	154,088	16,411	---	170,499
Service vehicles	176,927	10,743	---	187,670
Total accumulated depreciation	8,403,057	1,430,105	(454,926)	9,378,236
Total capital assets, being depreciated, net	15,490,050	59,219	---	15,549,269
Capital assets, net	\$ 15,745,699	\$ 433,581	\$ (556,295)	\$ 15,622,985

NOTE 5 - (Continued)

	2014			
	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 61,628	\$ ---	\$ ---	\$ 61,628
Construction in process	---	194,021	---	194,021
Total capital assets, not being depreciated	61,628	194,021	---	255,649
Capital assets, being depreciated:				
Buildings	13,858,673	246,640	(2,877)	14,102,436
Revenue equipment	7,069,419	2,416,315	(75,755)	9,409,979
Office equipment and furniture	183,414	---	---	183,414
Service vehicles	221,519	---	(24,241)	197,278
Total capital assets, being depreciated	21,333,025	2,662,955	(102,873)	23,893,107
Less accumulated depreciation for:				
Buildings	4,401,155	358,710	(2,877)	4,756,988
Revenue equipment	2,503,133	887,676	(75,755)	3,315,054
Office equipment and furniture	136,081	18,007	---	154,088
Service vehicles	193,768	7,400	(24,241)	176,927
Total accumulated depreciation	7,234,137	1,271,793	(102,873)	8,403,057
Total capital assets, being depreciated, net	14,098,888	1,391,162	---	15,490,050
Capital assets, net	\$ 14,160,516	\$ 1,585,183	\$ ---	\$ 15,745,699

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

	2015	2014
1.00% Revenue anticipation note due September 25, 2015	\$ 4,700,000	
1.00% Revenue anticipation note due September 26, 2014		\$ 5,200,000
Total	\$ 4,700,000	\$ 5,200,000

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 7 - NET POSITION CONSISTED OF THE FOLLOWING AT JUNE 30:

	2015				
	Invested in capital assets, net of debt	Restricted Reserve	Restricted Working Capital	Unrestricted	Total
Net income (loss)				\$ 20,994	\$ 20,994
Reimbursable depreciation	\$ (32,082)			32,082	---
Nonreimbursable depreciation	(1,398,023)				(1,398,023)
Additions					
Capital contributions	1,299,413				1,299,413
Decrease in debt for current year capital activity	32,082			(32,082)	---
Increase in reserve for					
Extraordinary expenses		\$ 4,100		(4,100)	---
Increase (decrease) in net position	(98,610)	4,100	---	16,894	(77,616)
Net position, beginning as restated (see Note 11)	15,617,168	163,997	737,816	(518,694)	16,000,287
Net position, ending	<u>\$ 15,518,558</u>	<u>\$ 168,097</u>	<u>\$ 737,816</u>	<u>\$ (501,800)</u>	<u>\$15,922,671</u>

	2014				
	Invested in capital assets, net of debt	Restricted Reserve	Restricted Working Capital	Unrestricted	Total
Net income (loss)				\$ 4,000	\$ 4,000
Reimbursable depreciation	\$ (27,626)			27,626	---
Nonreimbursable depreciation	(1,244,167)				(1,244,167)
Additions					
Capital contributions	2,824,005				2,824,005
Other	32,971			(32,971)	---
Increase in debt for current year capital activity	(5,345)			5,345	---
State forward funding of prior years deficits				274,520	274,520
Increase in reserve for					
Extraordinary expenses		\$ 4,000		(4,000)	---
Increase (decrease) in net position	1,579,838	4,000	---	274,520	1,858,358
Net position, beginning	14,037,330	159,997	737,816	(274,520)	14,660,623
Prior period adjustment (see Note 11)	---	---	---	(518,694)	(518,694)
Net position, ending as restated	<u>\$ 15,617,168</u>	<u>\$ 163,997</u>	<u>\$ 737,816</u>	<u>\$ (518,694)</u>	<u>\$16,000,287</u>

During fiscal year 2014 the Massachusetts Department of Transportation awarded state operating assistance for forward funding in the amount of \$293,767. Of this amount, \$274,520 was applied to the Authority's prior years' unfunded deficits and \$19,247 was used to repay a portion of interest expense on the Authority's revenue anticipation note due September 26, 2014.

NOTE 8 - TRANSPORTATION CONTRACTS CONSISTED OF THE FOLLOWING AT JUNE 30, 2015:

- A. Fixed route service was provided by Berkshire Transit Management, Inc. to the communities of Adams, Cheshire, Dalton, Great Barrington, Hinsdale, Lanesborough, Lee, Lenox, North Adams, Pittsfield, Stockbridge, and Williamstown. Payments are based upon reimbursement for actual costs incurred plus a fixed management fee of \$209,887.
- B. Taxi companies provide door-to-door transportation service for the elderly and disabled in the Authority's member communities. The Authority sells taxi tickets at a twenty percent discount from the face value to various agencies, which distribute them to residents of member communities. Payments under these contracts are based upon the face value of tickets returned by the taxi operators.
- C. One cabulance or "chaircar" company provides door-to-door service to approved persons. Customers purchase tickets from the Authority or other approved agencies at a subsidized cost. The tickets are submitted to the Authority for payment at a rate of \$24 per trip for a single rider and \$12 per person for two or more riders.
- D. The Americans with Disabilities Act mandates that paratransit service be made available to approved persons unable to access the fixed route buses at a cost not to exceed twice the maximum fare on the fixed route system. This is a curb-to-curb service utilizing a chaircar company with which the Authority contracts. Payments to the provider are a negotiated fare for the chaircar company. User cost is between \$2.50 and \$9.00 based upon trip origin and destination.
- E. Council on Aging (COA) organizations and other private transportation agencies provide paratransit service to qualified persons with disabilities.
- F. Taxi companies and chaircar/ambulatory van companies provide transportation for Department of Medical Assistance (DMA), Department of Developmental Services (DDS), Department of Public Health (DPH), Massachusetts Rehabilitation Commission (MRC), Department of Mental Health (DMH), and Massachusetts Commission for the Blind (MCB) eligible recipients. These provider companies submit invoices to the Authority for payment at fees established by agreement with the Authority. The Authority is reimbursed for the provider service costs. In addition, the Department of Human Service Transportation (HST) paid the Authority a fixed management fee of \$331,743 during fiscal year 2015 for providing these services.

NOTE 9 - DEFERRED COMPENSATION PLAN

The Authority is a member of the Commonwealth of Massachusetts Deferred Compensation Program. The Authority offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457 (Deferred Compensation Plans with Respect To Service For State and Local Governments). The plan is administered by Great-West Retirement Services. Under the plan, employees may elect to defer a portion of their salaries and postpone paying taxes on the deferred portion until the withdrawal date. The deferred compensation amount is not available for withdrawal by employees until termination, retirement, death, or unforeseeable emergency. All amounts of compensation deferred, all property and rights purchased, and all income, property, or rights are (until paid or made available to the employee or other beneficiary) held in trust for the exclusive benefit of the participants and their beneficiaries.

As part of its fiduciary role, the Authority has an obligation of due care in selecting the third party administrator. In the opinion of the Authority's management, the Authority has acted in a prudent manner and is not liable for losses that may arise from the administration of the plan.

NOTE 10 - DEFINED BENEFIT PENSION PLAN

Plan

The Authority provides retirement benefits to employees through the Berkshire Regional Transit Authority Pension Plan (the Plan), a single-employer pension plan. This is a defined benefit pension plan which covers all eligible employees of the Authority. Employees, who are at least 21 years old, are eligible to enter the plan on the first day of the plan year. Members of the Plan become 100% vested immediately upon entering the plan. The Plan issues a publicly available report that includes financial reports and required supplementary information for the plan. The Plan's report can be obtained by writing to Berkshire Regional Transit Authority, One Columbus Avenue, Pittsfield, Massachusetts 01201 or by calling (413) 499-2782.

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

Accounting Policy

For the purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the 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

At June 30, 2015, the following employees were covered by the benefit terms:

Active employees	12
Inactive employees entitled but not yet receiving benefits	---
Inactive employees (or beneficiaries)	---
Total	<u>12</u>

Benefits Provided

The Plan provides both retirement and death benefits. Retirement benefits are calculated at 2.5% of a member's average monthly compensation times the number of years of service to a maximum of 40 years. Benefit payments are based upon a member's age, length of creditable service and level of compensation. Normal retirement is attained at age 65 with at least 5 years participation. A retirement allowance may be received early if the participant has reached age 55 and completed five years of service.

Contributions

Each year, the Authority makes 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 meet benefit obligations when due. For the fiscal year ending June 30, 2015, the Authority's average contribution rate was 13.65% of annual payroll.

NOTE 10 - (Continued)**Actuarial Assumptions**

The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50% as of June 30, 2015 and for future periods
Salary increases	2.00% of annual compensation including inflation
Investment rate of return	5.00%, net of pension plan investment expense, including inflation
Pre- and post-retirement mortality	Mortality rates were based upon the 2015 IRC 430(h)(3)(A)
Employee termination	None assumed
Retirement age	Age 65 or normal retirement date, if later
Pre-retirement death benefit	Calculated using aforementioned mortality, interest and termination assumptions and on the assumption that 100% of plan members have spouses
Expenses	Investment return is assumed to be net of plan expenses paid from the trust fund

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Fixed income	100.00%	2.50%

Discount rate

The discount rate used to measure the total pension liability was 5.00%. The projection of cash flows used to determine the discount rate assumed that 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 10 - (Continued)**Change in net pension liability**

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2014	\$ 784,979	\$ 345,393	\$ 439,586
Changes for the year:			
Service cost	87,751		87,751
Interest	48,941		48,941
Changes in benefit terms	---		---
Differences between actual and expected experience	(83,295)		(83,295)
Contributions - employer		60,070	(60,070)
Contributions - employee		---	---
Net investment income		9,280	(9,280)
Benefit payments, including refunds of member contributions	(212,166)	(212,166)	---
Administrative expense		(2,593)	2,593
Net changes	(158,769)	(145,409)	(13,360)
Balances at June 30, 2015	\$ 626,210	\$ 199,984	\$ 426,226

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 5.00%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (4.00%) or 1 percentage point higher (6.00%) than the current rate:

	1% Decrease (4.00%)	Current Discount (5.00%)	1% Increase (6.00%)
Plan net pension liability as of June 30, 2015	\$ 538,295	\$ 426,226	\$ 334,105

Payable to Pension Plan

At June 30, 2015, the Authority reported a payable of \$-0- for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2015.

NOTE 10 - (Continued)**Pension Expense and Deferred Inflows and Outflows of Resources**

For the year ended June 30, 2015, the Transit Authority recognized pension expense of \$245,701. At June 30, 2015, the Transit Authority reported deferred outflows and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ ---	\$ 78,924
Changes in assumptions	---	---
Net difference between projected and actual earnings on pension plan investments	<u>3,350</u>	<u>---</u>
Total	<u>\$ 3,350</u>	<u>\$ 78,924</u>

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

Year ended June 30:

2016	\$ (3,534)
2017	(3,534)
2018	(3,534)
2019	(3,534)
2020	(4,369)
Thereafter	(57,069)

NOTE 11 - CHANGE IN ACCOUNTING PRINCIPLE

Net position as of June 30, 2014, has been restated as follows for the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*.

Net position as previously reported at June 30, 2014	\$ 16,518,981
Prior period adjustment Reporting for pensions (measurement date as of June 30, 2015)	<u>(518,694)</u>
Net position as restated, June 30, 2014	<u>\$ 16,000,287</u>

NOTE 12 - OTHER ADMINISTRATIVE EXPENSES CONSISTED OF THE FOLLOWING FOR THE YEARS ENDED JUNE 30:

	2015			2014
	Budget	Actual	Variance Favorable (Unfavorable)	Actual
Professional and technical services	\$ 152,934	\$ 121,339	\$ 31,595	\$ 150,830
Travel and meetings	10,318	8,339	1,979	20,171
Office supplies	6,254	19,446	(13,192)	14,636
Utilities	67,540	111,988	(44,448)	90,050
Building repairs and maintenance	34,395	45,539	(11,144)	39,099
Advertising, printing and other administrative expenses	20,324	21,906	(1,582)	46,384
Total	<u>\$ 291,765</u>	<u>\$ 328,557</u>	<u>\$ (36,792)</u>	<u>\$ 361,170</u>

NOTE 13 - COMMITMENTS AND CONTINGENT LIABILITIES

Fiscal year 2016 budget

For the fiscal year 2016, the Authority has approved an operating budget of \$12,752,813, which excludes depreciation. 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 expenditures 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.

BERKSHIRE REGIONAL TRANSIT AUTHORITY

SCHEDULE OF CHANGE IN NET PENSION LIABILITY AND RELATED RATIOS

Required Supplementary Information

June 30, 2015

	BRTA Pension Plan (see also Note 10)
Total pension liability	
Service cost	\$ 87,751
Interest	48,941
Changes of benefit terms	---
Differences between expected and actual experience	(83,295)
Changes of assumptions	---
Benefit payment, including refunds of employee contributions	(212,166)
Net change in total pension liability	(158,769)
Total pension liability, beginning	784,979
Total pension liability, ending (a)	\$ 626,210
 Plan fiduciary net position	
Contributions - employer	\$ 60,070
Contributions - employee	---
Net investment income	9,280
Benefit payments, including refunds of employee contributions	(212,166)
Administrative expense	(2,593)
Net change in plan fiduciary net position	(145,409)
Plan fiduciary net position, beginning	345,393
Plan fiduciary net position, ending (b)	\$ 199,984
 Net pension liability (a) - (b)	\$ 426,226
 Plan fiduciary net position as a percentage of the total pension liability	 31.94%
Covered employee payroll	\$ 442,959
Net pension liability as a percentage of covered employee payroll	 96.22%

See independent auditors' report

BERKSHIRE REGIONAL TRANSIT AUTHORITY

SCHEDULE OF PENSION CONTRIBUTIONS

Required Supplementary Information

June 30, 2015

	<u>BRTA Pension Plan</u> <u>(see also Note 10)</u>
Actuarially determined contribution	\$ 126,859
Contributions in relation to the actuarially determined contribution	<u>60,070</u>
Contribution deficiency (excess)	<u>\$ 66,789</u>
Covered employee payroll	\$ 442,959
Contribution as a percentage of covered employee payroll	13.56%

Notes to Schedules for BRTA Pension Plan

Valuation date:

Actuarially determined contribution rates are calculated as of June 30, 2015.

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:	2.50% as of June 30, 2015 and for future periods
Salary increases:	2.00% annually as of June 30, 2015 and for future periods
Investment rate of return:	5.00%, net of pension plan investment expense, including inflation

See independent auditors' report

BERKSHIRE REGIONAL TRANSIT AUTHORITY

**Computation of Operating Assistance
from the Federal Transit Administration
Under 49 USC Sections 5307, 5311, 5316 and 5317
For Years Ended June 30,**

	<u>2015</u>	<u>2014</u>
Total operating expenses	\$ 13,404,914	\$ 12,019,213
Eliminate GASB 68 reduction to pension expense	16,894	---
Interest expense	<u>22,445</u>	<u>23,640</u>
Total eligible expenses	13,444,253	12,042,853
Revenues applied to eligible expenses:		
Fixed route income	806,200	769,130
Demand response income	146,809	132,884
Brokerage service income	7,366,691	6,064,053
Other federal assistance	72,700	14,571
Advertising income	47,754	47,170
Rental income	38,119	38,119
Other income	57,949	54,511
Interest income	<u>3,277</u>	<u>3,689</u>
Total revenues applied to eligible expenses	<u>8,539,499</u>	<u>7,124,127</u>
Net operating expenses eligible under Sections 5307, 5311, 5316 and 5317	4,904,754	4,918,726
Federal participation in eligible expenses	<u>x 50%</u>	<u>x 50%</u>
Maximum federal operating assistance allowed	<u>\$ 2,452,377</u>	<u>\$ 2,459,363</u>
Sections 5307, 5311, 5316 and 5317 operating assistance sought (amount of maximum funding above or less)	<u>\$ 1,554,724</u>	<u>\$ 1,973,094</u>

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

BERKSHIRE REGIONAL TRANSIT AUTHORITY

STATEMENT OF NET COST OF SERVICE

For the Year Ended June 30,

	Total Service Area 2015	Total Service Area 2014
Operating costs		
Administrative costs	\$ 767,359	\$ 796,780
Purchased services		
Fixed route service	4,723,047	4,486,017
Demand response service	754,679	776,656
Brokerage service	7,159,829	5,959,760
Debt service	22,445	23,640
Eliminate GASB 68 reduction to pension expense	16,894	---
Total operating costs	<u>13,444,253</u>	<u>12,042,853</u>
Operating assistance and revenues		
Federal operating and administrative assistance	<u>1,627,424</u>	<u>1,987,665</u>
Revenues		
Local revenues		
Fixed route income	806,200	769,130
Demand response income	146,809	132,884
Brokerage service income	7,366,691	6,064,053
Advertising income	47,754	47,170
Rental income	38,119	38,119
Other income	57,949	54,511
Interest income	3,277	3,689
Total local revenues	<u>8,466,799</u>	<u>7,109,556</u>
Total operating assistance and revenues	<u>10,094,223</u>	<u>9,097,221</u>
Net operating deficit	3,350,030	2,945,632
Increase in reserve for extraordinary expenses	4,100	4,000
Net cost of service	<u>3,354,130</u>	<u>2,949,632</u>
Net cost of service funding		
Local assessments	861,492	840,480
State contract assistance	2,492,638	2,109,152
Total funding	<u>3,354,130</u>	<u>2,949,632</u>
Unreimbursed deficit	---	---
State forward funding of prior years deficits	---	274,520
Accumulated unreimbursed deficit, beginning	---	(274,520)
Accumulated unreimbursed deficit, ending	<u>\$ ---</u>	<u>\$ ---</u>

The following nonreimbursable items are not included in the eligible expenses above:

Depreciation taken on property and equipment purchased with capital grant funding

GASB 68 adjustment for the change in the Authority's net pension liability

See independent auditors' report.



Adelson & Company PC

CERTIFIED PUBLIC ACCOUNTANTS

Established 1938

Richard F. LaFleche, CPA
 Vincent T. Viscuso, CPA
 Gary J. Moynihan, CPA
 Carol Leibinger-Healey, CPA
 David M. Irwin, Jr., CPA

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
BERKSHIRE REGIONAL TRANSIT AUTHORITY
 One Columbus Avenue, Suite 201
 Pittsfield, MA 01201

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 Berkshire Regional Transit Authority, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Berkshire Regional Transit Authority's basic financial statements, and have issued our report thereon dated September 24, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Berkshire Regional 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 Berkshire Regional Transit Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of Berkshire Regional Transit Authority's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Berkshire Regional 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 24, 2015

