

**BERKSHIRE REGIONAL TRANSIT AUTHORITY**

**Financial Statements and  
Supplementary Information  
June 30, 2016 and 2015**

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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  
**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 the Berkshire Regional Transit Authority, a component unit of the Massachusetts Department of Transportation, as of and for the years ended June 30, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the 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 the Berkshire Regional Transit Authority as of June 30, 2016 and 2015, 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.

## ***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, schedule of changes in net pension liability and related ratios on page 21, and the schedule of pension contributions on page 22, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Berkshire Regional Transit Authority's basic financial statements. The Supplementary information on pages 23 and 24 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 13, 2016, on our consideration of the 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 the Berkshire Regional Transit Authority's internal control over financial reporting and compliance.

*Adelson & Company PC*

ADELSON & COMPANY PC  
Pittsfield, MA

September 13, 2016



Adelson & Company PC  
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## **BERKSHIRE REGIONAL TRANSIT AUTHORITY**

### **Management's Discussion and Analysis**

#### **For the Fiscal Year Ended June 30, 2016**

The Berkshire Regional Transit Authority's (the Authority) management discussion and analysis for the fiscal year ended June 30, 2016 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, 2016 by \$15,077,221.
- The Authority's total net position had a net decrease of \$(845,450) from fiscal year 2015, mainly due to contributed capital assets of \$1,357,425, current year non-reimbursable depreciation on capital assets of \$(1,934,440), an increase in the Authority's reserve of \$4,202 as allowed under M.G.L. 161B Section 6(q), an increase in the Authority's net pension liability of \$(61,035) and a loss on disposal of capital assets of \$(211,602).
- Operating revenues increased \$353,148 or 4.2% from fiscal year 2015.
- Operating expenses increased \$882,387 or 6.6% from fiscal year 2015.
- The Authority expended \$1,357,425 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.

#### **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 25 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.

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 are 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.

# BERKSHIRE REGIONAL TRANSIT AUTHORITY

## Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2016

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>6/30/2016</u>	<u>6/30/2015</u>
Total current assets	\$ 6,439,483	\$ 6,579,878
Property and equipment, net	<u>14,775,356</u>	<u>15,622,985</u>
Total assets	<u>21,214,839</u>	<u>22,202,863</u>
Accounts payable and other accrued liabilities	1,274,783	1,078,392
Notes payable	4,300,000	4,700,000
Net pension liability	521,149	426,226
Deferred inflows of resources related to pensions	<u>41,686</u>	<u>75,574</u>
Total liabilities and deferred inflows of resources	<u>6,137,618</u>	<u>6,280,192</u>
Investment in capital assets, net of related debt	14,729,941	15,518,558
Restricted		
Reserve	172,299	168,097
Working capital held by fixed route operator	737,816	737,816
Unrestricted	<u>(562,835)</u>	<u>(501,800)</u>
Total net position	<u>\$ 15,077,221</u>	<u>\$ 15,922,671</u>

### *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>6/30/2016</u>	<u>6/30/2015</u>
Restricted net position		
Accumulated reserve established under Massachusetts General Laws for extraordinary expenses	\$ 172,299	\$ 168,097
Working capital held by Berkshire Transit Management, Inc. for operation of the fixed route	<u>737,816</u>	<u>737,816</u>
Total	<u>\$ 910,115</u>	<u>\$ 905,913</u>

# BERKSHIRE REGIONAL TRANSIT AUTHORITY

## Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2016

### *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 (loss)	\$ (56,833)
Increase in reserve for extraordinary expenses	(4,202)
Change in unrestricted net position	(61,035)
Unrestricted net position, beginning	(501,800)
Unrestricted net position, ending	<u>\$ (562,835)</u>

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

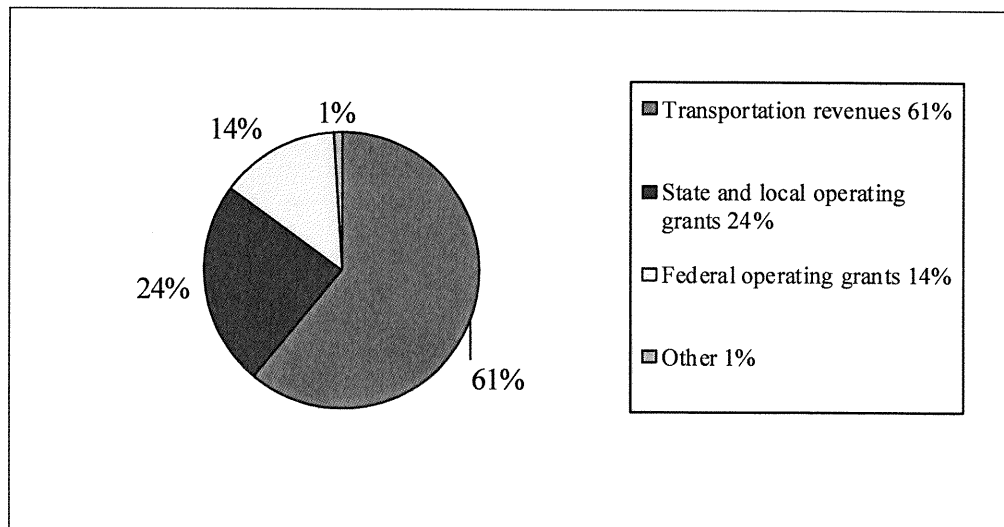
	<u>6/30/2016</u>	<u>6/30/2015</u>	<u>Change</u>
Total operating revenues	\$ 8,672,848	\$ 8,319,700	\$ 353,148
Total operating expenses	<u>14,287,301</u>	<u>13,404,914</u>	<u>882,387</u>
Operating income (loss)	(5,614,453)	(5,085,214)	(529,239)
Total non-operating revenues (expenses)	<u>5,557,620</u>	<u>5,106,208</u>	<u>451,412</u>
Income (loss) before capital contributions and other items	(56,833)	20,994	(77,827)
Capital contributions	1,357,425	1,299,413	58,012
Nonreimbursable depreciation	(1,934,440)	(1,398,023)	(536,417)
Loss on disposal of asset	<u>(211,602)</u>	<u>---</u>	<u>(211,602)</u>
Change in net position	(845,450)	(77,616)	(767,834)
Net position, beginning	<u>15,922,671</u>	<u>16,000,287</u>	<u>(77,616)</u>
Net position, ending	<u>\$ 15,077,221</u>	<u>\$ 15,922,671</u>	<u>\$ (845,450)</u>

Operating revenues increased \$353,148 or 4.2% from the prior year. This net increase is attributable to a decrease in fixed route income of \$(18,787) due to a decrease in funding for the Friday night shuttle; an increase of \$4,080 in demand response income; and an increase of \$367,855 in brokerage service income mainly due to an increase in brokerage administrative fees and an increase in trip volume.

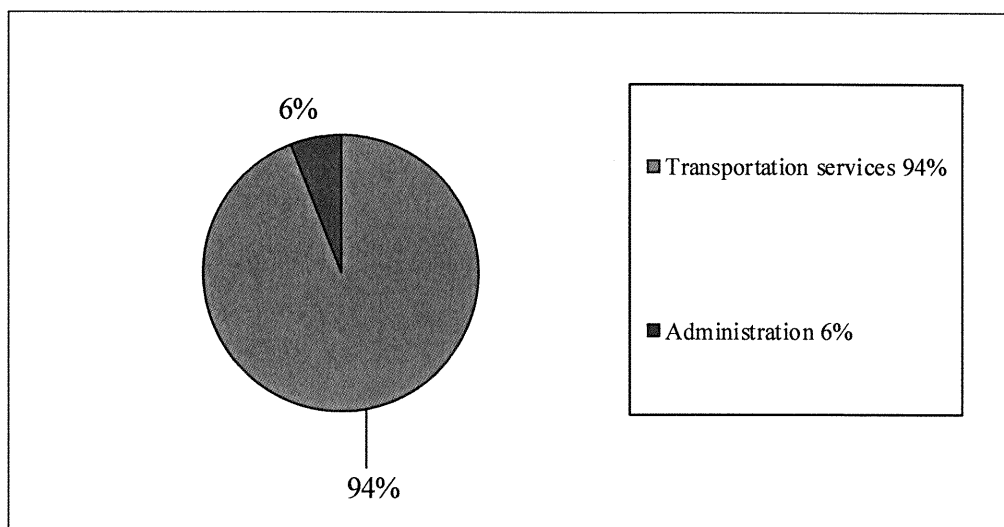
Operating expenses increased \$882,387 or 6.6% from the prior year. This is attributable to an increase in fixed route service expenses of \$216,447 mainly due to increase in operating contract and management fees. An increase in demand response service of \$148,830 mainly due to software and small equipment purchased to increase efficiency. Funding for these software and small equipment purchases were received through capital grants. An increase in brokerage service expenses of \$629,963 mainly due to increased brokerage fees as the result of increased activity, and purchases of software and small equipment, to increase efficiencies. Funding for the software and small equipment purchases were received through capital grants.

**BERKSHIRE REGIONAL TRANSIT AUTHORITY****Management's Discussion and Analysis****For the Fiscal Year Ended June 30, 2016**

Total Operating and Non-operating  
Revenues of \$14,265,756 by Source



Total Operating and Non-operating  
Expenses of \$14,322,589 by Source



# BERKSHIRE REGIONAL TRANSIT AUTHORITY

## Management's Discussion and Analysis

### For the Fiscal Year Ended June 30, 2016

**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 was under budget by \$549,626 and brokerage service expenses were under budget by \$494,380 because projected trip volume was not reached.
- Fixed route service income was under budget by \$54,103 mainly due to a ridership decline in the last quarter as well as an increase in Charlie Card stored value.
- Administrative salaries, taxes and fringe benefits were over budget by \$85,611 due to the actuarially determined increase in the Authority's net pension liability of \$61,035, which is a non-reimbursable cost at this time.

### Capital Asset and Debt Administration

#### *Capital assets*

The Authority's net decrease in capital assets during the year ending June 30, 2016 was \$(847,629). The Authority primarily acquires its capital assets under federal and state capital grants. The details on capital assets totaling \$14,775,356, 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	\$ 163,638
Revenue vehicles	1,083,872
Office equipment and furniture	86,215
Service vehicle	23,700
Total purchases	<u>1,357,425</u>
Disposal of assets	(223,690)
Current year depreciation	<u>(1,981,364)</u>
Net decrease in capital assets	\$ <u>(847,629)</u>

#### *Revenue Anticipation Notes*

At the end of fiscal year 2016, the Authority had a revenue anticipation note payable of \$4,300,000 maturing on September 23, 2016 at a rate of 1.50%. This note provides cash flow until federal and state appropriations are received.



**BERKSHIRE REGIONAL TRANSIT AUTHORITY****Management's Discussion and Analysis****For the Fiscal Year Ended June 30, 2016****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.

**Travel Training**

In Fiscal 2016 the authority began promoting our travel training program to assist residents of Berkshire County to increase public transportation awareness and usage.

**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 improves 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.

**Phone, Computer Software**

In Fiscal 2016 the authority updated its phone system and computer hardware and software to increase the efficiency between brokerage, paratransit, VTCLI and fixed route operations.

**Economic Factors and Next Year's Budget**

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

Beginning July 2016 the authority has one vendor for Fixed Route and Paratransit operations and maintenance. By combining contracts, the authority anticipates a reduced cost of service through efficiency.

**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,

	2016	2015
ASSETS		
Current assets		
Cash and equivalents	\$ 633,304	\$ 1,294,767
Receivables, net	4,769,089	4,199,181
Prepaid expenses	299,274	348,114
Working capital held by fixed route operator	737,816	737,816
Total current assets	6,439,483	6,579,878
Property and equipment, net	14,775,356	15,622,985
TOTAL ASSETS	21,214,839	22,202,863
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES		
Accounts payable	862,108	660,514
Accrued payroll and related liabilities	14,816	15,868
Unearned revenue	341,393	366,857
Accrued interest	56,466	35,153
Notes payable	4,300,000	4,700,000
Net pension liability	521,149	426,226
Total liabilities	6,095,932	6,204,618
Deferred inflows of resources		
Deferred inflows related to pensions	41,686	75,574
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	6,137,618	6,280,192
NET POSITION		
Invested in capital assets, net of related debt	14,729,941	15,518,558
Restricted		
Reserve	172,299	168,097
Working capital held by fixed route operator	737,816	737,816
Unrestricted	(562,835)	(501,800)
TOTAL NET POSITION	\$ 15,077,221	\$ 15,922,671

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, 2016**

	Budget	Actual	Variance Favorable (Unfavorable)
Operating revenues			
Fixed route income	\$ 841,516	\$ 787,413	\$ (54,103)
Demand response income	140,479	150,889	10,410
Brokerage service income	8,284,172	7,734,546	(549,626)
Total operating revenues	<u>9,266,167</u>	<u>8,672,848</u>	<u>(593,319)</u>
Operating expenses			
Fixed route service	4,963,085	4,939,494	23,591
Demand response service	902,819	903,509	(690)
Brokerage service	8,284,172	7,789,792	494,380
Administrative salaries, taxes and fringe benefits	298,948	384,559	(85,611)
Other administrative expenses	181,089	223,023	(41,934)
Reimbursable depreciation	---	46,924	(46,924)
Total operating expenses	<u>14,630,113</u>	<u>14,287,301</u>	<u>342,812</u>
Operating income (loss)	<u>(5,363,946)</u>	<u>(5,614,453)</u>	<u>(250,507)</u>
Non-operating revenues (expenses)			
Government operating assistance			
Federal	1,751,801	1,736,306	(15,495)
Massachusetts	2,488,000	2,554,954	66,954
Member communities	883,029	883,029	---
Other federal and state assistance	215,000	292,112	77,112
Advertising income	30,000	44,363	14,363
Rental income	13,116	15,701	2,585
Other income	25,000	56,566	31,566
Interest income	3,000	9,877	6,877
Interest expense	(45,000)	(35,288)	9,712
Total non-operating revenues (expenses)	<u>5,363,946</u>	<u>5,557,620</u>	<u>193,674</u>
Income (loss) before capital contributions and other items	<u>\$ ---</u>	(56,833)	<u>\$ (56,833)</u>
Capital contributions		1,357,425	
Nonreimbursable depreciation		(1,934,440)	
Loss on disposal of asset		<u>(211,602)</u>	
CHANGE IN NET POSITION		(845,450)	
Net position, beginning		<u>15,922,671</u>	
NET POSITION, ENDING		<u>\$ 15,077,221</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		<u>16,000,287</u>	
NET POSITION, ENDING		<u>\$ 15,922,671</u>	

See notes to financial statements.

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

	2016	2015
Cash flows from operating activities:		
Receipts from customers	\$ 8,579,146	\$ 8,442,862
Payments for goods and services	(13,497,802)	(12,223,771)
Payments to employees	(772,216)	(663,361)
Net cash provided (used) by operating activities	<u>(5,690,872)</u>	<u>(4,444,270)</u>
Cash flows from noncapital financing activities:		
Receipts of operating grants	5,466,401	4,981,554
Proceeds from issuing revenue anticipation notes	4,300,000	4,700,000
Repayments of revenue anticipation notes	(4,700,000)	(5,200,000)
Interest paid	(46,869)	(51,855)
Net cash provided (used) by noncapital financing activities	<u>5,019,532</u>	<u>4,429,699</u>
Cash flows from capital and related financing activities:		
Receipts of capital grants	1,357,425	1,299,413
Payments for capital acquisitions	(1,357,425)	(1,307,391)
Net cash provided (used) by capital and related financing activities	<u>---</u>	<u>(7,978)</u>
Cash flows from investing activities:		
Interest on savings	9,877	3,277
Net cash provided (used) by investing activities	<u>9,877</u>	<u>3,277</u>
NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS	(661,463)	(19,272)
Cash and equivalents, beginning	<u>1,294,767</u>	<u>1,314,039</u>
CASH AND EQUIVALENTS, ENDING	<u>\$ 633,304</u>	<u>\$ 1,294,767</u>
Reconciliation of operating income to net cash provided (used) by operating activities:		
OPERATING LOSS	\$ (5,614,453)	\$ (5,085,214)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:		
Reimbursable depreciation	46,924	32,082
Advertising income	44,363	47,754
Rental income	15,701	38,119
Other income	56,566	57,949
Change in assets and liabilities:		
(Increase) decrease in receivables	(569,908)	530,373
(Increase) decrease in prepaid expenses	48,840	(348,114)
Increase (decrease) in accounts payable and other liabilities	246,576	41,846
Increase (decrease) in accrued payroll and related liabilities	(1,052)	(16,108)
Increase (decrease) in unearned revenue	(25,464)	273,937
Increase (decrease) in net pension liability	61,035	(16,894)
Net cash provided (used) by operating activities	<u>\$ (5,690,872)</u>	<u>\$ (4,444,270)</u>

See notes to financial statements.

# BERKSHIRE REGIONAL TRANSIT AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

June 30, 2016 and 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, Peru, 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, 2016, the Authority's reserve balance was \$172,299.

*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's Uniform Guidance 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 13, 2016, the date which the financial statements were available to be issued.

**Concentration of Source of Supply of Labor**

The Authority has a contract for its fixed route transportation services with Berkshire Transit Management (BTM), a division of First Transit, Inc. The contract expires on June 30, 2019.

Effective July 1, 2016, the Authority contracted for its ADA/Paratransit services with Paratransit Management of the Berkshires, Inc., also a division of First Transit, Inc. The contract expires on June 30, 2019.

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.

**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, 2016, were \$826,053. Uninsured bank deposits as of June 30, 2016, were \$-0-.

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

	<u>2016</u>	<u>2015</u>
Federal		
Operating assistance	\$ 1,648,257	\$ 1,554,724
Capital assistance	<u>124,856</u>	<u>96,678</u>
Total federal	<u>1,773,113</u>	<u>1,651,402</u>
Massachusetts		
Capital assistance	456,497	146,261
Brokerage services	<u>1,296,765</u>	<u>1,124,280</u>
Total Massachusetts	<u>1,753,262</u>	<u>1,270,541</u>
Member communities		
Operating assistance for current year expenditures	883,029	861,492
Operating assistance for prior year expenditures	<u>206,356</u>	<u>183,634</u>
Total member communities	<u>1,089,385</u>	<u>1,045,126</u>
Other receivables	<u>153,329</u>	<u>232,112</u>
Total receivables	<u>\$ 4,769,089</u>	<u>\$ 4,199,181</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, 2016 and 2015 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:**

	2016			
	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 61,628	\$ ---	\$ ---	\$ 61,628
Construction in process	12,088	---	(12,088)	---
Total capital assets, not being depreciated	<u>73,716</u>	<u>---</u>	<u>(12,088)</u>	<u>61,628</u>
Capital assets, being depreciated:				
Buildings	14,767,398	163,638	---	14,931,036
Revenue equipment	9,565,514	1,083,872	(930,449)	9,718,937
Office equipment and furniture	191,336	86,215	---	277,551
Service vehicles	403,257	23,700	---	426,957
Total capital assets, being depreciated	<u>24,927,505</u>	<u>1,357,425</u>	<u>(930,449)</u>	<u>25,354,481</u>
Less accumulated depreciation for:				
Buildings	5,124,315	374,688	---	5,499,003
Revenue equipment	3,895,752	1,586,855	(718,847)	4,763,760
Office equipment and furniture	170,499	16,125	---	186,624
Service vehicles	187,670	3,696	---	191,366
Total accumulated depreciation	<u>9,378,236</u>	<u>1,981,364</u>	<u>(718,847)</u>	<u>10,640,753</u>
Total capital assets, being depreciated, net	<u>15,549,269</u>	<u>(623,939)</u>	<u>(211,602)</u>	<u>14,713,728</u>
Capital assets, net	<u>\$ 15,622,985</u>	<u>\$ (623,939)</u>	<u>\$ (223,690)</u>	<u>\$ 14,775,356</u>

**NOTE 5 - (Continued)**

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

	2016	2015
1.50% Revenue anticipation note due September 23, 2016	\$ 4,300,000	
1.00% Revenue anticipation note due September 25, 2015		\$ 4,700,000
Total	\$ 4,300,000	\$ 4,700,000

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:**

	2016				
	Invested in capital assets, net of debt	Restricted Reserve	Restricted Working Capital	Unrestricted	Total
Net income (loss)				\$ (56,833)	\$ (56,833)
Reimbursable depreciation	\$ (46,924)			46,924	---
Nonreimbursable depreciation	(1,934,440)				(1,934,440)
Capital contributions	1,357,425				1,357,425
Loss on disposal of asset	(211,602)			---	(211,602)
Decrease in debt for current year capital activity	46,924			(46,924)	---
Increase in reserve for extraordinary expenses		\$ 4,202		(4,202)	---
Increase (decrease) in net position	(788,617)	4,202	---	(61,035)	(845,450)
Net position, beginning	15,518,558	168,097	737,816	(501,800)	15,922,671
Net position, ending	<u>\$ 14,729,941</u>	<u>\$ 172,299</u>	<u>\$ 737,816</u>	<u>\$ (562,835)</u>	<u>\$15,077,221</u>

	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)
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	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>



**NOTE 8 - TRANSPORTATION CONTRACTS CONSISTED OF THE FOLLOWING AT JUNE 30, 2016:**

- 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 \$220,824.
- 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 \$341,645 during fiscal year 2016 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, 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 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, 2016, 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, 2016, the Authority's average contribution rate was 10.96% of annual payroll.

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

The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50% as of June 30, 2016 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 2016 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, 2015	\$ 626,210	\$ 199,984	\$ 426,226
Changes for the year:			
Service cost	96,120		96,120
Interest	36,117		36,117
Changes in benefit terms	---		---
Changes of assumptions	1,716		1,716
Differences between actual and expected experience	31,541		31,541
Contributions - employer		57,800	(57,800)
Net investment income		12,771	(12,771)
Administrative expense		---	---
Net changes	165,494	70,571	94,923
Balances at June 30, 2016	\$ 791,704	\$ 270,555	\$ 521,149

**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, 2016	\$ 660,252	\$ 521,149	\$ 406,787

**Payable to Pension Plan**

At June 30, 2016, the Authority reported a payable of \$-0- for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2016.

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

For the year ended June 30, 2016, the Transit Authority recognized pension expense of \$137,374. At June 30, 2016, 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	\$ 29,795	\$ 74,553
Changes in assumptions	1,621	---
Net difference between projected and actual earnings on pension plan investments	<u>2,513</u>	<u>1,062</u>
Total	<u>\$ 33,929</u>	<u>\$ 75,615</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:

2017	\$ (1,958)
2018	(1,958)
2019	(1,956)
2020	(2,797)
2021	(2,530)
Thereafter	(30,487)

**NOTE 11 - COMMITMENTS AND CONTINGENT LIABILITIES***Fiscal year 2017 budget*

For the fiscal year 2017, the Authority has approved an operating budget of \$14,530,000, 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, 2016

	BRTA Pension Plan (see also Note 10) Plan Year End June 30,	
	2016	2015
<b>Total pension liability</b>		
Service cost	\$ 96,120	\$ 87,751
Interest	36,117	48,941
Changes in benefit terms	---	---
Changes of assumptions	1,716	---
Differences between expected and actual experience	31,541	(83,295)
Benefit payment, including refunds of employee contributions	---	(212,166)
Net change in total pension liability	165,494	(158,769)
Total pension liability, beginning	626,210	784,979
<b>Total pension liability, ending (a)</b>	<u>\$ 791,704</u>	<u>\$ 626,210</u>
<b>Plan fiduciary net position</b>		
Contributions - employer	\$ 57,800	\$ 60,070
Net investment income	12,771	9,280
Benefit payments, including refunds of employee contributions	---	(212,166)
Administrative expense	---	(2,593)
Net change in plan fiduciary net position	70,571	(145,409)
Plan fiduciary net position, beginning	199,984	345,393
<b>Plan fiduciary net position, ending (b)</b>	<u>\$ 270,555</u>	<u>\$ 199,984</u>
<b>Net pension liability (a) - (b)</b>	<u>\$ 521,149</u>	<u>\$ 426,226</u>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	34.17%	31.94%
<b>Covered employee payroll</b>	\$ 527,190	\$ 442,959
<b>Net pension liability as a percentage of covered employee payroll</b>	98.85%	96.22%

See independent auditors' report



**BERKSHIRE REGIONAL TRANSIT AUTHORITY**

**SCHEDULE OF PENSION CONTRIBUTIONS**

**Required Supplementary Information**

**June 30, 2016**

	<b>BRTA Pension Plan</b> <b>(see also Note 10)</b> <b>Plan Year End June 30,</b> <b>2016                      2015</b>	
Actuarially determined contribution	\$ 143,938	\$ 126,859
Contributions in relation to the actuarially determined contribution	<u>57,800</u>	<u>60,070</u>
Contribution deficiency (excess)	<u>\$ 86,138</u>	<u>\$ 66,789</u>
Covered employee payroll	\$ 527,190	\$ 442,959
Contribution as a percentage of covered employee payroll	10.96%	13.56%

**Notes to Schedules for BRTA Pension Plan**

*Valuation date:*

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

*Methods and assumptions used to determine contribution rates:*

Actuarial cost method:	Entry age normal
amortization method:	15 year level dollar of the existing net pension liability as of the valuation date
Remaining amortization period	15 years. Fresh start method with amortization remaining unfunded amortized each year.
Asset valuation method:	Market value of assets as of the measurement date
Inflation:	2.50% as of June 30, 2016 and for future periods
Salary increases:	2.00% annually as of June 30, 2016 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>2016</u>	<u>2015</u>
Total operating expenses	\$ 14,287,301	\$ 13,404,914
Eliminate GASB 68 (increase) reduction to pension expense	(61,035)	16,894
Interest expense	<u>35,288</u>	<u>22,445</u>
 Total eligible expenses	 14,261,554	 13,444,253
 Revenues applied to eligible expenses:		
Fixed route income	787,413	806,200
Demand response income	150,889	146,809
Brokerage service income	7,734,546	7,366,691
Other assistance	292,112	72,700
Advertising income	44,363	47,754
Rental income	15,701	38,119
Other income	56,566	57,949
Interest income	<u>9,877</u>	<u>3,277</u>
Total revenues applied to eligible expenses	<u>9,091,467</u>	<u>8,539,499</u>
 Net operating expenses eligible under Sections 5307, 5311, 5316 and 5317	 5,170,087	 4,904,754
 Federal participation in eligible expenses	 <u>x 50%</u>	 <u>x 50%</u>
 Maximum federal operating assistance allowed	 <u>\$ 2,585,044</u>	 <u>\$ 2,452,377</u>
 Sections 5307, 5311, 5316 and 5317 operating assistance sought (amount of maximum funding above or less)	 <u>\$ 1,736,306</u>	 <u>\$ 1,554,724</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 2016	Total Service Area 2015
Operating costs		
Administrative costs	\$ 654,506	\$ 767,359
Purchased services		
Fixed route service	4,939,494	4,723,047
Demand response service	903,509	754,679
Brokerage service	7,789,792	7,159,829
Debt service	35,288	22,445
Eliminate GASB 68 (increase) reduction to pension expense	(61,035)	16,894
Total operating costs	<u>14,261,554</u>	<u>13,444,253</u>
Operating assistance and revenues		
Other operating and administrative assistance	<u>2,028,418</u>	<u>1,627,424</u>
Revenues		
Local revenues		
Fixed route income	787,413	806,200
Demand response income	150,889	146,809
Brokerage service income	7,734,546	7,366,691
Advertising income	44,363	47,754
Rental income	15,701	38,119
Other income	56,566	57,949
Interest income	9,877	3,277
Total local revenues	<u>8,799,355</u>	<u>8,466,799</u>
Total operating assistance and revenues	<u>10,827,773</u>	<u>10,094,223</u>
Net operating deficit	3,433,781	3,350,030
Increase in reserve for extraordinary expenses	4,202	4,100
Net cost of service	<u>\$ 3,437,983</u>	<u>\$ 3,354,130</u>
Net cost of service funding		
Local assessments	\$ 883,029	\$ 861,492
State contract assistance	2,554,954	2,492,638
Total funding	<u>\$ 3,437,983</u>	<u>\$ 3,354,130</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

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 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 the Berkshire Regional Transit Authority, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Berkshire Regional Transit Authority's basic financial statements, and have issued our report thereon dated September 13, 2016.

### Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 the Berkshire Regional Transit Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 the 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 13, 2016