

BERKSHIRE REGIONAL TRANSIT AUTHORITY

**Financial Statements and
Supplementary Information
June 30, 2017 and 2016**

Table of Contents

	Page
Independent Auditors' Report	2 - 3
Management's Discussion and Analysis	4
Financial Statements	
Statements of Net Position	5
Statements of Revenues, Expenses and Changes in Fund Net Position	6 - 7
Statements of Cash Flows	8
Notes to Financial Statements	9 - 20
Required Supplementary Information	
Schedule of Change in Net Pension Liability and Related Ratios	21
Schedule of Pension Contributions	22
Supplementary Information	
Computation of Operating Assistance From the Federal Transit Administration	23
Statement of Net Cost of Service	24
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	25 - 26
Schedule of Findings and Questioned Costs	27 - 28



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, 2017 and 2016, 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, 2017 and 2016, and the respective changes in financial position, cash flows thereof, and the respective budgetary comparison information for the enterprise fund, for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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 15, 2017, 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 15, 2017

BERKSHIRE REGIONAL TRANSIT AUTHORITY

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2017

The Berkshire Regional Transit Authority's (the Authority) management discussion and analysis for the fiscal year ended June 30, 2017 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 and deferred outflows of resources of the Authority exceeded its liabilities and deferred inflows of resources at June 30, 2017 by \$14,341,235.
- The Authority's total net position had a net decrease of \$(735,986) from fiscal year 2016, mainly due to contributed capital assets of \$814,149, current year non-reimbursable depreciation on capital assets of \$(1,543,889), an increase in the Authority's reserve of \$4,308 as allowed under M.G.L. 161B Section 6(q), and an increase in the Authority's net pension liability of \$(10,554).
- Operating revenues increased \$1,214,869 or 14.0% from fiscal year 2016.
- Operating expenses increased \$1,117,285 or 7.8% from fiscal year 2016.
- The Authority expended \$814,149 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.

BERKSHIRE REGIONAL TRANSIT AUTHORITY

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2017

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>6/30/2017</u>	<u>6/30/2016</u>	<u>Change</u>
Total current assets	\$ 6,804,401	\$ 6,439,483	\$ 364,918
Property and equipment, net	13,994,893	14,775,356	(780,463)
Deferred outflows related to pensions	49,969	---	49,969
Total assets and deferred outflows of resources	<u>20,849,263</u>	<u>21,214,839</u>	<u>(365,576)</u>
Accounts payable and other accrued liabilities	1,384,670	1,274,783	109,887
Note payable	4,500,000	4,300,000	200,000
Net pension liability	623,358	521,149	102,209
Deferred inflows of resources related to pensions	---	41,686	(41,686)
Total liabilities and deferred inflows of resources	<u>6,508,028</u>	<u>6,137,618</u>	<u>370,410</u>
Investment in capital assets, net of related debt	13,949,478	14,729,941	(780,463)
Restricted			
Reserve	176,607	172,299	4,308
Working capital held by fixed route operator	737,816	737,816	---
Unrestricted	<u>(522,666)</u>	<u>(562,835)</u>	<u>40,169</u>
Total net position	<u>\$ 14,341,235</u>	<u>\$ 15,077,221</u>	<u>\$ (735,986)</u>

Restricted 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:

	<u>6/30/2017</u>	<u>6/30/2016</u>
Restricted net position		
Accumulated reserve established under Massachusetts		
General Laws for extraordinary expenses	\$ 176,607	\$ 172,299
Working capital held by Berkshire Transit Management, Inc.		
for operation of the fixed route	<u>737,816</u>	<u>737,816</u>
Total	<u>\$ 914,423</u>	<u>\$ 910,115</u>

BERKSHIRE REGIONAL TRANSIT AUTHORITY

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2017

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

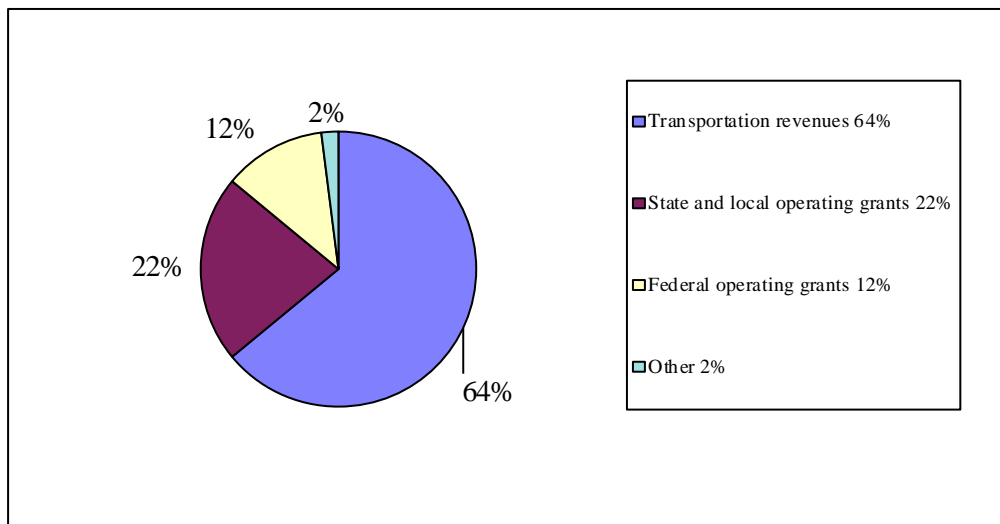
	<u>6/30/2017</u>	<u>6/30/2016</u>	<u>Change</u>
Total operating revenues	\$ 9,887,717	\$ 8,672,848	\$ 1,214,869
Total operating expenses	<u>15,404,586</u>	<u>14,287,301</u>	<u>1,117,285</u>
Operating income (loss)	(5,516,869)	(5,614,453)	97,584
 Total non-operating revenues (expenses)	 <u>5,510,623</u>	 <u>5,557,620</u>	 <u>(46,997)</u>
 Income (loss) before capital contributions and other items	 (6,246)	 (56,833)	 50,587
 Capital contributions	 814,149	 1,357,425	 (543,276)
Nonreimbursable depreciation	(1,543,889)	(1,934,440)	390,551
Loss on disposal of asset	<u>---</u>	<u>(211,602)</u>	<u>211,602</u>
 Change in net position	 (735,986)	 (845,450)	 109,464
 Net position, beginning	 <u>15,077,221</u>	 <u>15,922,671</u>	 <u>(845,450)</u>
 Net position, ending	 <u>\$ 14,341,235</u>	 <u>\$ 15,077,221</u>	 <u>\$ (735,986)</u>

Operating revenues increased \$1,214,869 or 14.0% from the prior year. This net increase is attributable to an increase of \$1,317,443 in brokerage service income mainly due to an increase in trip volume and an increase in brokerage administrative fees; a decrease in fixed route income of \$(86,335) due to a 6% decrease in ridership (a nationwide trend) as well as a decreased enrollment at the local Community College; and a decrease of \$(16,239) in demand response income.

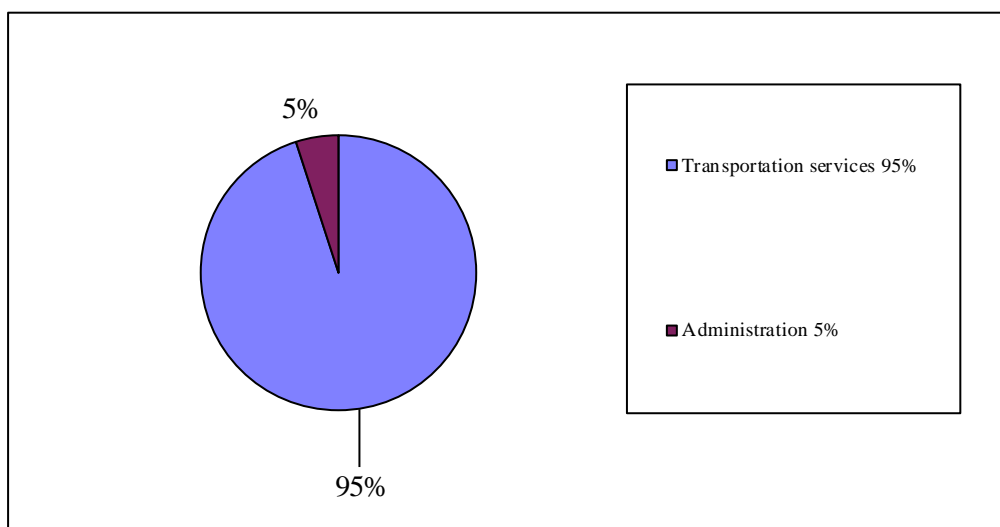
Operating expenses increased \$1,117,285 or 7.8% from the prior year. This is attributable to an increase in brokerage service expenses of \$1,264,825 mainly due to increased brokerage fees as the result of increased activity; a decrease in fixed route service expenses of \$(260,544) mainly due to a reclassification of demand response expenses to the new contractor and a decrease in spending imposed to balance the decrease in fare income; and an increase in demand response service of \$44,994 mainly due to initial startup costs of new contractor and budget overages.

BERKSHIRE REGIONAL TRANSIT AUTHORITY**Management's Discussion and Analysis****For the Fiscal Year Ended June 30, 2017**

Total Operating and Non-operating
Revenues of \$15,437,180 by Source



Total Operating and Non-operating
Expenses of \$15,443,426 by Source



BERKSHIRE REGIONAL TRANSIT AUTHORITY

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2017

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 over budget by \$676,429 and brokerage service expenses were over budget by \$679,057 because of increased trip volume.
- Fixed route service income was under budget by \$108,922 mainly due to a ridership decline beginning in the last quarter of fiscal 2016. As a result of the drop in fixed route fares, the Authority closely monitored its fixed route costs and implemented various cost saving measures reducing all controllable purchases. Accordingly, the Fixed route service expense was under budget by \$44,836.
- Demand response service expense was over budget by \$19,409 due to additional initial start-up costs for Paratransit Management of Berkshire, Inc. (PMB). This is the first year PMB has operated the Demand response service.
- Administrative salaries, taxes and fringe benefits were over budget by \$67,104 primarily due to pension expense and the required pension contribution being \$30,000 more than originally budgeted for; \$15,750 in unbudgeted Peter Pan wages (Peter Pan wages are offset by unbudgeted Peter Pan income), a \$13,500 overage in health insurance expense; and an increase in the Authority's net pension liability of \$10,554 which is a non-reimbursable cost at this time.
- Other administrative expenses were over budget by \$156,879 primarily due to unbudgeted small equipment purchases and planning costs which were reimbursed by State and Federal grants of the same amount.

Capital Asset and Debt Administration

Capital assets

The Authority's net decrease in capital assets during the year ending June 30, 2017 was \$(780,463). The Authority primarily acquires its capital assets under federal and state capital grants. The details on capital assets totaling \$13,994,893, 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	\$ 128,525
Revenue vehicles	618,736
Office equipment and furniture	17,992
Service vehicle	48,896
Total purchases	814,149
Current year depreciation	(1,594,612)
Net decrease in capital assets	<u>\$ (780,463)</u>

BERKSHIRE REGIONAL TRANSIT AUTHORITY

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2017

Revenue Anticipation Notes

At the end of fiscal year 2017, the Authority had a revenue anticipation note payable of \$4,500,000 maturing on September 22, 2017 at a rate of 2.00%. This note provides cash flow until federal and state appropriations are received.

Travel Training

The Authority has a travel training program to assist residents of Berkshire County to increase public transportation awareness and usage. Certified travel trainers assist customers on how to ride the bus, read the schedules, and become more independent.

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.

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>2017</u>	<u>2016</u>
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
Current assets		
Cash and equivalents	\$ 1,096,044	\$ 633,304
Receivables, net	4,737,409	4,769,089
Prepaid expenses	233,132	299,274
Working capital held by fixed route operator	<u>737,816</u>	<u>737,816</u>
Total current assets	6,804,401	6,439,483
Property and equipment, net	<u>13,994,893</u>	<u>14,775,356</u>
TOTAL ASSETS	20,799,294	21,214,839
Deferred outflows of resources		
Deferred outflows related to pensions	<u>49,969</u>	<u>---</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>20,849,263</u>	<u>21,214,839</u>
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES		
Accounts payable	821,660	691,083
Accrued payroll and related liabilities	14,340	14,816
Other payables	172,934	171,025
Unearned revenue	296,063	341,393
Accrued interest	79,673	56,466
Note payable	4,500,000	4,300,000
Net pension liability	<u>623,358</u>	<u>521,149</u>
Total liabilities	6,508,028	6,095,932
Deferred inflows of resources		
Deferred inflows related to pensions	<u>---</u>	<u>41,686</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	<u>6,508,028</u>	<u>6,137,618</u>
NET POSITION		
Invested in capital assets, net of related debt	13,949,478	14,729,941
Restricted		
Reserve	176,607	172,299
Working capital held by fixed route operator	737,816	737,816
Unrestricted	<u>(522,666)</u>	<u>(562,835)</u>
TOTAL NET POSITION	<u>\$ 14,341,235</u>	<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, 2017

	Budget	Actual	Variance Favorable (Unfavorable)
Operating revenues			
Fixed route income	\$ 810,000	\$ 701,078	\$ (108,922)
Demand response income	143,465	134,650	(8,815)
Brokerage service income	8,375,560	9,051,989	676,429
Total operating revenues	<u>9,329,025</u>	<u>9,887,717</u>	<u>558,692</u>
Operating expenses			
Fixed route service	4,723,786	4,678,950	44,836
Demand response service	929,094	948,503	(19,409)
Brokerage service	8,375,560	9,054,617	(679,057)
Administrative salaries, taxes and fringe benefits	304,836	371,940	(67,104)
Other administrative expenses	142,974	299,853	(156,879)
Reimbursable depreciation	---	50,723	(50,723)
Total operating expenses	<u>14,476,250</u>	<u>15,404,586</u>	<u>(928,336)</u>
Operating income (loss)	<u>(5,147,225)</u>	<u>(5,516,869)</u>	<u>(369,644)</u>
Non-operating revenues (expenses)			
Government operating assistance			
Federal	1,683,628	1,782,181	98,553
Massachusetts	2,518,634	2,554,954	36,320
Member communities	905,105	905,105	---
Other federal and state assistance	---	182,438	182,438
Advertising income	35,000	35,000	---
Rental income	28,608	30,611	2,003
Other income	25,000	47,867	22,867
Interest income	5,000	11,307	6,307
Interest expense	(53,750)	(38,840)	14,910
Total non-operating revenues (expenses)	<u>5,147,225</u>	<u>5,510,623</u>	<u>363,398</u>
Income (loss) before capital contributions and other items	<u>\$ ---</u>	(6,246)	<u>\$ (6,246)</u>
Capital contributions		814,149	
Nonreimbursable depreciation		<u>(1,543,889)</u>	
CHANGE IN NET POSITION		(735,986)	
Net position, beginning		<u>15,077,221</u>	
NET POSITION, ENDING		<u>\$ 14,341,235</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, 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
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30,

	2017	2016
Cash flows from operating activities:		
Receipts from customers	\$ 9,577,837	\$ 8,579,146
Payments for goods and services	(13,899,914)	(13,497,802)
Payments to employees	(786,845)	(772,216)
Net cash provided (used) by operating activities	<u>(5,108,922)</u>	<u>(5,690,872)</u>
Cash flows from noncapital financing activities:		
Receipts of operating grants	5,424,678	5,466,401
Proceeds from issuing revenue anticipation notes	4,500,000	4,300,000
Repayments of revenue anticipation notes	(4,300,000)	(4,700,000)
Interest paid	(64,323)	(46,869)
Net cash provided (used) by noncapital financing activities	<u>5,560,355</u>	<u>5,019,532</u>
Cash flows from capital and related financing activities:		
Receipts of capital grants	814,149	1,357,425
Payments for capital acquisitions	(814,149)	(1,357,425)
Net cash provided (used) by capital and related financing activities	<u>---</u>	<u>---</u>
Cash flows from investing activities:		
Interest on savings	11,307	9,877
Net cash provided (used) by investing activities	<u>11,307</u>	<u>9,877</u>
NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS	462,740	(661,463)
Cash and equivalents, beginning	<u>633,304</u>	<u>1,294,767</u>
CASH AND EQUIVALENTS, ENDING	<u>\$ 1,096,044</u>	<u>\$ 633,304</u>
Reconciliation of operating income to net cash provided (used) by operating activities:		
OPERATING LOSS	\$ (5,516,869)	\$ (5,614,453)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:		
Reimbursable depreciation	50,723	46,924
Advertising income	35,000	44,363
Rental income	30,611	15,701
Other income	47,867	56,566
Change in assets and liabilities:		
(Increase) decrease in receivables	31,680	(569,908)
(Increase) decrease in prepaid expenses	66,142	48,840
Increase (decrease) in accounts payable and other liabilities	181,176	246,576
Increase (decrease) in accrued payroll and related liabilities	(476)	(1,052)
Increase (decrease) in unearned revenue	(45,330)	(25,464)
Increase (decrease) in net pension liability	10,554	61,035
Net cash provided (used) by operating activities	<u>\$ (5,108,922)</u>	<u>\$ (5,690,872)</u>

See notes to financial statements.

BERKSHIRE REGIONAL TRANSIT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2017 and 2016

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, 2017, the Authority's reserve balance was \$176,607.

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 15, 2017, 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.

The Authority has a contract 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, 2017, were \$1,689,254. Uninsured bank deposits as of June 30, 2017, were \$-0-.

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

	<u>2017</u>	<u>2016</u>
Federal		
Operating assistance	\$ 1,752,842	\$ 1,648,257
Capital assistance	<u>11,500</u>	<u>124,856</u>
Total federal	<u>1,764,342</u>	<u>1,773,113</u>
Massachusetts		
Operating assistance	1,490	---
Capital assistance	76,853	456,497
Brokerage services	<u>1,647,796</u>	<u>1,296,765</u>
Total Massachusetts	<u>1,726,139</u>	<u>1,753,262</u>
Member communities		
Operating assistance for current year expenditures	905,105	883,029
Operating assistance for prior year expenditures	<u>229,645</u>	<u>206,356</u>
Total member communities	<u>1,134,750</u>	<u>1,089,385</u>
Other receivables	<u>112,178</u>	<u>153,329</u>
Total receivables	<u>\$ 4,737,409</u>	<u>\$ 4,769,089</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, 2017 and 2016 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:

	2017			
	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 61,628	\$ ---	\$ ---	\$ 61,628
Total capital assets, not being depreciated	61,628	---	---	61,628
Capital assets, being depreciated:				
Buildings	14,931,036	128,525	---	15,059,561
Revenue equipment	9,796,304	618,736	(61,919)	10,353,121
Office equipment and furniture	200,184	17,992	(4,641)	213,535
Service vehicles	426,957	48,896	---	475,853
Total capital assets, being depreciated	25,354,481	814,149	(66,560)	26,102,070
Less accumulated depreciation for:				
Buildings	5,499,003	395,088	---	5,894,091
Revenue equipment	4,763,760	1,093,534	(61,919)	5,795,375
Office equipment and furniture	186,624	12,585	(4,641)	194,568
Service vehicles	191,366	93,405	---	284,771
Total accumulated depreciation	10,640,753	1,594,612	(66,560)	12,168,805
Total capital assets, being depreciated, net	14,713,728	(780,463)	---	13,933,265
Capital assets, net	\$ 14,775,356	\$ (780,463)	\$ ---	\$ 13,994,893

NOTE 5 - (Continued)

	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	1,161,239	(930,449)	9,796,304
Office equipment and furniture	191,336	8,848	---	200,184
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 6 - NOTES PAYABLE CONSISTED OF THE FOLLOWING AT JUNE 30:

	2017	2016
2.00% Revenue anticipation note due September 22, 2017	\$ 4,500,000	
1.50% Revenue anticipation note due September 23, 2016		\$ 4,300,000
Total	<u>\$ 4,500,000</u>	<u>\$ 4,300,000</u>

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:

	2017				
	Invested in capital assets, net of debt	Restricted Reserve	Restricted Working Capital	Unrestricted	Total
Net income (loss)				\$ (6,246)	\$ (6,246)
Reimbursable depreciation	\$ (50,723)			50,723	---
Nonreimbursable depreciation	(1,543,889)				(1,543,889)
Capital contributions	814,149				814,149
Increase in reserve for extraordinary expenses		\$ 4,308		(4,308)	---
Increase (decrease) in net position	(780,463)	4,308	---	40,169	(735,986)
Net position, beginning	14,729,941	172,299	737,816	(562,835)	15,077,221
Net position, ending	<u>\$ 13,949,478</u>	<u>\$ 176,607</u>	<u>\$ 737,816</u>	<u>\$ (522,666)</u>	<u>\$14,341,235</u>

	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>

NOTE 8 - TRANSPORTATION CONTRACTS CONSISTED OF THE FOLLOWING AT JUNE 30, 2017:

- 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 \$229,657.
- 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. Paratransit Management of the Berkshires, Inc. provides "chaircar" door-to-door services to approved persons as well as paratransit service mandated by The Americans with Disabilities Act. Payments are based upon reimbursement for actual costs incurred. Customer fees for both services are paid through the purchase of tickets from the Authority and redemption of tickets upon travel. "Chaircar" fees range from \$7.50 to \$30.00 dependent upon the quantity of towns traversed. 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. User cost is between \$2.50 and \$9.00 based up trip origin and destination.
- D. Council on Aging (COA) organizations and other private transportation agencies provide paratransit service to qualified persons with disabilities as well as the elderly.
- E. 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. During fiscal year 2017, the Department of Children and Families (DCF) contracted for a pilot transportation program. These provider companies submit invoices to the Authority for payment as 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 \$351,946 during fiscal year 2017 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, 2017 with a measurement date of June 30, 2017.

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

The following employees were covered by the benefit terms at June 30:

	2017	2016
Active employees	13	12
Inactive employees entitled to but not yet receiving benefits	1	---
Inactive employees (or beneficiaries)	---	---
Total	14	12

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, 2017, the Authority's average contribution rate was 22.20% of annual payroll (10.96% for fiscal year ending June 30, 2016).

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

The total pension liability in the June 30, 2017 and 2016 actuarial valuations were determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50% and for future periods
Salary increases	2.00% annually and for future periods
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 2017 and 2016 IRC 430(h)(3)(A) Combined Mortality Tables
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 for the 2017 and 2016 actuarial valuations were determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

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

Discount rate

The discount rate used to measure the total pension liability for 2017 and 2016 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
Changes for the year:			
Service cost	99,716		99,716
Interest	44,571		44,571
Changes in benefit terms	---		---
Changes of assumptions	2,129		2,129
Differences between actual and expected experience	85,419		85,419
Contributions - employer		121,564	(121,564)
Net investment income		8,062	(8,062)
Administrative expense		---	---
Net changes	231,835	129,626	102,209
Balances at June 30, 2017	\$ 1,023,539	\$ 400,181	\$ 623,358

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, 2017	\$ 799,529	\$ 623,358	\$ 478,393
Plan net pension liability as of June 30, 2016	\$ 660,252	\$ 521,149	\$ 406,787

NOTE 10 - (Continued)**Payable to Pension Plan**

At June 30, 2017 and 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, 2017 and 2016.

Pension Expense and Deferred Inflows and Outflows of Resources

For the year ended June 30, 2017, the Transit Authority recognized pension expense of \$154,921 (\$137,374 for the year ended June 30, 2016). At June 30, 2017, the Transit Authority reported deferred outflows and deferred inflows of resources related to pensions from the following sources:

	2017		2016	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 108,926	\$ 70,182	\$ 29,795	\$ 74,553
Changes in assumptions	3,542	---	1,621	---
Net difference between projected and actual earnings on pension plan investments	8,480	797	2,513	1,062
Total	<u>\$ 120,948</u>	<u>\$ 70,979</u>	<u>\$ 33,929</u>	<u>\$ 75,615</u>

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

	2017	2016
Year ended June 30:		
2017		\$ (1,958)
2018	\$ 4,398	(1,958)
2019	4,400	(1,956)
2020	3,559	(2,797)
2021	3,826	(2,530)
2022	2,125	(2,530)
Thereafter	31,661	(27,957)
Total deferred outflows (inflows)	<u>\$ 49,969</u>	<u>\$ (41,686)</u>

NOTE 11 - COMMITMENTS AND CONTINGENT LIABILITIES*Fiscal year 2018 budget*

For the fiscal year 2018, the Authority has approved an operating budget of \$14,438,612, 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, 2017

	BRTA Pension Plan (see also Note 10) Plan Year End June 30,	
	2017	2016
Total pension liability		
Service cost	\$ 99,716	\$ 96,120
Interest	44,571	36,117
Changes in benefit terms	---	---
Changes of assumptions	2,129	1,716
Differences between expected and actual experience	85,419	31,541
Benefit payment, including refunds of employee contributions	---	---
Net change in total pension liability	231,835	165,494
Total pension liability, beginning	791,704	626,210
Total pension liability, ending (a)	<u>\$ 1,023,539</u>	<u>\$ 791,704</u>
Plan fiduciary net position		
Contributions - employer	\$ 121,564	\$ 57,800
Net investment income	8,062	12,771
Benefit payments, including refunds of employee contributions	---	---
Administrative expense	---	---
Net change in plan fiduciary net position	129,626	70,571
Plan fiduciary net position, beginning	270,555	199,984
Plan fiduciary net position, ending (b)	<u>\$ 400,181</u>	<u>\$ 270,555</u>
Net pension liability (a) - (b)	<u>\$ 623,358</u>	<u>\$ 521,149</u>
Plan fiduciary net position as a percentage of the total pension liability	39.10%	34.17%
Covered employee payroll	\$ 547,603	\$ 527,190
Net pension liability as a percentage of covered employee payroll	113.83%	98.85%

See independent auditors' report

BERKSHIRE REGIONAL TRANSIT AUTHORITY

SCHEDULE OF PENSION CONTRIBUTIONS

Required Supplementary Information

June 30, 2017

	BRTA Pension Plan (see also Note 10) Plan Year End June 30, 2017 2016	
Actuarially determined contribution	\$ 156,912	\$ 143,938
Contributions in relation to the actuarially determined contribution	<u>121,564</u>	<u>57,800</u>
Contribution deficiency (excess)	<u>\$ 35,348</u>	<u>\$ 86,138</u>
Covered employee payroll	\$ 547,603	\$ 527,190
Contribution as a percentage of covered employee payroll	22.20%	10.96%

Notes to Schedules for BRTA Pension Plan

Valuation date:

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

Methods and assumptions used to determine contribution rates:

Actuarial cost method:	Entry Age Normal
amortization method:	15 year level dollar of the existing net pension liability as of the valuation date
Remaining amortization period	15 years. Fresh start method with amortization remaining unfunded amortized each year.
Asset valuation method:	Market value of assets as of the measurement date
Inflation:	2.50% as of June 30, 2017 and for future periods
Salary increases:	2.00% annually as of June 30, 2017 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>2017</u>	<u>2016</u>
Total operating expenses	\$ 15,404,586	\$ 14,287,301
Eliminate GASB 68 (increase) reduction to pension expense	(10,554)	(61,035)
Interest expense	<u>38,840</u>	<u>35,288</u>
Total eligible expenses	15,432,872	14,261,554
Revenues applied to eligible expenses:		
Fixed route income	701,078	787,413
Demand response income	134,650	150,889
Brokerage service income	9,051,989	7,734,546
Other assistance	182,438	292,112
Advertising income	35,000	44,363
Rental income	30,611	15,701
Other income	47,867	56,566
Interest income	<u>11,307</u>	<u>9,877</u>
Total revenues applied to eligible expenses	<u>10,194,940</u>	<u>9,091,467</u>
Net operating expenses eligible under Sections 5307, 5311, 5316 and 5317	5,237,932	5,170,087
Federal participation in eligible expenses	<u>x 50%</u>	<u>x 50%</u>
Maximum federal operating assistance allowed	<u>\$ 2,618,966</u>	<u>\$ 2,585,044</u>
Sections 5307, 5311, 5316 and 5317 operating assistance sought (amount of maximum funding above or less)	<u>\$ 1,782,181</u>	<u>\$ 1,736,306</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 2017	Total Service Area 2016
Operating costs		
Administrative costs	\$ 722,516	\$ 654,506
Purchased services		
Fixed route service	4,678,950	4,939,494
Demand response service	948,503	903,509
Brokerage service	9,054,617	7,789,792
Debt service	38,840	35,288
Eliminate GASB 68 (increase) reduction to pension expense	(10,554)	(61,035)
Total operating costs	<u>15,432,872</u>	<u>14,261,554</u>
Operating assistance and revenues		
Other operating and administrative assistance	<u>1,964,619</u>	<u>2,028,418</u>
Revenues		
Local revenues		
Fixed route income	701,078	787,413
Demand response income	134,650	150,889
Brokerage service income	9,051,989	7,734,546
Advertising income	35,000	44,363
Rental income	30,611	15,701
Other income	47,867	56,566
Interest income	11,307	9,877
Total local revenues	<u>10,012,502</u>	<u>8,799,355</u>
Total operating assistance and revenues	<u>11,977,121</u>	<u>10,827,773</u>
Net operating deficit	3,455,751	3,433,781
Increase in reserve for extraordinary expenses	4,308	4,202
Net cost of service	<u>\$ 3,460,059</u>	<u>\$ 3,437,983</u>
Net cost of service funding		
Local assessments	\$ 905,105	\$ 883,029
State contract assistance	2,554,954	2,554,954
Total funding	<u>\$ 3,460,059</u>	<u>\$ 3,437,983</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 the Berkshire Regional Transit Authority, as of and for the year ended June 30, 2017, 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 15, 2017.

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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2017-001.

Berkshire Regional Transit Authority's Response to Findings

The Berkshire Regional Transit Authority's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Berkshire Regional Transit Authority's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 15, 2017

BERKSHIRE REGIONAL TRANSIT AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2017

U.S. Department of Transportation
Federal Transit Administration
Program: Federal Transit Cluster 5307 and 5309 Direct Programs
CFDA Number: 20.507
Grant Number: MA-90-X743 and MA-90-X762
Grant Period: Year Ended June 30, 2017

Finding 2017-001: Lack of controls over procurement at Berkshire Transit Management, Inc.
Material Weakness
Procurement

Condition

Berkshire Transit Management, Inc. (BTM), the Authority's fixed route operator, was unable to provide sufficient documentation that proper procurement was performed over the purchase of fuels. BTM's procurement procedures are to reflect the Authority's procurement policies, which conform to applicable Federal law. The Authority is responsible for monitoring and ensuring that BTM complies with proper procurement practices.

During fiscal year 2017, we noted that BTM purchased approximately \$336,500 in fuel, but was unable to provide sufficient documentation that proper procurement was completed in accordance with Federal law, which requires sealed bids (formal advertising) on purchases in excess of \$150,000.

Criteria

As part of our compliance testing, we executed tests of controls over procurement of goods and services in accordance with the following:

1. Federal Uniform Guidance
Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance)
2. FTA Circular 4220.1F

Cause

There is a lack of oversight and understanding of Federal procurement rules and regulations at BTM. There is no formal recordkeeping system for maintaining procurement files in one central location at BTM.

Effect

Without the existence of adequate internal controls over procurement, the risk is increased that purchases will not be made in accordance with Federal procurement rules and regulations.

Recommendation

We recommend that the Authority require and monitor that BTM implements the following:

1. BTM should review and update its procurement manual to be consistent with current Federal rules and regulations, which reflect the Authority's procurement practice.
2. BTM should designate a Chief Procurement Officer to oversee procurement. This individual should receive regular training.

(Continued)

3. Procurement documentation should be maintained in one central location, and filed by year and purchase. Each procurement file should include a documentation checklist to ensure all applicable procurement requirements have been met in accordance with Federal law.
4. Due to the volatile nature of fuel prices and the length of time for completing the procurement process, BTM should consider implementing a two-step process when procuring for fuel.
 - a. Step one – pre-qualify the vendors
Issue the request for proposal in accordance with Federal law and pre-qualify the vendors.
 - b. Step two – obtain price quotes
Once the vendors are pre-qualified, obtain the price quotes.

The two-step process would help ensure that procurement over fuels in excess of \$150,000 is completed in accordance with Federal law and it minimizes the time between obtaining price quotes and executing the contract to ensure favorable pricing for BTM, and ultimately, the Authority.

View of Responsible Officials

The Authority will meet with BTM's management team to review their current procurement manual. Proposed edits will incorporate FTA and Authority guidelines. A central location for all procurements will be maintained at BTM following a procurement checklist that mirrors the Authority's checklist. BTM will keep a log of solicitations by fiscal year and periodically review their procedures to ensure that they mirror the Authority's policies.