

BERKSHIRE REGIONAL TRANSIT AUTHORITY

**Financial Statements and
Supplementary Information
June 30, 2018 and 2017**

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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, 2018 and 2017, 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, 2018 and 2017, and the respective changes in financial position, cash flows thereof, and the respective budgetary comparison information for the enterprise fund, for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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 22, and the schedule of pension contributions on page 23, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Berkshire Regional Transit Authority's basic financial statements. The Supplementary information on pages 24 and 25 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 8, 2018, 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 8, 2018

BERKSHIRE REGIONAL TRANSIT AUTHORITY

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2018

The Berkshire Regional Transit Authority's (the Authority) management discussion and analysis for the fiscal year ended June 30, 2018 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, 2018 by \$14,449,012.
- The Authority's total net position had a net increase of \$107,777 from fiscal year 2017, mainly due to contributed capital assets of \$1,682,189, current year non-reimbursable depreciation on capital assets of \$(1,544,752), an increase in the Authority's reserve of \$4,414 as allowed under M.G.L. 161B Section 6(q), and an increase in the Authority's net pension liability of \$(34,074).
- Operating revenues increased \$1,121,036 or 11.3% from fiscal year 2017.
- Operating expenses increased \$1,279,066 or 8.3% from fiscal year 2017.
- The Authority expended \$1,682,189 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 26 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, 2018

The Statement of Revenues, Expenses and Changes in Fund Net Position report the results of both operating and non-operating activities. 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. A summary of the Authority's net position consisted of the following at June 30:

Summary of Net Position

	6/30/2018	6/30/2017	Change
Total current assets	\$ 6,569,018	\$ 6,804,401	\$ (235,383)
Property and equipment, net	14,089,910	13,994,893	95,017
Deferred outflows related to pensions	66,525	49,969	16,556
Total assets and deferred outflows of resources	20,725,453	20,849,263	(123,810)
Accounts payable and other accrued liabilities	1,102,453	1,384,670	(282,217)
Note payable	4,500,000	4,500,000	---
Net pension liability	673,988	623,358	50,630
Total liabilities and deferred inflows of resources	6,276,441	6,508,028	(231,587)
Investment in capital assets, net of related debt	14,035,502	13,949,478	86,024
Restricted			
Reserve	181,021	176,607	4,414
Working capital held by fixed route operator	737,816	737,816	---
Unrestricted	(505,327)	(522,666)	17,339
Total net position	\$ 14,449,012	\$ 14,341,235	\$ 107,777

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:

	6/30/2018	6/30/2017
Restricted net position		
Accumulated reserve established under Massachusetts		
General Laws for extraordinary expenses	\$ 181,021	\$ 176,607
Working capital held by Berkshire Transit Management, Inc.		
for operation of the fixed route	737,816	737,816
Total	\$ 918,837	\$ 914,423

BERKSHIRE REGIONAL TRANSIT AUTHORITY

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2018

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

	6/30/2018	6/30/2017	Change
Total operating revenues	\$ 11,008,753	\$ 9,887,717	\$ 1,121,036
Total operating expenses	16,683,652	15,404,586	1,279,066
Operating income (loss)	(5,674,899)	(5,516,869)	(158,030)
Total non-operating revenues (expenses)	5,645,239	5,510,623	134,616
Income (loss) before capital contributions and other items	(29,660)	(6,246)	(23,414)
Capital contributions	1,682,189	814,149	868,040
Nonreimbursable depreciation	(1,544,752)	(1,543,889)	(863)
Change in net position	107,777	(735,986)	843,763
Net position, beginning	14,341,235	15,077,221	(735,986)
Net position, ending	\$ 14,449,012	\$ 14,341,235	\$ 107,777

Operating revenues increased \$1,121,036 or 11.3% from the prior year. This net increase is attributable to an increase of \$1,135,502 in brokerage service income mainly due an increase in trip volume, brokerage administration fee and the change in brokerage requirements to charge fines; a decrease in fixed route income of \$(26,731) due to a decrease in trip volume; and an increase of \$12,265 in demand response income due to an increase in trip volume.

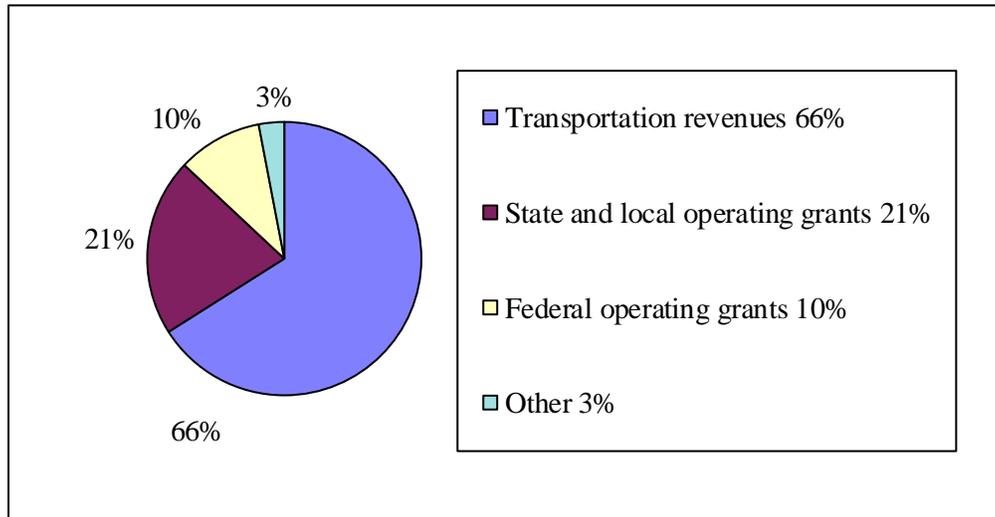
Operating expenses increased \$1,279,066 or 8.3% from the prior year. This is attributable to an increase in brokerage service expenses of \$1,012,964 mainly due increased trip volume; an increase in fixed route service expenses of \$39,018 mainly due to additional purchased of maintenance items, these expenses were offset with the proceeds of the sale of vehicles; an increase in demand response service of \$108,993 mainly due to increased trip volume and payroll allocation changes; and an increase in administrative expenses of \$118,091 mainly due to increases in wages and benefit costs as well as increased in service costs such as legal, accounting and computer fees.

BERKSHIRE REGIONAL TRANSIT AUTHORITY

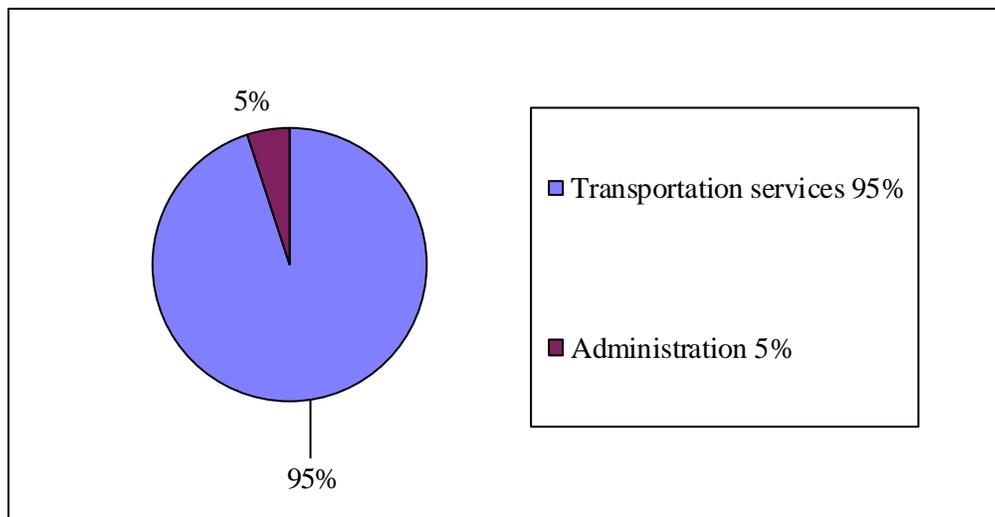
Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2018

Total Operating and Non-operating
Revenues of \$16,700,574 by Source



Total Operating and Non-operating
Expenses of \$16,730,234 by Source



BERKSHIRE REGIONAL TRANSIT AUTHORITY**Management's Discussion and Analysis****For the Fiscal Year Ended June 30, 2018**

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 \$1,054,554 and brokerage service expenses were over budget by \$923,094 because of increased trip volume.
- Fixed route service income was under budget by \$70,544 mainly due to decreased trip volume. Accordingly, the fixed route service expense was under budget by \$74,347 as cost were controlled in response to ridership decrease.
- Demand response income was over budget by \$26,481 primarily due to increased trip volume. Demand response expense was over budget by \$46,633 primarily due to increased trip volume.
- Administrative salaries, taxes and fringe benefits were over budget by \$55,825 primarily due to Payroll for Peter Pan and Greyhound of \$14,632 which is not budgeted and offset by miscellaneous income; a larger than expected health insurance increase; and an increase in the Authority's net pension liability of \$34,074 which is a non-reimbursable cost at this time.
- Administrative expenses were under budget \$17,196 due to cost cutting measures.

Capital Asset and Debt Administration*Capital assets*

The Authority's net increase in capital assets during the year ending June 30, 2018 was \$95,017. The Authority primarily acquires its capital assets under federal and state capital grants. During fiscal year 2018, the Authority acquired revenue vehicles and made improvements to its facilities all of which were covered by capital grants. The details on capital assets totaling \$14,089,910, net of accumulated depreciation, are disclosed in Note 5 of the financial statements.

Revenue Anticipation Notes

At the end of fiscal year 2018, the Authority had a revenue anticipation note payable of \$4,500,000 maturing on September 21, 2018 at a rate of 2.00%. 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, 2018****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>2018</u>	<u>2017</u>
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
Current assets		
Cash and equivalents	\$ 301,253	\$ 1,096,044
Receivables, net	5,416,619	4,737,409
Prepaid expenses	113,330	233,132
Working capital held by fixed route operator	<u>737,816</u>	<u>737,816</u>
Total current assets	6,569,018	6,804,401
Property and equipment, net	<u>14,089,910</u>	<u>13,994,893</u>
TOTAL ASSETS	20,658,928	20,799,294
Deferred outflows of resources		
Deferred outflows related to pensions	<u>66,525</u>	<u>49,969</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>20,725,453</u>	<u>20,849,263</u>
LIABILITIES		
Accounts payable	808,274	821,660
Accrued payroll and related liabilities	19,173	14,340
Other payables	---	172,934
Unearned revenue	197,420	296,063
Accrued interest	77,586	79,673
Note payable	4,500,000	4,500,000
Net pension liability	<u>673,988</u>	<u>623,358</u>
TOTAL LIABILITIES	<u>6,276,441</u>	<u>6,508,028</u>
NET POSITION		
Invested in capital assets, net of related debt	14,035,502	13,949,478
Restricted		
Reserve	181,021	176,607
Working capital held by fixed route operator	737,816	737,816
Unrestricted	<u>(505,327)</u>	<u>(522,666)</u>
TOTAL NET POSITION	<u>\$ 14,449,012</u>	<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, 2018

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Operating revenues			
Fixed route income	\$ 744,891	\$ 674,347	\$ (70,544)
Demand response income	120,434	146,915	26,481
Brokerage service income	9,132,937	10,187,491	1,054,554
Total operating revenues	<u>9,998,262</u>	<u>11,008,753</u>	<u>1,010,491</u>
Operating expenses			
Fixed route service	4,792,315	4,717,968	74,347
Demand response service	939,191	985,824	(46,633)
Brokerage service	8,930,897	9,853,991	(923,094)
Other operating expenses	273,748	273,748	---
Administrative salaries, taxes and fringe benefits	485,639	541,464	(55,825)
Administrative expenses	276,440	259,244	17,196
Reimbursable depreciation	---	51,413	(51,413)
Total operating expenses	<u>15,698,230</u>	<u>16,683,652</u>	<u>(985,422)</u>
Operating income (loss)	<u>(5,699,968)</u>	<u>(5,674,899)</u>	<u>25,069</u>
Non-operating revenues (expenses)			
Government operating assistance			
Federal	1,826,926	1,777,235	(49,691)
Massachusetts	2,620,385	2,505,101	(115,284)
Member communities	927,733	927,733	---
Other federal and state assistance	273,748	273,748	---
Advertising income	40,000	63,649	23,649
Rental income	38,226	38,229	3
Other income	40,000	93,299	53,299
Interest income	11,700	12,827	1,127
Interest expense	(78,750)	(46,582)	32,168
Total non-operating revenues (expenses)	<u>5,699,968</u>	<u>5,645,239</u>	<u>(54,729)</u>
Income (loss) before capital contributions and other items	<u>\$ ---</u>	(29,660)	<u>\$ (29,660)</u>
Capital contributions		1,682,189	
Nonreimbursable depreciation		<u>(1,544,752)</u>	
CHANGE IN NET POSITION		107,777	
Net position, beginning		<u>14,341,235</u>	
NET POSITION, ENDING		<u>\$ 14,449,012</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

	<u>Budget</u>	<u>Actual</u>	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	858,287	876,831	(18,544)
Brokerage service	8,164,578	8,841,027	(676,449)
Other operating expense	182,438	182,438	---
Administrative salaries, taxes and fringe benefits	433,290	516,844	(83,554)
Administrative expenses	296,309	257,773	38,536
Reimbursable depreciation	---	50,723	(50,723)
Total operating expenses	<u>14,658,688</u>	<u>15,404,586</u>	<u>(745,898)</u>
Operating income (loss)	<u>(5,329,663)</u>	<u>(5,516,869)</u>	<u>(187,206)</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>5,329,663</u>	<u>5,510,623</u>	<u>180,960</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
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30,

	2018	2017
Cash flows from operating activities:		
Receipts from customers	\$ 11,063,855	\$ 9,577,837
Payments for goods and services	(16,501,674)	(13,948,604)
Payments to employees	(795,954)	(786,845)
Net cash provided (used) by operating activities	(6,233,773)	(5,157,612)
Cash flows from noncapital financing activities:		
Receipts of operating grants	5,483,817	5,424,678
Proceeds from issuing revenue anticipation notes	4,500,000	4,500,000
Repayments of revenue anticipation notes	(4,500,000)	(4,300,000)
Interest paid	(48,669)	(15,633)
Net cash provided (used) by noncapital financing activities	5,435,148	5,609,045
Cash flows from capital and related financing activities:		
Receipts of capital grants	1,682,189	814,149
Payments for capital acquisitions	(1,691,182)	(814,149)
Net cash provided (used) by capital and related financing activities	(8,993)	---
Cash flows from investing activities:		
Interest on savings	12,827	11,307
Net cash provided (used) by investing activities	12,827	11,307
NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS	(794,791)	462,740
Cash and equivalents, beginning	1,096,044	633,304
CASH AND EQUIVALENTS, ENDING	\$ 301,253	\$ 1,096,044
Reconciliation of operating income to net cash provided (used) by operating activities:		
OPERATING LOSS	\$ (5,674,899)	\$ (5,516,869)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:		
Reimbursable depreciation	51,413	50,723
Advertising income	63,649	35,000
Rental income	38,229	30,611
Other income	93,299	47,867
Change in assets and liabilities:		
(Increase) decrease in receivables	(679,210)	31,680
(Increase) decrease in prepaid expenses	119,802	66,142
Increase (decrease) in accounts payable and other liabilities	(186,320)	132,486
Increase (decrease) in accrued payroll and related liabilities	4,833	(476)
Increase (decrease) in unearned revenue	(98,643)	(45,330)
Increase (decrease) in net pension liability	34,074	10,554
Net cash provided (used) by operating activities	\$ (6,233,773)	\$ (5,157,612)

See notes to financial statements.

BERKSHIRE REGIONAL TRANSIT AUTHORITY**NOTES TO FINANCIAL STATEMENTS****June 30, 2018 and 2017****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, New Ashford, 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, 2018, the Authority's reserve balance was \$181,021.

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 8, 2018, 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-five percent (75%) of BTM employees and ninety-eight (98%) of PMB 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, 2021. PMB's labor agreement with the Union was effective through June 30, 2018. As of the September 8, 2018, PMB was still in negotiations with the Union.

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, 2018, were \$1,811,406. Uninsured bank deposits as of June 30, 2018, were \$-0-.

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

	<u>2018</u>	<u>2017</u>
Federal		
Operating assistance	\$ 1,830,103	\$ 1,752,842
Capital assistance	<u>392,310</u>	<u>11,500</u>
Total federal	<u>2,222,413</u>	<u>1,764,342</u>
Massachusetts		
Operating assistance	4,284	1,490
Capital assistance	303,883	76,853
Brokerage services	<u>1,668,403</u>	<u>1,647,796</u>
Total Massachusetts	<u>1,976,570</u>	<u>1,726,139</u>
Member communities		
Operating assistance for current year expenditures	927,733	905,105
Operating assistance for prior year expenditures	<u>253,434</u>	<u>229,645</u>
Total member communities	<u>1,181,167</u>	<u>1,134,750</u>
Other receivables	<u>36,469</u>	<u>112,178</u>
Total receivables	<u>\$ 5,416,619</u>	<u>\$ 4,737,409</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, 2018 and 2017 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:

	2018			Ending Balance
	Beginning Balance	Increases	Decreases	
Capital assets, not being depreciated:				
Land	\$ 61,628	\$ ---	\$ ---	\$ 61,628
Total capital assets, not being depreciated	<u>61,628</u>	<u>---</u>	<u>---</u>	<u>61,628</u>
Capital assets, being depreciated:				
Buildings	15,059,561	79,613	(56,895)	15,082,279
Revenue equipment	10,353,121	1,611,569	(1,344,190)	10,620,500
Office equipment and furniture	213,535	---	---	213,535
Service vehicles	475,853	---	(135,936)	339,917
Total capital assets, being depreciated	<u>26,102,070</u>	<u>1,691,182</u>	<u>(1,537,021)</u>	<u>26,256,231</u>
Less accumulated depreciation for:				
Buildings	5,894,091	419,188	(56,895)	6,256,384
Revenue equipment	5,795,375	1,111,538	(1,344,190)	5,562,723
Office equipment and furniture	194,568	10,798	---	205,366
Service vehicles	284,771	54,641	(135,936)	203,476
Total accumulated depreciation	<u>12,168,805</u>	<u>1,596,165</u>	<u>(1,537,021)</u>	<u>12,227,949</u>
Total capital assets, being depreciated, net	<u>13,933,265</u>	<u>95,017</u>	<u>---</u>	<u>14,028,282</u>
Capital assets, net	<u>\$ 13,994,893</u>	<u>\$ 95,017</u>	<u>\$ ---</u>	<u>\$ 14,089,910</u>

NOTE 5 - (Continued)

	2017			Ending Balance
	Beginning Balance	Increases	Decreases	
Capital assets, not being depreciated:				
Land	\$ 61,628	\$ ---	\$ ---	\$ 61,628
Construction in process	---	---	---	---
Total capital assets, not being depreciated	<u>61,628</u>	<u>---</u>	<u>---</u>	<u>61,628</u>
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	<u>426,957</u>	<u>48,896</u>	<u>---</u>	<u>475,853</u>
Total capital assets, being depreciated	<u>25,354,481</u>	<u>814,149</u>	<u>(66,560)</u>	<u>26,102,070</u>
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	<u>191,366</u>	<u>93,405</u>	<u>---</u>	<u>284,771</u>
Total accumulated depreciation	<u>10,640,753</u>	<u>1,594,612</u>	<u>(66,560)</u>	<u>12,168,805</u>
Total capital assets, being depreciated, net	<u>14,713,728</u>	<u>(780,463)</u>	<u>---</u>	<u>13,933,265</u>
Capital assets, net	<u>\$ 14,775,356</u>	<u>\$ (780,463)</u>	<u>\$ ---</u>	<u>\$ 13,994,893</u>

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

	2018	2017
2.00% Revenue anticipation note due September 21, 2018	\$ 4,500,000	
1.50% Revenue anticipation note due September 22, 2017		\$ 4,500,000
Total	<u>\$ 4,500,000</u>	<u>\$ 4,500,000</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:

	2018				
	Invested in capital assets, net of debt	Restricted Reserve	Restricted Working Capital	Unrestricted	Total
Net income (loss)				\$ (29,660)	\$ (29,660)
Reimbursable depreciation	\$ (51,413)			51,413	---
Nonreimbursable depreciation	(1,544,752)				(1,544,752)
Capital contributions	1,682,189				1,682,189
Increase in reserve for extraordinary expenses		\$ 4,414		(4,414)	---
Increase (decrease) in net position	86,024	4,414	---	17,339	107,777
Net position, beginning	13,949,478	176,607	737,816	(522,666)	14,341,235
Net position, ending	<u>\$ 14,035,502</u>	<u>\$ 181,021</u>	<u>\$ 737,816</u>	<u>\$ (505,327)</u>	<u>\$ 14,449,012</u>
	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>

NOTE 8 - TRANSPORTATION CONTRACTS CONSISTED OF THE FOLLOWING AT JUNE 30, 2018:

- 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 \$203,816.
- 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. 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 \$445,407 during fiscal year 2018 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. New members of the Plan become 100% vested over a five-year period. 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, 2018 with a measurement date of June 30, 2018.

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:

	2018	2017
Active employees	13	13
Inactive employees entitled to but not yet receiving benefits	2	1
Inactive employees (or beneficiaries)	---	---
Total	<u>15</u>	<u>14</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, 2018, the Authority's average contribution rate was 19.79% of annual payroll (22.20% for fiscal year ending June 30, 2017).

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

The total pension liability in the June 30, 2018 and 2017 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 2018 and 2017 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 2018 and 2017 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 2018 and 2017 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, 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	<u>231,835</u>	<u>129,626</u>	<u>102,209</u>
Balances at June 30, 2017	<u>1,023,539</u>	<u>400,181</u>	<u>623,358</u>
Changes for the year:			
Service cost	99,853		99,853
Interest	58,458		58,458
Changes in benefit terms	---		---
Changes of assumptions	44,668		44,668
Differences between actual and expected experience	(17,135)		(17,135)
Contributions - employer		108,522	(108,522)
Net investment income		26,692	(26,692)
Benefit payments, including refunds of member contributions	(91,535)	(91,535)	---
Administrative expense		---	---
Net changes	<u>94,309</u>	<u>43,679</u>	<u>50,630</u>
Balances at June 30, 2018	<u>\$ 1,117,848</u>	<u>\$ 443,860</u>	<u>\$ 673,988</u>

NOTE 10 - (Continued)**Sensitivity of the Net Pension Liability to Changes in the Discount Rate**

The following presents the net pension liability, calculated using the discount rate of 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, 2018	\$ 866,052	\$ 673,988	\$ 516,854
Plan net pension liability as of June 30, 2017	\$ 799,529	\$ 623,358	\$ 478,393

Pension Expense and Deferred Inflows and Outflows of Resources

For the year ended June 30, 2018, the Transit Authority recognized pension expense of \$164,427 (\$154,921 for the year ended June 30, 2017). At June 30, 2018, the Transit Authority reported deferred outflows and deferred inflows of resources related to pensions from the following sources:

	2018		2017	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 102,638	\$ 81,967	\$ 108,926	\$ 70,182
Changes in assumptions	45,450	---	3,542	---
Net difference between projected and actual earnings on pension plan investments	5,942	5,538	8,480	797
Total	<u>\$ 154,030</u>	<u>\$ 87,505</u>	<u>\$ 120,948</u>	<u>\$ 70,979</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:

	2018	2017
Year ended June 30:		
2018		\$ 4,398
2019	\$ 4,626	4,400
2020	3,785	3,559
2021	4,052	3,826
2022	2,353	2,125
2023	3,603	3,662
Thereafter	48,106	27,999
Total deferred outflows (inflows)	<u>\$ 66,525</u>	<u>\$ 49,969</u>

Payable to Pension Plan

At June 30, 2018 and 2017, the Authority reported a payable of \$-0- for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2018 and 2017.

NOTE 11 - COMMITMENTS AND CONTINGENT LIABILITIES*Fiscal year 2019 budget*

For the fiscal year 2019, the Authority has approved an operating budget of \$16,777,607, 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, 2018

	BRTA Pension Plan (see also Note 10) Plan Year End June 30,			
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total pension liability				
Service cost	\$ 99,853	\$ 99,716	\$ 96,120	\$ 87,751
Interest	58,458	44,571	36,117	48,941
Changes in benefit terms	---	---	---	---
Changes of assumptions	44,668	2,129	1,716	---
Differences between expected and actual experience	(17,135)	85,419	31,541	(83,295)
Benefit payment, including refunds of employee contributions	(91,535)	---	---	(212,166)
Net change in total pension liability	94,309	231,835	165,494	(158,769)
Total pension liability, beginning	1,023,539	791,704	626,210	784,979
Total pension liability, ending (a)	<u>\$ 1,117,848</u>	<u>\$ 1,023,539</u>	<u>\$ 791,704</u>	<u>\$ 626,210</u>
Plan fiduciary net position				
Contributions - employer	\$ 108,522	\$ 121,564	\$ 57,800	\$ 60,070
Net investment income	26,692	8,062	12,771	9,280
Benefit payments, including refunds of employee contributions	(91,535)	---	---	(212,166)
Administrative expense	---	---	---	(2,593)
Net change in plan fiduciary net position	43,679	129,626	70,571	(145,409)
Plan fiduciary net position, beginning	400,181	270,555	199,984	345,393
Plan fiduciary net position, ending (b)	<u>\$ 443,860</u>	<u>\$ 400,181</u>	<u>\$ 270,555</u>	<u>\$ 199,984</u>
Net pension liability (a) - (b)	<u>\$ 673,988</u>	<u>\$ 623,358</u>	<u>\$ 521,149</u>	<u>\$ 426,226</u>
Plan fiduciary net position as a percentage of the total pension liability	39.71%	39.10%	34.17%	31.94%
Covered employee payroll	\$ 548,422	\$ 547,603	\$ 527,190	\$ 442,959
Net pension liability as a percentage of covered employee payroll	122.90%	113.83%	98.85%	96.22%

See independent auditors' report.

BERKSHIRE REGIONAL TRANSIT AUTHORITY
SCHEDULE OF PENSION CONTRIBUTIONS
REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2018

	BRTA Pension Plan (see also Note 10) Plan Year End June 30,			
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contribution	\$ 161,694	\$ 156,912	\$ 143,938	\$ 126,859
Contributions in relation to the actuarially determined contribution	<u>108,522</u>	<u>121,564</u>	<u>57,800</u>	<u>60,070</u>
Contribution deficiency (excess)	<u>\$ 53,172</u>	<u>\$ 35,348</u>	<u>\$ 86,138</u>	<u>\$ 66,789</u>
Covered employee payroll	\$ 548,422	\$ 547,603	\$ 527,190	\$ 442,959
Contribution as a percentage of covered Employee payroll	19.79%	22.20%	10.96%	13.56%

Notes to Schedule

Valuation date:

Actuarially determined contribution rates are calculated as of June 30, 2018.

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, 2018 and for future periods
Salary increases:	2.00% annually as of June 30, 2018 and for future periods
Investment rate of return:	5.00%, net of pension plan investment expense, including inflation

Last 10 years: Only plan years 2015 to 2018 available

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

SUPPLEMENTARY INFORMATION

For Years Ended June 30,

	2018	2017
Total operating expenses	\$ 16,683,652	\$ 15,404,586
Eliminate GASB 68 (increase) reduction to pension expense	(34,074)	(10,554)
Interest expense	46,582	38,840
Total eligible expenses	16,696,160	15,432,872
Revenues applied to eligible expenses:		
Fixed route income	674,347	701,078
Demand response income	146,915	134,650
Brokerage service income	10,187,491	9,051,989
Other assistance	273,748	182,438
Advertising income	63,649	35,000
Rental income	38,229	30,611
Other income	93,299	47,867
Interest income	12,827	11,307
Total revenues applied to eligible expenses	11,490,505	10,194,940
Net operating expenses eligible under Sections 5307, 5311, 5316 and 5317	5,205,655	5,237,932
Federal participation in eligible expenses	x 50%	x 50%
Maximum federal operating assistance allowed	\$ 2,602,828	\$ 2,618,966
Sections 5307, 5311, 5316 and 5317 operating assistance sought (amount of maximum funding above or less)	\$ 1,777,235	\$ 1,782,181

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.

BERKSHIRE REGIONAL TRANSIT AUTHORITY

STATEMENT OF NET COST OF SERVICE

SUPPLEMENTARY INFORMATION

For the Years Ended June 30,

	Total Service Area 2018	Total Service Area 2017
Operating costs		
Administrative costs	\$ 852,121	\$ 825,340
Purchased services		
Fixed route service	4,717,968	4,678,950
Demand response service	985,824	876,831
Brokerage service	9,853,991	8,841,027
Other operating expenses	273,748	182,438
Debt service	46,582	38,840
Eliminate GASB 68 (increase) reduction to pension expense	<u>(34,074)</u>	<u>(10,554)</u>
Total operating costs	<u>16,696,160</u>	<u>15,432,872</u>
Operating assistance and revenues		
Other operating and administrative assistance	<u>2,050,983</u>	<u>1,964,619</u>
Revenues		
Local revenues		
Fixed route income	674,347	701,078
Demand response income	146,915	134,650
Brokerage service income	10,187,491	9,051,989
Advertising income	63,649	35,000
Rental income	38,229	30,611
Other income	93,299	47,867
Interest income	<u>12,827</u>	<u>11,307</u>
Total local revenues	<u>11,216,757</u>	<u>10,012,502</u>
Total operating assistance and revenues	<u>13,267,740</u>	<u>11,977,121</u>
Net operating deficit	3,428,420	3,455,751
Increase in reserve for extraordinary expenses	<u>4,414</u>	<u>4,308</u>
Net cost of service	<u>\$ 3,432,834</u>	<u>\$ 3,460,059</u>
Net cost of service funding		
Local assessments	\$ 927,733	\$ 905,105
State contract assistance	<u>2,505,101</u>	<u>2,554,954</u>
Total funding	<u>\$ 3,432,834</u>	<u>\$ 3,460,059</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.



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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, 2018, 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 8, 2018.

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 8, 2018

BERKSHIRE REGIONAL TRANSIT AUTHORITY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDING

June 30, 2018

Prior Year Finding 2017-001: Lack of controls over procurement at Berkshire Transit Management, Inc.

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

Prior Year Condition

During our audit of fiscal year 2017, 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 in accordance with Federal law, which requires sealed bids (formal advertising) on purchases in excess of \$150,000.

Prior Year Recommendation

We recommended 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.
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.

Current Status

The Authority has and continues the process of updating its procurement manual to include current Federal rules and regulations. The Deputy Administrator has been appointed as the Chief Procurement officer, including procurement conducted at BTM. Procurement files are maintained in a central location and filed by year and by purchase. The Authority and BTM now uses the pre-qualification method for its procurement of fuel.