

**BERKSHIRE REGIONAL TRANSIT AUTHORITY**  
**(A Component Unit of the Massachusetts**  
**Department of Transportation)**

**Financial Statements and**  
**Supplementary Information**

**June 30, 2019 and 2018**

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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, 2019 and 2018, 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 Berkshire Regional Transit Authority as of June 30, 2019 and 2018, 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 Change 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 August 28, 2019, 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

August 28, 2019

**BERKSHIRE REGIONAL TRANSIT AUTHORITY**  
**(A Component Unit of the Massachusetts Department of Transportation)**

**Management's Discussion and Analysis**

**For the Fiscal Year Ended June 30, 2019**

The Berkshire Regional Transit Authority's (the Authority) management discussion and analysis for the fiscal year ended June 30, 2019 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, 2019 by \$13,443,680.
- The Authority's total net position had a net decrease of \$(1,005,332) from fiscal year 2018, mainly due to contributed capital assets of \$606,877, current year non-reimbursable depreciation on capital assets of \$(1,595,692), an increase in the Authority's reserve of \$4,526 as allowed under M.G.L. 161B Section 6(q), and an increase in the Authority's net pension liability and related deferred outflows and inflows of resources of \$(21,043).
- Operating revenues increased \$678,476 or 6.2% from fiscal year 2018.
- Operating expenses increased \$708,273 or 4.2% from fiscal year 2018.
- The Authority expended \$607,253 on capital assets, of which \$606,877 was contributed by the federal and state government.
- Paratransit members of the International Brotherhood of Teamsters, Local 404 Union, were on strike from December 3, 2018 through December 19, 2018. This had a negative effect on both paratransit and fixed route revenue and ridership.
- 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 and paratransit operators. The Authority uses these capital assets and working capital held by the fixed route and paratransit operators 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.

**BERKSHIRE REGIONAL TRANSIT AUTHORITY**  
**(A Component Unit of the Massachusetts Department of Transportation)**

**Management's Discussion and Analysis**

**For the Fiscal Year Ended June 30, 2019**

The Authority currently has no capital lease obligations or capital debt. Net position also consists of a restricted reserve for extraordinary expenses as allowed by Massachusetts General Laws Chapter 161B Section 6(q). Unfunded deficits are reported as unrestricted net position.

The Statement of Revenues, Expenses and Changes in Fund Net Position report the results of both operating and non-operating activities. 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**

	<u>6/30/2019</u>	<u>6/30/2018</u>	<u>Change</u>
Total current assets	\$ 6,988,129	\$ 6,569,018	\$ 419,111
Property and equipment, net	13,066,313	14,089,910	(1,023,597)
Deferred outflows related to pensions	<u>142,900</u>	<u>154,030</u>	<u>(11,130)</u>
Total assets and deferred outflows of resources	<u>20,197,342</u>	<u>20,812,958</u>	<u>(615,616)</u>
Accounts payable and other accrued liabilities	1,232,256	1,102,453	129,803
Note payable	4,750,000	4,500,000	250,000
Net pension liability	685,283	673,988	11,295
Deferred inflows of resources related to pensions	<u>86,123</u>	<u>87,505</u>	<u>(1,382)</u>
Total liabilities and deferred inflows of resources	<u>6,753,662</u>	<u>6,363,946</u>	<u>389,716</u>
Investment in capital assets, net of related debt	13,066,313	14,035,502	(969,189)
Restricted			
Reserve	185,547	181,021	4,526
Working capital held by fixed route and paratransit operators	797,816	737,816	60,000
Unrestricted	<u>(605,996)</u>	<u>(505,327)</u>	<u>(100,669)</u>
Total net position	<u>\$ 13,443,680</u>	<u>\$ 14,449,012</u>	<u>\$ (1,005,332)</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>6/30/2019</u>	<u>6/30/2018</u>	<u>Change</u>
Restricted net position			
Accumulated reserve established under Massachusetts			
General Laws for extraordinary expenses	\$ 185,547	\$ 181,021	\$ 4,526
Working capital held by fixed route and paratransit operators	<u>797,816</u>	<u>737,816</u>	<u>60,000</u>
Total	<u>\$ 983,363</u>	<u>\$ 918,837</u>	<u>\$ 64,526</u>

**BERKSHIRE REGIONAL TRANSIT AUTHORITY**  
**(A Component Unit of the Massachusetts Department of Transportation)**

**Management's Discussion and Analysis**

**For the Fiscal Year Ended June 30, 2019**

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

	<u>6/30/2019</u>	<u>6/30/2018</u>	<u>Change</u>
Total operating revenues	\$ 11,687,229	\$ 11,008,753	\$ 678,476
Total operating expenses	<u>17,391,925</u>	<u>16,683,652</u>	<u>708,273</u>
Operating income (loss)	(5,704,696)	(5,674,899)	(29,797)
 Total non-operating revenues (expenses)	 <u>5,688,179</u>	 <u>5,645,239</u>	 <u>42,940</u>
 Income (loss) before capital contributions and other items	 (16,517)	 (29,660)	 13,143
 Capital contributions	 606,877	 1,682,189	 (1,075,312)
Nonreimbursable depreciation	<u>(1,595,692)</u>	<u>(1,544,752)</u>	<u>(50,940)</u>
 Change in net position	 (1,005,332)	 107,777	 (1,113,109)
 Net position, beginning	 <u>14,449,012</u>	 <u>14,341,235</u>	 <u>107,777</u>
 Net position, ending	 <u>\$ 13,443,680</u>	 <u>\$ 14,449,012</u>	 <u>\$ (1,005,332)</u>

Operating revenues increased \$678,476 or 6.2% from the prior year. This net increase is attributable to an increase of \$720,807 in brokerage service income mainly due an increase in trip volume and the brokerage administration fee; a decrease in fixed route income of \$(6,675) due to a decrease in trip volume; and a decrease of \$(35,656) in demand response income due to the decrease in premium trips.

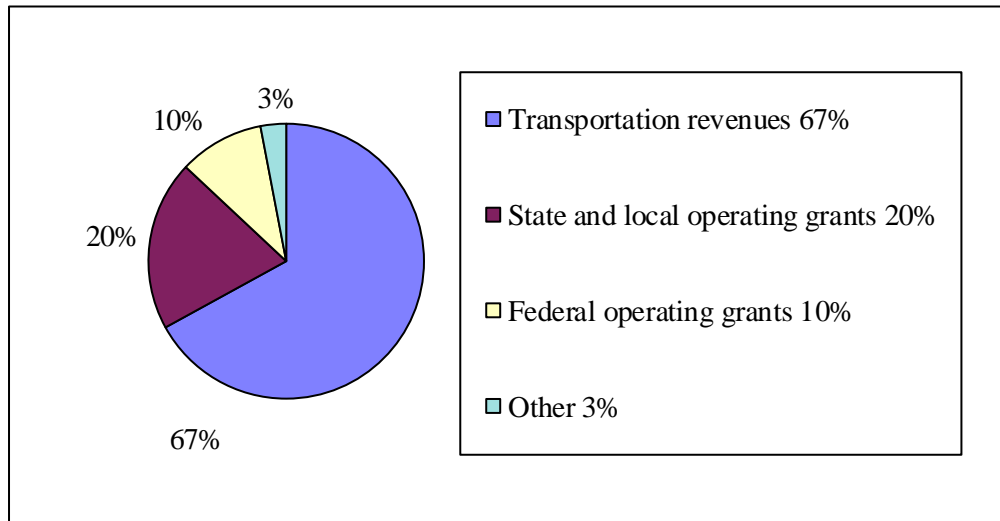
Operating expenses increased \$708,273 or 4.2% from the prior year. This is attributable to an increase in brokerage service expenses of \$686,362 mainly due increased trip volume; an increase in fixed route service expenses of \$62,696 mainly due to additional purchases of maintenance items; an increase in demand response service of \$12,250 due to increased contract costs; and a decrease in administrative and other operating expenses of \$(53,035), mainly due to a decrease in the GASB adjustment for pension expense, decrease in audit and consulting fees, restructured telephone contracts and reduced travel expenses.

**BERKSHIRE REGIONAL TRANSIT AUTHORITY**  
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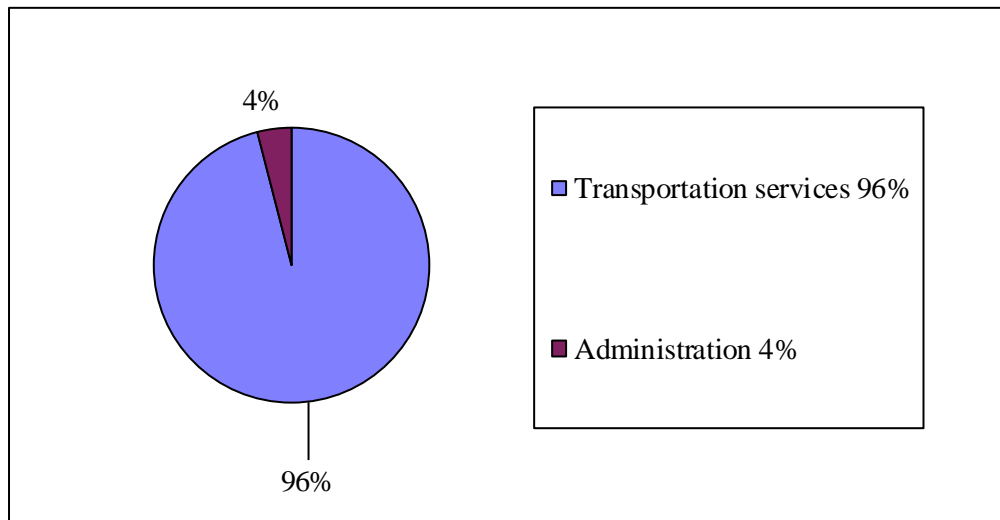
**Management's Discussion and Analysis**

**For the Fiscal Year Ended June 30, 2019**

Total Operating and Non-operating  
Revenues of \$17,458,162 by Source



Total Operating and Non-operating  
Expenses of \$17,474,679 by Source



**BERKSHIRE REGIONAL TRANSIT AUTHORITY**  
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**Management's Discussion and Analysis**

**For the Fiscal Year Ended June 30, 2019**

**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 \$516,741 and brokerage service expenses were over budget by \$338,349 because of increased trip volume.
- Fixed route service income was under budget by \$45,000 mainly due to decreased trip volume due to the operator strike in December 2018. The fixed route service expense was over budget by \$46,117 due to increased costs with running an additional pilot route.
- Demand response income was under budget by \$22,053 primarily due to a decrease in premium trip volume and the impact of the operator strike in December 2018. Demand response expense was under budget by \$9,025 primarily due to maintenance and fuel costs not expended during the strike.
- Administrative salaries, taxes and fringe benefits were over budget by \$29,799 primarily due to payroll for Peter Pan and Greyhound of \$13,813 which is not budgeted and offset by miscellaneous income; lower than expected unemployment insurance costs, and an increase in the Authority's net pension liability and deferred outflows and inflows of resources of \$21,043, which is a non-reimbursable cost at this time.
- Administrative expenses were under budget \$17,574 due to lower than expected utility costs and cost cutting measures.

**Capital Asset and Debt Administration**

*Capital assets*

The Authority's net decrease in capital assets during the year ending June 30, 2019 was \$1,023,597. The Authority primarily acquires its capital assets under federal and state capital grants. During fiscal year 2019, the Authority acquired revenue vehicles and made improvements to its facilities, which were nearly all covered by capital grants. The details on capital assets totaling \$13,066,313, net of accumulated depreciation, are disclosed in Note 5 of the financial statements.

*Revenue Anticipation Notes*

At the end of fiscal year 2019, the Authority had a revenue anticipation note payable of \$4,750,000 maturing on August 2, 2019 at a rate of 3.00%. On July 31, 2019, the Authority issued a revenue anticipation note payable of \$5,150,000 maturing on July 31, 2020 at a rate of 2.00%. This note provides cash flow until federal and state appropriations are received.

**BERKSHIRE REGIONAL TRANSIT AUTHORITY**  
**(A Component Unit of the Massachusetts Department of Transportation)**

**Management's Discussion and Analysis**

**For the Fiscal Year Ended June 30, 2019**

**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**  
**(A Component Unit of the Massachusetts Department of Transportation)**

**STATEMENTS OF NET POSITION**

**JUNE 30,**

	<u>2019</u>	<u>2018</u>
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>		
Current assets		
Cash and equivalents	\$ 1,119,729	\$ 301,253
Receivables, net	5,017,816	5,416,619
Prepaid expenses	52,768	113,330
Working capital held by fixed route and paratransit operators	<u>797,816</u>	<u>737,816</u>
Total current assets	6,988,129	6,569,018
Property and equipment, net	<u>13,066,313</u>	<u>14,089,910</u>
<b>TOTAL ASSETS</b>	<b>20,054,442</b>	<b>20,658,928</b>
Deferred outflows of resources		
Deferred outflows related to pensions	<u>142,900</u>	<u>154,030</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b><u>20,197,342</u></b>	<b><u>20,812,958</u></b>
<b>LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>		
Accounts payable	935,666	808,274
Accrued payroll and related liabilities	19,776	19,173
Unearned revenue	169,130	197,420
Accrued interest	107,684	77,586
Note payable	4,750,000	4,500,000
Net pension liability	<u>685,283</u>	<u>673,988</u>
<b>TOTAL LIABILITIES</b>	<b>6,667,539</b>	<b>6,276,441</b>
Deferred inflows of resources		
Deferred inflows related to pensions	<u>86,123</u>	<u>87,505</u>
<b>TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>	<b><u>6,753,662</u></b>	<b><u>6,363,946</u></b>
<b>NET POSITION</b>		
Invested in capital assets, net of related debt	13,066,313	14,035,502
Restricted		
Reserve	185,547	181,021
Working capital held by fixed route and paratransit operators	797,816	737,816
Unrestricted	<u>(605,996)</u>	<u>(505,327)</u>
<b>TOTAL NET POSITION</b>	<b><u>\$ 13,443,680</u></b>	<b><u>\$ 14,449,012</u></b>

See notes to financial statements.

**BERKSHIRE REGIONAL TRANSIT AUTHORITY**  
**(A Component Unit of the Massachusetts Department of Transportation)**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION**

**For the Year Ended June 30, 2019**

	Budget	Actual	Variance Favorable (Unfavorable)
Operating revenues			
Fixed route income	\$ 712,672	\$ 667,672	\$ (45,000)
Demand response income	133,312	111,259	(22,053)
Brokerage service income	10,391,557	10,908,298	516,741
Total operating revenues	<u>11,237,541</u>	<u>11,687,229</u>	<u>449,688</u>
Operating expenses			
Fixed route service	4,734,547	4,780,664	(46,117)
Demand response service	1,031,029	1,022,004	9,025
Brokerage service	10,293,911	10,632,260	(338,349)
Other operating expenses	270,245	270,245	---
Administrative salaries, taxes and fringe benefits	393,019	422,818	(29,799)
Administrative expenses	246,350	228,776	17,574
Reimbursable depreciation	---	35,158	(35,158)
Total operating expenses	<u>16,969,101</u>	<u>17,391,925</u>	<u>(422,824)</u>
Operating income (loss)	<u>(5,731,560)</u>	<u>(5,704,696)</u>	<u>26,864</u>
Non-operating revenues (expenses)			
Government operating assistance			
Federal	1,936,720	1,794,828	(141,892)
Massachusetts	2,505,101	2,554,954	49,853
Member communities	950,925	950,925	---
Other federal and state assistance	270,245	270,245	---
Advertising income	50,000	50,000	---
Rental income	52,319	56,319	4,000
Other income	33,000	73,116	40,116
Interest income	12,000	20,546	8,546
Interest expense	(78,750)	(82,754)	(4,004)
Total non-operating revenues (expenses)	<u>5,731,560</u>	<u>5,688,179</u>	<u>(43,381)</u>
Income (loss) before capital contributions and other items	<u>\$ ---</u>	(16,517)	<u>\$ (16,517)</u>
Capital contributions		606,877	
Nonreimbursable depreciation		<u>(1,595,692)</u>	
CHANGE IN NET POSITION		(1,005,332)	
Net position, beginning		<u>14,449,012</u>	
NET POSITION, ENDING		<u>\$ 13,443,680</u>	

See notes to financial statements.

**BERKSHIRE REGIONAL TRANSIT AUTHORITY**  
**(A Component Unit of the Massachusetts Department of Transportation)**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION**

**For the Year Ended June 30, 2018**

	Budget	Actual	Variance Favorable (Unfavorable)
Operating revenues			
Fixed route income	\$ 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	963,121	1,009,754	(46,633)
Brokerage service	9,022,804	9,945,898	(923,094)
Other operating expenses	273,748	273,748	---
Administrative salaries, taxes and fringe benefits	369,802	425,627	(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**  
**(A Component Unit of the Massachusetts Department of Transportation)**

**STATEMENTS OF CASH FLOWS**

**FOR THE YEARS ENDED JUNE 30,**

	2019	2018
Cash flows from operating activities:		
Receipts from customers	\$ 11,491,677	\$ 10,988,146
Payments for goods and services	(16,260,403)	(15,691,653)
Payments to employees	(828,783)	(795,954)
Net cash provided (used) by operating activities	<u>(5,597,509)</u>	<u>(5,499,461)</u>
Cash flows from noncapital financing activities:		
Receipts of operating grants	6,198,471	4,749,505
Proceeds from issuing revenue anticipation notes	4,750,000	4,500,000
Repayments of revenue anticipation notes	(4,500,000)	(4,500,000)
Interest paid	(52,656)	(48,669)
Net cash provided (used) by noncapital financing activities	<u>6,395,815</u>	<u>4,700,836</u>
Cash flows from capital and related financing activities:		
Receipts of capital grants	606,877	1,682,189
Payments for capital acquisitions	(607,253)	(1,691,182)
Net cash provided (used) by capital and related financing activities	<u>(376)</u>	<u>(8,993)</u>
Cash flows from investing activities:		
Interest on savings	20,546	12,827
Net cash provided (used) by investing activities	<u>20,546</u>	<u>12,827</u>
NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS	818,476	(794,791)
Cash and equivalents, beginning	<u>301,253</u>	<u>1,096,044</u>
CASH AND EQUIVALENTS, ENDING	<u><u>\$ 1,119,729</u></u>	<u><u>\$ 301,253</u></u>
Reconciliation of operating income to net cash provided (used) by operating activities:		
OPERATING LOSS	\$ (5,704,696)	\$ (5,674,899)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:		
Reimbursable depreciation	35,158	51,413
Advertising income	50,000	63,649
Rental income	56,319	38,229
Other income	73,116	93,299
Change in assets and liabilities:		
(Increase) decrease in receivables	(228,716)	55,102
(Increase) decrease in prepaid expenses	60,562	119,802
(Increase) decrease in working capital held by paratransit operator	(60,000)	---
Increase (decrease) in accounts payable	127,392	(186,320)
Increase (decrease) in accrued payroll and related liabilities	603	4,833
Increase (decrease) in unearned revenue	(28,290)	(98,643)
Increase (decrease) in net pension liability	21,043	34,074
Net cash provided (used) by operating activities	<u><u>\$ (5,597,509)</u></u>	<u><u>\$ (5,499,461)</u></u>

See notes to financial statements.

**BERKSHIRE REGIONAL TRANSIT AUTHORITY**  
**(A Component Unit of the Massachusetts Department of Transportation)**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2019 and 2018**

**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, 2019 and 2018, the Authority's reserve balance was \$185,547 and \$181,021, respectively.

*Unrestricted*

All amounts not included in other spendable classifications.

**Funding and Revenue Recognition**

The Authority realizes revenue from a variety of different sources including but not limited to local assessment revenue, federal and state operating and capital assistance, fare revenue, and non-fare revenue such as advertising and rental income. Revenue is recognized on the accrual basis of accounting.

Federal and state operating and capital assistance grants are recorded at the time eligible expenditures under the terms of the grants are incurred. Reimbursement under these grants is based on expenses incurred during the fiscal year and is subject to certain compliance regulations.

**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.

**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 three 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 August 28, 2019, 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, Inc. (BTM), a division of First Transit, Inc. The contract expires on June 30, 2020.

The Authority has a contract for its ADA/Paratransit services with Paratransit Management of the Berkshires, Inc. (PMB), also a division of First Transit, Inc. The contract expires on June 30, 2020.

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 and PMB's labor agreements with the Union is effective through June 30, 2021.

**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, 2019, were \$2,107,665. Uninsured bank deposits as of June 30, 2019, were \$-0-.

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

	<u>2019</u>	<u>2018</u>
Federal		
Operating assistance	\$ 1,792,469	\$ 1,830,103
Capital assistance	<u>10,460</u>	<u>392,310</u>
Total federal	<u>1,802,929</u>	<u>2,222,413</u>
Massachusetts		
Operating assistance	---	4,284
Capital assistance	52,470	303,883
Brokerage services	<u>1,863,955</u>	<u>1,668,403</u>
Total Massachusetts	<u>1,916,425</u>	<u>1,976,570</u>
Member communities		
Operating assistance for current year expenditures	950,925	927,733
Operating assistance for prior year expenditures	<u>277,904</u>	<u>253,434</u>
Total member communities	<u>1,228,829</u>	<u>1,181,167</u>
Other receivables	<u>69,633</u>	<u>36,469</u>
Total receivables	<u>\$ 5,017,816</u>	<u>\$ 5,416,619</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 AND PARATRANSIT OPERATORS**

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, accounts payable and accrued wages. The value of these assets less liabilities held by BTM as of June 30, 2019 and 2018 was \$737,816 and are reported as working capital held by the fixed route operator in the Authority's financial statements.

Paratransit Management of the Berkshires, Inc. (PMB) is the paratransit operator for the Authority. The assets and liabilities held by PMB are owned by the Authority and consist mainly of cash, prepaid expenses, accounts payable and accrued wages. The value of these assets less liabilities held by PMB as of June 30, 2019 and 2018 was \$60,000 and \$-0-, respectively.

Total working capital held by BTM and PMB as of June 30, 2019 and 2018 was \$797,816 and \$737,816, respectively.

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

	2019		
	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	15,082,279	52,721	(1,082)
Revenue equipment	10,620,500	460,248	(797,040)
Office equipment and furniture	213,535	94,284	---
Service vehicles	339,917	---	---
Total capital assets, being depreciated	26,256,231	607,253	(798,122)
Less accumulated depreciation for:			
Buildings	6,256,384	405,709	(1,082)
Revenue equipment	5,562,723	1,158,542	(797,040)
Office equipment and furniture	205,366	11,958	---
Service vehicles	203,476	54,641	---
Total accumulated depreciation	12,227,949	1,630,850	(798,122)
Total capital assets, being depreciated, net	14,028,282	(1,023,597)	---
Capital assets, net	\$ 14,089,910	\$ (1,023,597)	\$ 13,066,313

**NOTE 5 - (Continued)**

	2018			
	Beginning Balance	Increases	Decreases	Ending Balance
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	<u>475,853</u>	<u>---</u>	<u>(135,936)</u>	<u>339,917</u>
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	<u>284,771</u>	<u>54,641</u>	<u>(135,936)</u>	<u>203,476</u>
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	\$ 13,994,893	\$ 95,017	\$ ---	\$ 14,089,910

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

	2019	2018
3.00% Revenue anticipation note due August 2, 2019	\$ 4,750,000	
2.00% Revenue anticipation note due September 21, 2018		\$ 4,500,000
Total	<u>\$ 4,750,000</u>	<u>\$ 4,500,000</u>

On July 31, 2019, the Authority issued a \$5,150,000 revenue anticipation note maturing on July 31, 2020 at a rate of 2.00%. The Authority repaid the \$4,750,000 note due August 2, 2019.

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:**

	2019				Total
	Invested in capital assets, net of debt	Restricted Reserve	Restricted Working Capital Held by Operators	Unrestricted	
Net income (loss)				\$ (16,517)	\$ (16,517)
Reimbursable depreciation	\$ (35,158)			35,158	---
Nonreimbursable depreciation	(1,595,692)				(1,595,692)
Capital contributions	606,877				606,877
Other changes	54,784			(54,784)	---
Increase in reserve for extraordinary expenses		\$ 4,526		(4,526)	---
Increase working capital held by operator			\$ 60,000	(60,000)	---
Increase (decrease) in net position	(969,189)	4,526	60,000	(100,669)	(1,005,332)
Net position, beginning	14,035,502	181,021	737,816	(505,327)	14,449,012
Net position, ending	<u>\$ 13,066,313</u>	<u>\$ 185,547</u>	<u>\$ 797,816</u>	<u>\$ (605,996)</u>	<u>\$ 13,443,680</u>

	2018				Total
	Invested in capital assets, net of debt	Restricted Reserve	Restricted Working Capital Held by Operators	Unrestricted	
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>

**NOTE 8 - TRANSPORTATION CONTRACTS CONSISTED OF THE FOLLOWING AT JUNE 30, 2019:**

- 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 \$219,107.
- 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. The sale of taxi tickets by the Authority has ended as of July 1, 2019, and redemption of tickets will end on June 30, 2020.
- 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 upon 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 \$454,315 during fiscal year 2019 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, 2019 with a measurement date of June 30, 2019.

### 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

Plan membership consisted of the following at June 30:

	2019	2018
Active plan members	11	13
Inactive plan members entitled to but not yet receiving benefits	---	2
Total	11	15

### 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 of service. 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, 2019, the Authority's average contribution rate was 20.85% of annual payroll (19.79% for fiscal year ending June 30, 2018).

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

The total pension liability in the June 30, 2019 and 2018 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 2019 and 2018 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 2019 and 2018 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:

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

**Discount rate**

The discount rate used to measure the total pension liability for 2019 and 2018 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)
<b>Balances at June 30, 2017</b>	<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>
<b>Balances at June 30, 2018</b>	<u>1,117,848</u>	<u>443,860</u>	<u>673,988</u>
Changes for the year:			
Service cost	95,207		95,207
Interest	61,031		61,031
Changes in benefit terms	---		---
Changes of assumptions	(5,620)		(5,620)
Differences between actual and expected experience	(204)		(204)
Contributions - employer		115,001	(115,001)
Net investment income		24,118	(24,118)
Benefit payments, including refunds of member contributions	(15,111)	(15,111)	---
Administrative expense		---	---
Net changes	<u>135,303</u>	<u>124,008</u>	<u>11,295</u>
<b>Balances at June 30, 2019</b>	<u>\$ 1,253,151</u>	<u>\$ 567,868</u>	<u>\$ 685,283</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, 2019	\$ 888,040	\$ 685,283	\$ 517,738
Plan net pension liability as of June 30, 2018	\$ 866,052	\$ 673,988	\$ 516,854

**Pension Expense and Deferred Inflows and Outflows of Resources**

For the year ended June 30, 2019, the Transit Authority recognized pension expense of \$136,044 (\$164,427 for the year ended June 30, 2018). At June 30, 2019 and 2018, the Transit Authority reported deferred outflows and deferred inflows of resources related to pensions from the following sources:

	2019		2018	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 96,350	\$ 76,809	\$ 102,638	\$ 81,967
Changes in assumptions	42,690	5,293	45,450	---
Net difference between projected and actual earnings on pension plan investments	3,860	4,021	5,942	5,538
Total	<u>\$ 142,900</u>	<u>\$ 86,123</u>	<u>\$ 154,030</u>	<u>\$ 87,505</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:

	2019	2018
Year ended June 30:		
2019		\$ 4,626
2020	\$ 3,655	3,785
2021	3,922	4,052
2022	2,223	2,353
2023	3,475	3,603
2024	3,359	3,925
Thereafter	40,143	44,181
Total	<u>\$ 56,777</u>	<u>\$ 66,525</u>

**Payable to Pension Plan**

At June 30, 2019 and 2018, the Authority reported a payable of \$-0- for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2019 and 2018.

**NOTE 11 - COMMITMENTS AND CONTINGENT LIABILITIES***Fiscal year 2020 budget*

For the fiscal year 2020, the Authority has approved an operating budget of \$17,562,299, 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.

**NOTE 12 - IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS**

The Governmental Accounting Standards Board (GASB) issued Statement No. 83, *Certain Asset Retirement Obligations*, for implementation in fiscal year 2019. This Statement addresses accounting and financial reporting for certain asset retirement obligations (ARO's). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. This statement had no impact on the Authority's financial reporting.

The GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowing and Direct Placements*, for implementation in fiscal year 2019. This Statement requires that all essential information related to debt be disclosed in the notes to the financial statements, including unused lines of credit; assets pledged as collateral for the debt; terms specified in debt agreements related to significant events of default and significant subjective acceleration clauses. The Authority's note payable consists of a Revenue Anticipation Note disclosed in Note 6, which includes all disclosures required by this Statement.

**BERKSHIRE REGIONAL TRANSIT AUTHORITY**  
**(A Component Unit of the Massachusetts Department of Transportation)**

**SCHEDULE OF CHANGE IN NET PENSION LIABILITY AND RELATED RATIOS**

**REQUIRED SUPPLEMENTARY INFORMATION**

**June 30, 2019**

**BRTA Pension Plan**  
**(see also Note 10)**  
**Plan Year End June 30,**

	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
<b>Total pension liability</b>					
Service cost	\$ 95,207	\$ 99,853	\$ 99,716	\$ 96,120	\$ 87,751
Interest	61,031	58,458	44,571	36,117	48,941
Changes in benefit terms	---	---	---	---	---
Changes of assumptions	(5,620)	44,668	2,129	1,716	---
Differences between expected and actual experience	(204)	(17,135)	85,419	31,541	(83,295)
Benefit payment, including refunds of employee contributions	(15,111)	(91,535)	---	---	(212,166)
Net change in total pension liability	135,303	94,309	231,835	165,494	(158,769)
Total pension liability, beginning	1,117,848	1,023,539	791,704	626,210	784,979
<b>Total pension liability, ending (a)</b>	<b>\$ 1,253,151</b>	<b>\$ 1,117,848</b>	<b>\$ 1,023,539</b>	<b>\$ 791,704</b>	<b>\$ 626,210</b>
<b>Plan fiduciary net position</b>					
Contributions - employer	\$ 115,001	\$ 108,522	\$ 121,564	\$ 57,800	\$ 60,070
Net investment income	24,118	26,692	8,062	12,771	9,280
Benefit payments, including refunds of employee contributions	(15,111)	(91,535)	---	---	(212,166)
Administrative expense	---	---	---	---	(2,593)
Net change in plan fiduciary net position	124,008	43,679	129,626	70,571	(145,409)
Plan fiduciary net position, beginning	443,860	400,181	270,555	199,984	345,393
<b>Plan fiduciary net position, ending (b)</b>	<b>\$ 567,868</b>	<b>\$ 443,860</b>	<b>\$ 400,181</b>	<b>\$ 270,555</b>	<b>\$ 199,984</b>
<b>Net pension liability (a) - (b)</b>	<b>\$ 685,283</b>	<b>\$ 673,988</b>	<b>\$ 623,358</b>	<b>\$ 521,149</b>	<b>\$ 426,226</b>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	45.32%	39.71%	39.10%	34.17%	31.94%
<b>Covered employee payroll</b>	\$ 551,610	\$ 548,422	\$ 547,603	\$ 527,190	\$ 442,959
<b>Net pension liability as a percentage of covered employee payroll</b>	124.23%	122.90%	113.83%	98.85%	96.22%

See independent auditors' report.

**BERKSHIRE REGIONAL TRANSIT AUTHORITY**  
**(A Component Unit of the Massachusetts Department of Transportation)**

**SCHEDULE OF PENSION CONTRIBUTIONS**

**REQUIRED SUPPLEMENTARY INFORMATION**

**June 30, 2019**

**BRTA Pension Plan**  
**(see also Note 10)**  
**Plan Year End June 30,**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contribution	\$ 158,085	\$ 161,694	\$ 156,912	\$ 143,938	\$ 126,859
Contributions in relation to the actuarially determined contribution	<u>115,001</u>	<u>108,522</u>	<u>121,564</u>	<u>57,800</u>	<u>60,070</u>
Contribution deficiency (excess)	<u>\$ 43,084</u>	<u>\$ 53,172</u>	<u>\$ 35,348</u>	<u>\$ 86,138</u>	<u>\$ 66,789</u>
Covered employee payroll	\$ 551,610	\$ 548,422	\$ 547,603	\$ 527,190	\$ 442,959
Contribution as a percentage of covered Employee payroll	20.85%	19.79%	22.20%	10.96%	13.56%

**Notes to Schedule**

*Valuation date:*

Actuarially determined contribution rates are calculated as of June 30, 2019.

*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, 2019 and for future periods
Salary increases:	2.00% annually as of June 30, 2019 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 2019 available

See independent auditors' report.

**BERKSHIRE REGIONAL TRANSIT AUTHORITY**  
**(A Component Unit of the Massachusetts Department of Transportation)**

**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,**

	<u>2019</u>	<u>2018</u>
Total operating expenses	\$ 17,391,925	\$ 16,683,652
Eliminate GASB adjustment for increase to pension expense	(21,043)	(34,074)
Interest expense	<u>82,754</u>	<u>46,582</u>
Total eligible expenses	<u>17,453,636</u>	<u>16,696,160</u>
Revenues applied to eligible expenses:		
Fixed route income	667,672	674,347
Demand response income	111,259	146,915
Brokerage service income	10,908,298	10,187,491
Other assistance	270,245	273,748
Advertising income	50,000	63,649
Rental income	56,319	38,229
Other income	73,116	93,299
Interest income	<u>20,546</u>	<u>12,827</u>
Total revenues applied to eligible expenses	<u>12,157,455</u>	<u>11,490,505</u>
Net operating expenses eligible under Sections 5307, 5311, 5316 and 5317	5,296,181	5,205,655
Federal participation in eligible expenses	<u>x 50%</u>	<u>x 50%</u>
Maximum federal operating assistance allowed	<u>\$ 2,648,091</u>	<u>\$ 2,602,828</u>
Sections 5307, 5311, 5316 and 5317 operating assistance sought (amount of maximum funding above or less)	<u>\$ 1,794,828</u>	<u>\$ 1,777,235</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 adjustment for the change in the Authority's net pension liability

See independent auditors' report.

**BERKSHIRE REGIONAL TRANSIT AUTHORITY**  
**(A Component Unit of the Massachusetts Department of Transportation)**

**STATEMENT OF NET COST OF SERVICE**

**SUPPLEMENTARY INFORMATION**

**For the Years Ended June 30,**

	Total Service Area 2019	Total Service Area 2018
Operating costs		
Administrative costs	\$ 686,752	\$ 852,121
Purchased services		
Fixed route service	4,780,664	4,717,968
Demand response service	1,022,004	985,824
Brokerage service	10,632,260	9,853,991
Other operating expenses	270,245	273,748
Debt service	82,754	46,582
Eliminate GASB adjustment for increase to pension expense	(21,043)	(34,074)
Total operating costs	<u>17,453,636</u>	<u>16,696,160</u>
Operating assistance and revenues		
Federal and other operating assistance	<u>2,065,073</u>	<u>2,050,983</u>
Revenues		
Local revenues		
Fixed route income	667,672	674,347
Demand response income	111,259	146,915
Brokerage service income	10,908,298	10,187,491
Advertising income	50,000	63,649
Rental income	56,319	38,229
Other income	73,116	93,299
Interest income	20,546	12,827
Total local revenues	<u>11,887,210</u>	<u>11,216,757</u>
Total operating assistance and revenues	<u>13,952,283</u>	<u>13,267,740</u>
Net operating deficit	3,501,353	3,428,420
Increase in reserve for extraordinary expenses	4,526	4,414
Net cost of service	<u>\$ 3,505,879</u>	<u>\$ 3,432,834</u>
Net cost of service funding		
Local assessments	\$ 950,925	\$ 927,733
State contract assistance	<u>2,554,954</u>	<u>2,505,101</u>
Total funding	<u>\$ 3,505,879</u>	<u>\$ 3,432,834</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 adjustment for the change in the Authority's net pension liability

See independent auditors' report.



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## INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Advisory Board of the  
**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, a component unit of the Massachusetts Department of Transportation, as of and for the year ended June 30, 2019, 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 August 28, 2019.

### 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.

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August 28, 2019