



**Berks Area Regional Transportation Authority**

**Financial Statements and  
Supplementary Information**

**June 30, 2016 and 2015**



# **Berks Area Regional Transportation Authority**

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## Table of Contents

June 30, 2016 and 2015

	<b>Page</b>
<b>INDEPENDENT AUDITOR'S REPORT</b>	1 to 3
<b>MANAGEMENT'S DISCUSSION AND ANALYSIS</b>	4 to 10
<b>FINANCIAL STATEMENTS</b>	
Statement of Net Position	11 and 12
Statement of Revenues, Expenses, and Changes in Net Position	13 and 14
Statement of Cash Flows	15 and 16
Notes to Financial Statements	17 to 42
<b>REQUIRED SUPPLEMENTARY INFORMATION</b>	
Schedule of Changes in Net Pension Liability and Related Ratios	43
Schedule of Pension Contributions - Transit Union Retirement and Disability Plan	44
Schedule of Pension Contributions - Pennsylvania Municipal Retirement System	45
Schedule of Funding Progress - Postemployment Benefits Other than Pension	46



## Independent Auditor's Report

To the Board of Directors  
Berks Area Regional Transportation Authority  
Reading, Pennsylvania

### Report on the Financial Statements

We have audited the accompanying financial statements of the Berks Area Regional Transportation Authority (the Authority) as of and for the years ended June 30, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the 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.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the audit requirements of the Pennsylvania Department of Transportation. 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 auditor's 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.

## **Basis for Qualified Opinion on the 2015 Financial Statements**

For the year ended June 30, 2015, sufficient information was not provided by the Pennsylvania Municipal Retirement System to allow the Authority to fully adopt the provisions of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, an amendment of GASB No. 27, as of June 30, 2015. The effect on the financial statements of this item is not reasonably determinable.

## **Qualified Opinion on the 2015 Financial Statements**

In our opinion, except for the effects of the matter described in the basis for qualified opinion paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the Berks Area Regional Transportation Authority as of June 30, 2015, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Berks Area Regional Transportation Authority as of June 30, 2016, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Required Supplementary Information**

Accounting principles generally accepted in the United States of America, require that the management's discussion and analysis and other required supplementary information on pages 4 to 10 and pages 43 to 46 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the GASB 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 audits 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.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report, dated December 2, 2016, on our consideration of the 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 Authority's internal control over financial reporting and compliance.

RKL LLP

December 2, 2016  
Lancaster, Pennsylvania

## **Berks Area Regional Transportation Authority**

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### Management's Discussion and Analysis

June 30, 2016 and 2015

The following discussion and analysis of the Berks Area Regional Transportation Authority's (BARTA or the Authority) financial performance provides an introduction to the Authority's basic financial statements for the fiscal years ended June 30, 2016 and 2015. Please read it in conjunction with the Authority's financial statements, which begin on page 11.

#### **Authority Activities and Highlights**

- The Authority's net position decreased approximately \$1,521,000 for the year ended June 30, 2016, compared to a decrease of approximately \$1,968,000 and a decrease of approximately \$1,283,000 for the years ended June 30, 2015 and 2014, respectively. These changes were primarily the result of fluctuations in capital grant revenues which are utilized to purchase capital assets (replacement revenue vehicles and building improvements). Capital grant revenues approximated \$2,090,000, \$2,198,000, and \$1,506,000 for the years ended June 30, 2016, 2015, and 2014, respectively.
- The Authority's operating revenues decreased approximately \$1,881,000 or 27.7% for the year ended June 30, 2016. The Authority's operating revenues increased approximately \$298,000 or 4.6% for the year ended June 30, 2015 and decreased by \$102,000 or 1.5% for the year ended June 30, 2014. The increase is primarily the result of an increase in passenger fares. For the years ended June 30, 2016, 2015, and 2014, passenger fares approximated \$100, \$3,213,000, and \$3,151,000, respectively.
- The Authority's operating expenses decreased by approximately \$7,782,000 or 36.7% for the year ended June 30 2016, and increased approximately \$1,796,000 or 9.2% for the year ended June 30, 2015 and decreased approximately \$365,000 or 1.8% for the year ended June 30, 2014. The changes in operations which resulted in eliminating purchased transportation and fuel expense was the primary cause for the decrease in operating expenses.
- The Authority provided 3,134,873 passenger trips during fiscal year 2016, compared to 3,279,541 and 3,445,532 in the fiscal years 2015 and 2014. The decrease approximates 4.4% for 2016 compared to a 4.8% decrease in system ridership for 2015. This included a 4.7% decrease in passengers using the Authority's fixed route system. From 2015 to 2016, passenger trips decreased by 144,668 trips and from 2014 to 2015 passenger trips decreased by 165,991 trips.

#### **Overview of the Financial Statements**

The Authority's basic financial statements include a statement of net position; statement of revenues, expenses, and changes in net position; statement of cash flows; and notes to financial statements. This report also includes other supplementary information in addition to the basic financial statements themselves.

## **Berks Area Regional Transportation Authority**

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### Management's Discussion and Analysis

June 30, 2016 and 2015

#### **Overview of the Financial Statements (continued)**

The Authority's financial statements are prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America promulgated by the Governmental Accounting Standards Board (GASB).

**Statement of Net Position.** The statement of net position presents the financial position of the Authority. It presents information on BARTA's assets and deferred outflows of resources and liabilities and deferred inflows of resources. BARTA's net position is presented as the difference between the Authority's assets and deferred outflows of resources and liabilities and deferred inflows of resources on this report. Increases or decreases in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

**Statement of Revenues, Expenses, and Changes in Net Position.** The statement of revenues, expenses, and changes in net position presents information showing how the Authority's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Revenues are recognized when earned, not when they are received. Expenses are recognized when incurred, not when they are paid. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned, but unused vacation leave).

**Statement of Cash Flows.** The statement of cash flows presents information on the effect changes in assets and liabilities have on cash during the course of the fiscal year.

**Notes to Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to financial statements are included in this report.

**Other Information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Authority's progress in funding its obligation to provide pension and other post employment benefits to its employees.

#### **Financial Analysis**

**Net Position.** As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Authority, assets exceeded liabilities by approximately \$24,533,000, \$26,053,000, and \$28,021,000 as restated as of June 30, 2016, 2015, and 2014, respectively.

## Berks Area Regional Transportation Authority

### Management's Discussion and Analysis

June 30, 2016 and 2015

#### Financial Analysis (continued)

A condensed summary of the Authority's statement of net position is presented below at June 30:

	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b>Assets</b>			
Current assets	\$ 1,200,537	\$ 6,108,999	\$ 7,859,302
Capital assets, net	<u>27,668,199</u>	<u>29,321,092</u>	<u>31,014,403</u>
<b>Total Assets</b>	<u>28,868,736</u>	<u>35,430,091</u>	<u>38,873,705</u>
<b>Deferred Outflow of Resources</b>	<u>862,624</u>	<u>242,861</u>	<u>303,576</u>
<b>Liabilities</b>			
Current and other liabilities	1,019,437	1,029,316	1,039,048
Unearned grant funds	181,103	5,079,683	6,820,254
Postemployment benefit liability	1,075,015	1,022,599	968,453
Net pension liability	<u>2,855,061</u>	<u>2,413,107</u>	<u>2,246,460</u>
<b>Total Liabilities</b>	<u>5,130,616</u>	<u>9,544,705</u>	<u>11,074,215</u>
<b>Deferred Inflow of Resources</b>	<u>68,003</u>	<u>74,803</u>	<u>81,603</u>
<b>Net Position</b>			
Investment in capital assets	27,668,199	29,321,092	31,014,403
Unrestricted net deficit	<u>(3,135,458)</u>	<u>(3,267,648)</u>	<u>(2,992,940)</u>
<b>Total Net Position</b>	<u>\$ 24,532,741</u>	<u>\$ 26,053,444</u>	<u>\$ 28,021,463</u>

By far the largest portion of the Authority's net assets, 112.8%, 112.5%, and 110.7% as of June 30, 2016, 2015, and 2014, respectively, reflects its investment in capital assets (e.g., land, land improvements, buildings and improvements, vehicles and equipment, and furniture and equipment). The Authority receives capital grant funding from federal, state, and local governments to acquire these capital assets. Therefore, certain restrictions are placed on their disposal. The Authority uses these capital assets to provide services to citizens. For this reason, and due to the restrictions placed on the disposal of these capital assets, these assets are not available for future spending.

The remaining deficit of \$3,135,458, \$3,267,648, and \$2,992,940 at June 30, 2016, 2015, and 2014, respectively, represents cumulative losses as a result of the net pension liability recorded on the statement of net position in response to GASB Statement No. 68.



## Berks Area Regional Transportation Authority

### Management's Discussion and Analysis

June 30, 2016 and 2015

#### Financial Analysis (continued)

**Changes in Revenues and Expenses.** A condensed summary of the Authority's statement of revenues, expenses, and changes in net position is presented below for the years ended June 30:

	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b>Operating Revenues</b>			
Passenger fares	\$ 93	\$ 3,212,606	\$ 3,150,604
Government fare programs	-	3,258,476	2,955,526
Other operating revenues	<u>4,915,850</u>	<u>326,024</u>	<u>393,390</u>
<b>Total Operating Revenues</b>	<u>4,915,943</u>	<u>6,797,106</u>	<u>6,499,520</u>
<b>Operating Expenses</b>			
Salaries and payroll taxes	5,413,688	5,639,181	6,113,663
Fringe benefits	3,749,079	4,420,995	3,463,353
Fuel, lubricants, and antifreeze	-	1,830,533	1,749,721
Purchased transportation	-	1,609,120	1,664,538
Depreciation	3,740,918	3,845,990	3,612,120
Other operating expenses	<u>523,990</u>	<u>3,863,979</u>	<u>2,810,785</u>
<b>Total Operating Expenses</b>	<u>13,427,675</u>	<u>21,209,798</u>	<u>19,414,180</u>
<b>Nonoperating Revenues (Expenses)</b>			
Federal government	4,902,529	10,291,994	10,137,689
Interest income	475	-	-
Loss on disposal of equipment	<u>(1,541)</u>	<u>(45,180)</u>	<u>(11,753)</u>
<b>Total Nonoperating Revenues (Expenses)</b>	<u>4,901,463</u>	<u>10,246,814</u>	<u>10,125,936</u>
<b>Capital Grant Funding</b>	<u>2,089,566</u>	<u>2,197,859</u>	<u>1,505,805</u>
<b>Decrease in Net Position</b>	<u>\$ (1,520,703)</u>	<u>\$ (1,968,019)</u>	<u>\$ (1,282,919)</u>

The Authority's source of funds includes both operating and nonoperating revenues. Operating revenues consist primarily of passenger fares and government fare programs, while nonoperating revenues consist of funding from federal, state, and local governments.

## Berks Area Regional Transportation Authority

### Management's Discussion and Analysis

June 30, 2016 and 2015

#### Capital Assets and Debt Administration

##### Capital Assets

The Authority's investment in capital assets includes land and land improvements, construction in progress, buildings and improvements, revenue vehicles and equipment, service vehicles and equipment, shop and garage equipment, furniture and office equipment, and miscellaneous revenue equipment. Capital acquisitions are recorded at cost. Acquisitions are funded by federal, state, and local governmental grants.

The Authority's investment in capital assets as of June 30, 2016, 2015, and 2014, net of accumulated depreciation, amounted to \$27,668,199, \$29,321,092, and \$31,014,403, respectively. These amounts represent a net decrease (including additions, deletions, and depreciation) of \$1,652,893, \$1,693,311, and \$2,118,068 for the years ended June 30, 2016, 2015, and 2014, respectively.

	<b>Capital Assets at June 30</b> <b>(Net of Accumulated Depreciation)</b>		
	<b>2016</b>	<b>2015</b>	<b>2014</b>
Land and land improvements	\$ 577,296	\$ 577,296	\$ 577,296
Construction in progress	-	138,611	-
Buildings and improvements	17,931,033	18,901,850	19,911,561
Revenue vehicles and equipment	7,161,937	7,490,466	9,880,383
Service vehicles and equipment	19,284	39,346	69,344
Shop and garage equipment	208,010	269,280	276,190
Furniture and office equipment	78,521	119,380	154,684
Miscellaneous revenue equipment	1,692,118	1,784,863	144,945
	<b>\$ 27,668,199</b>	<b>\$ 29,321,092</b>	<b>\$ 31,014,403</b>

During the years ended June 30, 2016, 2015, and 2014, the Authority expended approximately \$2,089,600, \$2,197,900, and \$1,505,800, respectively, on capital asset activities.

Additional information related to capital assets can be found in Note 9 to the financial statements.

##### Debt Administration

The Authority had a \$500,000 line of credit. The line was closed on January 9, 2015.

Additional information on the Authority's debt can be found in Note 10 to the financial statements.

## **Berks Area Regional Transportation Authority**

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### Management's Discussion and Analysis

June 30, 2016 and 2015

#### **Economic Factors**

This fiscal year represented the first full year of the merger of the administrative functions between BARTA and the Red Rose Transit Authority (RRTA) with the newly formed South Central Transit Authority (SCTA). With the merger, BARTA only employs the drivers and mechanics necessary to provide the fixed-route service within Berks County while all administrative functions are now performed by SCTA. It should be noted that SCTA is the designated recipient for all new federal and state funds and has direct responsibility for the maintenance of all facilities through a long-term lease agreement with BARTA. All new vehicles purchased for either fixed-route service or shared ride service are now owned by SCTA and leased back to BARTA to operate and maintain. Through the cost savings from the merger and increased operating funds from the state, BARTA added service this fiscal year. The new service was aimed at improving access to jobs by adding Sunday service on eight of the best performing routes in the system that serve high commercial and shopping areas.

For the fiscal year, overall ridership decreased by 4.4% with fixed-route ridership decreasing 4.7% and the shared ride ridership decreasing 0.5%. One of the major reasons for the decrease was due to the blizzard that resulted in over 30" of snow and BARTA having to shut down service for three days, otherwise ridership would have been close to increasing over the prior fiscal year. This had a greater effect on the shared ride service due to the nature of the ridership being mostly elderly and disabled. BARTA continued its efforts to market the fixed-route service, particularly to residents 65 or older that can ride free due to the funding from the state lottery program which did result in a 0.6% increase in senior ridership for fixed-route and a 30.7% increase in shared ride senior ridership. Overall, there were positive signs that ridership is continuing to bounce back from the economic downturn experienced a few years ago.

With the economy improving, SCTA/BARTA took the opportunity to issue the RFP to obtain a tenant for the Franklin Street Station, the former Reading Railroad station across from the BARTA Transportation Center (BTC). While this effort has thus far been unsuccessful, efforts will continue to try to market the use of this station until a more permanent solution is found for its use. The Authority continues to maximize alternative revenue sources through the lease of space at the BTC and advertising revenue on the buses and shelters.

In terms of capital improvements, BARTA received three new hybrid electric buses in October, 2015 that replaced three 2003 Opus buses that were beyond their useful life. Another four new hybrid electric buses are expected to be delivered near the end of October, 2016 to replace the last four of the 2003 Opus buses. For the shared-ride service, vehicle replacements were also completed with seven vans being replaced in Reading during the fiscal year and another 17 ordered at the end of the fiscal year. This will reduce the operating and maintenance costs for this service.

One of the major projects planned in Reading is the expansion of the vehicle storage area at the BARTA operations center. At present only about half of the vehicle fleets, both fixed-route and shared-ride, can be stored inside which has created some issues during the winter with snow removal and vehicle maintenance. SCTA has started to program federal funds for this project and the PADOT is funding the design and engineering for this project.

## **Berks Area Regional Transportation Authority**

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### Management's Discussion and Analysis

June 30, 2016 and 2015

#### **Economic Factors (continued)**

Further, with the continuing decrease in oil prices during the fiscal year, SCTA was able to lock-in fuel purchases for a two year period at \$1.3163 per gallon the first year and \$1.5055 the second year compared to \$2.08 per gallon in FY 15 and \$3.08 in FY 14. For gasoline for the shared ride fleet, the price is \$1.1669 the first year and \$1.3214 the second year compared to \$1.7657 in FY 15 and \$2.7703 in FY 14. This translates into operating savings of nearly \$400,000 for an entire fiscal year. There has also been an effort to increase shared ride fares in order to reduce the financial burden of this service on the operating reserves which has become unsustainable. SCTA is continuing to explore other operating savings from the merger of the systems from parts purchases to health care. BARTA was able to join a public health care consortium that saved over \$160,000 in premiums compared to the fully insured option. Other efforts include the annual review of potential route and schedule changes to improve the efficiency and effectiveness of the fixed-route service.

#### **Contacting the Authority's Financial Management**

This financial report is designed to provide our customers, creditors, and funding agencies with a general overview of the Authority's finances and to show the Authority's accountability for the money it receives. If there are any questions regarding this report, or if additional financial information is required, please contact the Authority's Chief Financial Officer at 45 Erick Road, Lancaster, PA 17601.

# Berks Area Regional Transportation Authority

## Statement of Net Position

	June 30,	
	2016	2015
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 5,804	\$ 6,104
Cash and cash equivalents - restricted	245,266	2,678,987
Investments - restricted	-	1,958,433
Accounts receivable	741,586	91,641
Inventories	45,413	444,456
Prepaid expenses	116,680	204,549
Capital grants receivable	24,157	-
Due from Commonwealth of Pennsylvania	3,462	457,616
Due from County of Berks	18,169	267,213
<b>Total Current Assets</b>	<b>1,200,537</b>	<b>6,108,999</b>
<b>Capital Assets</b>		
Capital assets not being depreciated	577,296	715,907
Capital assets being depreciated, net	27,090,903	28,605,185
<b>Capital Assets, Net</b>	<b>27,668,199</b>	<b>29,321,092</b>
<b>Total Assets</b>	<b>28,868,736</b>	<b>35,430,091</b>
<b>Deferred Outflow of Resources - Pension</b>	<b>862,624</b>	<b>242,861</b>
<b>Total Assets and Deferred Outflow of Resources</b>	<b>29,731,360</b>	<b>35,672,952</b>

**Berks Area Regional Transportation Authority**

## Statement of Net Position (continued)

	June 30,	
	2016	2015
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Accounts payable	180,157	410,910
Accrued expenses		
Wages	168,490	135,561
Vacation wages	335,442	330,695
Professional fees	17,000	10,000
Other	67,757	2,983
Payroll withholdings	73,868	54,399
Due to Commonwealth of Pennsylvania	14,122	14,122
Proceeds from disposal of capital assets	162,601	70,646
Unearned Commonwealth of Pennsylvania Act 49 Funds	181,103	186,075
Unearned Commonwealth of Pennsylvania Act 3 Funds	-	77,703
Unearned Commonwealth of Pennsylvania Act 44 Funds	-	4,815,905
	<hr/>	<hr/>
<b>Total Current Liabilities</b>	<b>1,200,540</b>	<b>6,108,999</b>
<b>Long-Term Liabilities</b>		
Postemployment benefit liability	1,075,015	1,022,599
Net pension liability	2,855,061	2,413,107
	<hr/>	<hr/>
<b>Total Liabilities</b>	<b>5,130,616</b>	<b>9,544,705</b>
<b>Deferred Inflow of Resources - Pension</b>	<hr/> <b>68,003</b>	<hr/> 74,803
<b>Net Position</b>		
<b>Net Position</b>		
Investment in capital assets	27,668,199	29,321,092
Unrestricted net deficit	(3,135,458)	(3,267,648)
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<b>Total Net Position</b>	<b>\$ 24,532,741</b>	<b>\$ 26,053,444</b>
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## Berks Area Regional Transportation Authority

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

	Years Ended June 30,	
	2016	2015
<b>Operating Revenues</b>		
Purchased service revenue	\$ 4,915,435	\$ -
Passenger fares	93	3,212,606
State Medical Assistance Transportation Program	-	1,902,493
State Shared Ride Program	-	994,210
State Welfare to Work Program	-	16,459
State Persons with Disabilities Program Grant	-	38,550
Area Agency on Aging	-	68,614
Mental Health/Intellectual & Developmental Disabilities	-	238,150
Other contract revenue	-	85,472
Advertising income	-	82,605
Other income	415	157,947
<b>Total Operating Revenues</b>	<b>4,915,943</b>	<b>6,797,106</b>
<b>Operating Expenses</b>		
Salaries and wages	5,413,688	5,639,181
Fringe benefits	3,749,079	4,420,995
Services	52,953	1,888,671
Fuel and lubricants	-	1,830,533
Tires and tubes	-	151,423
Other material and supplies	2,291	901,923
Utilities	-	348,226
Casualty and liability	448,214	489,382
Taxes	-	2,081
Purchased transportation	-	1,609,120
Miscellaneous expense	20,532	82,273
Depreciation	3,740,918	3,845,990
<b>Total Operating Expenses</b>	<b>13,427,675</b>	<b>21,209,798</b>
<b>Loss from Operations</b>	<b>(8,511,732)</b>	<b>(14,412,692)</b>
<b>Nonoperating Revenues (Expenses)</b>		
Operating grants		
Federal government	77,772	695,077
Commonwealth of Pennsylvania Act 44 Funds	4,824,757	9,355,133
County of Berks - Act 44 Matching Funds	-	241,784
<b>Total Government Subsidies for Operations</b>	<b>4,902,529</b>	<b>10,291,994</b>
Interest income	475	-
Loss on disposal of capital assets	(1,541)	(45,180)
<b>Total Nonoperating Revenues (Expenses)</b>	<b>4,901,463</b>	<b>10,246,814</b>
<b>Loss Before Capital Grant Funding</b>	<b>(3,610,269)</b>	<b>(4,165,878)</b>

See accompanying notes.

## **Berks Area Regional Transportation Authority**

Statement of Revenues, Expenses, and Changes in Net Position (continued)

	<b>Years Ended June 30,</b>	
	<b>2016</b>	<b>2015</b>
<b>Capital Grant Funding</b>		
Federal government	1,311,011	1,187,370
State government	773,556	1,010,489
Other	4,999	-
<b>Total Capital Grant Funding</b>	<b>2,089,566</b>	<b>2,197,859</b>
<b>Decrease in Net Position</b>	<b>(1,520,703)</b>	<b>(1,968,019)</b>
<b>Net Position at Beginning of Year</b>	<b>26,053,444</b>	<b>28,021,463</b>
<b>Net Position at End of Year</b>	<b>\$ 24,532,741</b>	<b>\$ 26,053,444</b>



# Berks Area Regional Transportation Authority

## Statement of Cash Flows

	Years Ended June 30,	
	2016	2015
<b>Cash Flows from Operating Activities</b>		
Cash received from customers	\$ 4,719,737	\$ 6,278,816
Cash payments to suppliers for goods and services	(4,205,825)	(11,396,407)
Cash payments to employees for services	(5,376,012)	(5,723,394)
Other operating cash receipts	415	243,419
<b>Net Cash Used in Operating Activities</b>	<b>(4,861,685)</b>	<b>(10,597,566)</b>
<b>Cash Flows Provided by Noncapital Financing Activities</b>		
Receipts from operating and planning grants	400,958	8,312,197
<b>Cash Flows from Capital and Related Financing Activities</b>		
Receipts from capital grants	2,060,410	2,200,439
Proceeds from sale of capital assets	96,954	68,473
Purchase of capital assets	(2,089,566)	(2,197,860)
<b>Net Cash Provided by Capital and Related Financing Activities</b>	<b>67,798</b>	<b>71,052</b>
<b>Cash Flows from Investing Activities</b>		
Sale (purchase) of investments	1,958,433	(227,928)
Interest income received	475	-
<b>Net Cash Provided by (Used in) Investing Activities</b>	<b>1,958,908</b>	<b>(227,928)</b>
<b>Net Decrease in Cash and Cash Equivalents</b>	<b>(2,434,021)</b>	<b>(2,442,245)</b>
<b>Cash and Cash Equivalents at Beginning of Year</b>	<b>2,685,091</b>	<b>5,127,336</b>
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$ 251,070</b>	<b>\$ 2,685,091</b>
<b>Cash is Comprised of the Following on the Statement of Net Position</b>		
Cash and cash equivalents	\$ 5,804	\$ 6,104
Cash and cash equivalents - restricted	245,266	2,678,987
	<b>\$ 251,070</b>	<b>\$ 2,685,091</b>

## Berks Area Regional Transportation Authority

### Statement of Cash Flows (continued)

	Years Ended June 30,	
	2016	2015
<b>Reconciliation of Loss from Operations to Net Cash Used in Operating Activities</b>		
Loss from operations	\$ (8,511,732)	\$ (14,412,692)
Adjustments to reconcile loss from operations to net cash used in operating activities		
Depreciation	3,740,918	3,845,990
(Increase) decrease in assets		
Accounts receivable and other receivables	(195,791)	(274,871)
Inventories	399,043	56,086
Net pension liability	441,954	166,647
Prepaid expenses and deposit	87,869	(8,583)
(Increase) decrease in deferred outflow of resources - pension	(619,763)	60,715
Increase (decrease) in liabilities		
Accounts payable and other current liabilities	(249,799)	(78,204)
Postemployment benefit liability	52,416	54,146
Decrease in deferred inflow of resources - pension	(6,800)	(6,800)
<b>Net Cash Used in Operating Activities</b>	<b>\$ (4,861,685)</b>	<b>\$ (10,597,566)</b>

## **Berks Area Regional Transportation Authority**

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### Notes to Financial Statements

June 30, 2016 and 2015

#### **Note 1 - Nature of Activity**

The Berks Area Regional Transportation Authority (the Authority) was organized October 1, 1973 under the laws of the Commonwealth of Pennsylvania in compliance with the Pennsylvania Municipality Authorities Act, for the purpose of providing public transportation within the County of Berks. The Authority is governed by a five-member board appointed by the Berks County Board of Commissioners.

The Authority has two operating divisions; the fixed route division, which provides scheduled bus service on fixed routes and the special services division, which provides demand responsive transportation services in specially equipped vehicles to the general public and to qualifying elderly and handicapped persons.

The Authority is funded through a purchase of service agreement with South Central Transit Authority.

#### **Note 2 - Summary of Significant Accounting Policies**

The accompanying financial statements are in accordance with accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the more significant accounting policies used by the Authority.

##### **The Financial Reporting Entity**

Accounting principles generally accepted in the United States of America require that the reporting entity consists of the primary government and organizations for which the primary government is financially accountable. In addition, the primary government may determine through the exercise of management's professional judgment, that the inclusion of an organization that does not meet the financial accountability criteria is necessary in order to prevent the reporting entity's financial statements from being misleading. In such instances, that organization should be included as a component unit if the nature and significance of their relationship with the primary government or other component units are such that exclusion from the financial reporting entity would render the financial reporting entity's financial statements incomplete or misleading. In evaluating how to define the reporting entity, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made based upon the above criteria. There are no agencies or entities which should be presented with the Authority.

##### **Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenues as soon as eligibility requirements imposed by the provider have been met.

## **Berks Area Regional Transportation Authority**

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### Notes to Financial Statements

June 30, 2016 and 2015

#### **Note 2 - Summary of Significant Accounting Policies (continued)**

##### **Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)**

Operating revenues and expenses are distinguished from nonoperating items in the statement of revenues, expenses, and changes in net position. Operating revenues and expenses generally result from providing services in connection with the Authority's principal ongoing operations. Through June 30, 2015 the principal operating revenues of the Authority are charges to customers for transportation services. Effective July 1, 2015 the Authority leased all of its transportation operations to South Central Transit Authority. Operating expenses include the cost of providing transportation services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. The principal nonoperating revenues of the Authority are operating and capital grants from the federal, state, and local government's interest income, and gained disposal of capital assets. The principal nonoperating expenses of the Authority are interest expense and loss on disposal of capital assets.

When restricted and unrestricted resources are available for its use, it is the Authority's policy to use unrestricted resources for current operating purposes first.

##### **Use of Estimates**

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

##### **Assets, Liabilities, Net Position, Revenues, and Expenses**

###### **Cash and Cash Equivalents**

For purposes of reporting cash flows, the Authority considers all cash and cash equivalent accounts, including accounts subjected to withdrawal restrictions and all highly-liquid debt investments purchased with a maturity of three months or less to be cash and cash equivalents.

###### **Restricted Assets**

Certain proceeds from the Authority's state and local grants are classified as restricted assets on the statement of net position because their use is limited by the grantor.

###### **Accounts Receivable**

All accounts receivable are shown net of an allowance for uncollectibles, as applicable. Accounts receivable in excess of 90 days are evaluated for collectibility and an allowance is established, as deemed necessary, based on the best information available and in an amount that management believes is adequate. Accounts receivable are written off when deemed uncollectible. Recoveries of accounts receivable previously written off are recorded when received. The allowance at June 30, 2016 and 2015 was \$-0-.

## **Berks Area Regional Transportation Authority**

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### Notes to Financial Statements

June 30, 2016 and 2015

#### **Note 2 - Summary of Significant Accounting Policies (continued)**

##### **Assets, Liabilities, Net Position, Revenues, and Expenses (continued)**

###### **Investments**

The Board of Directors is permitted to invest the Authority's funds as defined in the Pennsylvania Municipality Authorities Act. Authorized types of investments include the following:

1. U.S. Treasury bills
2. Short-term obligations of the U.S. Government and Federal agencies
3. Insured savings and checking accounts and certificates of deposit in banks, savings and loan associations, and credit unions
4. General obligation bonds of the federal government, the Commonwealth of Pennsylvania or any state agency, or of any Pennsylvania political subdivision
5. Shares of mutual funds whose investments are restricted to the above categories

When making investments, the Board of Directors can combine monies from more than one fund under the Authority's control for the purchase of a single investment and join with other political subdivisions and municipal authorities in the purchase of a single investment.

Investments are stated at fair value.

###### **Inventories and Prepaid Expenses**

Inventories are valued at the lower of cost or market on a first-in, first-out basis.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses.

###### **Capital Assets**

Capital assets are those assets with a cost in excess of \$800 and purchased under capital grant agreements with an estimated useful life greater than one year. Capital assets are recorded at cost and depreciated utilizing the straight-line method over their estimated useful lives as follows:

Buildings	10 to 30 years
Revenue vehicles and equipment	5 to 10 years
Service vehicles and equipment	5 years
Shop and garage equipment	5 to 10 years
Furniture and office equipment	3 to 10 years
Miscellaneous revenue equipment	5 to 10 years

Maintenance and repairs of capital assets are expensed when incurred. Upon retirement, sale, or other disposition of capital assets, the cost and accumulated depreciation are eliminated.

**Note 2 - Summary of Significant Accounting Policies (continued)**

**Assets, Liabilities, Net Position, Revenues, and Expenses (continued)**

**Capital Assets (continued)**

Upon the sale of capital assets, the proceeds, net of disposal costs, may be required to be returned to the various funding sources that initially funded the acquisition of these items.

**Long-Lived Assets**

Long-lived assets are reviewed for impairment whenever events or circumstances indicate that the carrying amount of the assets may not be recoverable. An asset is considered to be impaired when the undiscounted estimated net cash flows to be generated by the asset are less than the carrying amount. The impairment recognized is the amount by which the carrying amount exceeds the fair value of the impaired asset. Fair value estimates are based on assumptions concerning the amount and timing of estimated future cash flows and discount rates reflecting varying degrees of perceived risk. Management has concluded that no impairment adjustments were required during the years ended June 30, 2016 and 2015.

**Compensated Absences**

The Authority records its obligation to compensate employees for vacation and sick time as the liability is incurred. The liability has been determined according to personnel policies of the Authority.

**Unearned Revenues**

Unearned revenues are those where asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Such amounts are measurable, but are not available.

**Deferred Outflows of Resources and Deferred Inflows of Resources**

A deferred outflow of resources represents a consumption of net position that applies to a future period not recognized as an outflow of resources until that future period. A deferred inflow of resources represents an acquisition of net position that applies to a future period not recognized as an inflow of resources until that future period.

**Net Position**

Net position is classified into three categories as follows:

Investment in capital assets consists of capital assets, net of accumulated depreciation.

Restricted net position is amounts that have externally imposed restrictions on how the funds can be spent.

Unrestricted net position is amounts that do not meet the definitions of "investment in capital assets" or "restricted" and is available for Authority operations.

## **Berks Area Regional Transportation Authority**

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### Notes to Financial Statements

June 30, 2016 and 2015

#### **Note 2 - Summary of Significant Accounting Policies (continued)**

##### **Assets, Liabilities, Net Position, Revenues, and Expenses (continued)**

###### **Capital Grants**

Capital grants are recorded for amounts restricted to capital acquisition. The Authority recognizes capital grants when earned (generally when the related capital expenditure is incurred). Capital grants are reported in the statement of revenues, expenses, and changes in net position after nonoperating revenues.

###### **Advertising Costs**

Advertising costs are expensed as incurred.

###### **Employee Benefits**

The Authority participates in three pension plans covering substantially all employees. Pension plan expense is determined as specified in each plan. The Authority's policy is to fund all required pension costs.

###### **Postemployment Benefits**

The Authority provides for one-half of the health insurance premiums for retired employees for the ages 62 through 64. The Authority funds postemployment benefits as they are incurred.

##### **Recent Accounting Pronouncements**

In June 2015, the GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pensions*. This statement amends and expands certain disclosures and required supplementary information for other postemployment benefit (OPEB) plans. GASB Statement No. 74 is effective for periods beginning after June 15, 2016.

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pensions*. This statement amends and financial accounting and reporting requirements for sponsors (employers) of OPEB plans. GASB Statement No. 75 is effective for periods beginning after June 15, 2017.

In December 2015, the GASB issued Statement No. 79, *Certain External Investment Pools and Pool Participants*. The provisions of this statement permit qualifying external investment pools and pool participants to measure investments at an amortized cost for financial reporting purposes. GASB Statement No. 79 is effective for periods beginning after June 15, 2015.

In March 2016, the GASB issued Statement No. 82, *Pension Issues - an Amendment of GASB Statements No. 67, No. 68, and No. 73*. This statement amends and clarifies certain pension disclosures promulgated by Statements No. 67, 68, and 73. Statement No. 82 is effective for periods beginning after June 15, 2016.

The Authority is currently evaluating what effect the adoption of these GASB statements will have on its financial statements.

## Berks Area Regional Transportation Authority

### Notes to Financial Statements

June 30, 2016 and 2015

#### Note 3 - Budget Matters

The Authority adopts an annual budget, however, it is not required by the Pennsylvania Municipality Authorities Act.

#### Note 4 - Stewardship, Compliance, and Accountability

##### Compliance with Finance-Related Legal and Contractual Provisions

The Authority had no material violations of finance-related legal and contractual provisions.

#### Note 5 - Cash and Cash Equivalents, Deposits, and Investments

The Authority's available cash is invested in demand deposit accounts, money market funds, and obligations of the U.S. Government. The carrying amounts of the cash deposits and investments consist of the following at June 30:

	2016	2015
Cash on hand and petty cash	\$ 5,804	\$ 6,104
Cash and cash equivalents - restricted	245,266	2,678,987
Investments - restricted	-	1,958,433
	<u>\$ 251,070</u>	<u>\$ 4,643,524</u>

The Authority has custodial credit risk on cash deposits. This is the risk that in the event of a bank failure, the Authority's deposits may not be returned. The Authority has a deposit policy for custodial risk that requires depository institutions to pledge securities as collateral for deposits that exceed depository insurance.

At June 30, 2016 and 2015, the carrying amounts of the Authority's cash and cash equivalents deposits were \$245,266 and \$2,678,987, and the bank balances were \$259,075 and \$2,945,028, of which \$9,075 and \$2,645,152, respectively, was exposed to custodial risk, because it was uninsured, but was collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Authority's name. At June 30, 2016 and 2015, \$0- and \$49,876, respectively, was held by a third party broker and is uninsured and uncollateralized and held in a money market fund which invests in securities of federal, state, and local governments. The Authority has \$5,804 and \$6,104 of cash on hand and petty cash at June 30, 2016 and 2015, respectively. Investments held at June 30, 2015 were as follows:

	Investment Maturities (in Years) as of June 30, 2015			
	Cost	Fair Value	Less than One Year	One through Five Years
U.S. Government obligations	\$ 1,007,641	\$ 1,002,323	\$ 157,715	\$ 844,608
U.S. Government agency obligations	963,518	956,110	290,967	665,143
	<u>\$ 1,971,159</u>	<u>\$ 1,958,433</u>	<u>\$ 448,682</u>	<u>\$ 1,509,751</u>



**Note 5 - Cash and Cash Equivalents, Deposits, and Investments (continued)**

**Fair Values of Financial Instruments**

GASB 72, *Fair Value Measurement and Application* defines fair value, establishes a framework for measuring fair value and expands disclosure about fair value measurement. This guidance also emphasizes that fair value is a market-based measurement, not an entity-specific measurement, and sets out a fair value hierarchy with the highest priority being quoted prices in active markets. Under GASB 72, fair value measurements are disclosed by level within that hierarchy.

This guidance requires that assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

Level 1 - Quoted market prices in active markets for those securities.

Level 2 - Observable market based inputs or unobservable inputs that are corroborated by market data.

Level 3 - Unobservable inputs that are not corroborated by market data.

In determining the appropriate level, the Authority performs a detailed analysis of the assets and liabilities that are subject to GASB 72. At each reporting period, all assets and liabilities for which the fair value measurement is based on significant unobservable inputs are classified as Level 3.

The following is a description of the valuation methodology used for investments measured at fair value. There have been no changes in the methodology used during June 30, 2016 and 2015.

Estimated fair values for investment securities are obtained from a third-party and are based on a comparison of the book rate to the market rate at year end.

The method described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future values. Furthermore, while the Authority believes its valuation method is appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

**Interest Rate Risk**

As a means of managing its exposure to fair value losses arising from increasing interest rates, the Authority's investment policy limits the value of investments with maturities greater than one year.

## **Berks Area Regional Transportation Authority**

### Notes to Financial Statements

June 30, 2016 and 2015

#### **Note 5 - Cash and Cash Equivalents, Deposits, and Investments (continued)**

##### **Credit Risk**

The Pennsylvania Municipality Authorities Act limits investments to U.S. Treasury bills, short-term obligations of the U.S. Government and Federal agencies, insured savings and checking accounts and certificates of deposit in banks, savings and loan associations and credit unions, general obligation bonds of the federal government, the Commonwealth of Pennsylvania or any state agency, or any Pennsylvania political subdivision, and shares of mutual funds whose investments are restricted to the above categories. The Authority's investment policy is consistent with these limitations.

##### **Custodial Credit Risk**

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of June 30, 2016 and 2015, \$-0- and \$2,008,309, respectively, was held by the investment's counterparty, not in the name of the Authority.

#### **Note 6 - Cash and Cash Equivalents and Investments - Restricted**

Cash and cash equivalents and investments, whose use is limited to a specific purpose, have been classified as "restricted" in the financial statements. Restricted assets consist of the following at June 30:

	<u>2016</u>	<u>2015</u>
Act 3 funds	\$ -	\$ 77,703
Act 44 funds	-	4,302,996
Act 49 funds	<b>181,103</b>	186,075
Proceeds from disposal of capital assets	<b>64,163</b>	70,646
	<u><b>\$ 245,266</b></u>	<u><b>\$ 4,637,420</b></u>

At June 30, 2016, the Authority had utilized \$98,438 of grant funds on operations and capital projects, which are returned to the restricted account upon receipt of the state share of those projects, which will be passed through the South Central Transit Authority.

#### **Note 7 - Inventories**

The classification of inventories is as follows at June 30:

	<u>2016</u>	<u>2015</u>
Parts and supplies	\$ -	\$ 399,043
Fuel and lubricants	<b>45,413</b>	45,413
	<u><b>\$ 45,413</b></u>	<u><b>\$ 444,456</b></u>

## Berks Area Regional Transportation Authority

### Notes to Financial Statements

June 30, 2016 and 2015

#### Note 8 - Capital Grants Receivable

At June 30, 2016 and 2015, \$24,157 and \$0-, respectively, are due from the Federal Transit Authority.

#### Note 9 - Capital Assets

Capital asset activity was as follows for the years ended June 30, 2016 and 2015:

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016
<b>Capital Assets Not Being Depreciated</b>				
Land	\$ 577,296	\$ -	\$ -	\$ 577,296
Construction in progress	138,611	-	138,611	-
<b>Total Capital Assets Not Being Depreciated</b>	<b>715,907</b>	<b>-</b>	<b>138,611</b>	<b>577,296</b>
<b>Capital Assets Being Depreciated</b>				
Buildings	29,156,808	141,890	-	29,298,698
Revenue vehicles and equipment	22,817,028	1,854,410	2,050,670	22,620,768
Service vehicles and equipment	267,805	-	8,009	259,796
Shop and garage equipment	1,176,882	38,685	5,890	1,209,677
Furniture and office equipment	443,687	14,337	600	457,424
Miscellaneous revenue equipment	2,151,069	178,855	103,431	2,226,493
<b>Total Capital Assets Being Depreciated</b>	<b>56,013,279</b>	<b>2,228,177</b>	<b>2,168,600</b>	<b>56,072,856</b>
<b>Accumulated Depreciation</b>				
Buildings	10,254,960	1,112,705	-	11,367,665
Revenue vehicles and equipment	15,326,562	2,182,941	2,050,672	15,458,831
Service vehicles and equipment	228,460	19,260	7,208	240,512
Shop and garage equipment	907,600	99,957	5,890	1,001,667
Furniture and office equipment	324,304	55,199	600	378,903
Miscellaneous revenue equipment	366,208	270,856	102,689	534,375
<b>Accumulated Depreciation</b>	<b>27,408,094</b>	<b>3,740,918</b>	<b>2,167,059</b>	<b>29,981,953</b>
<b>Capital Assets Being Depreciated, Net</b>	<b>28,605,185</b>	<b>(1,512,741)</b>	<b>1,541</b>	<b>27,090,903</b>
<b>Total Capital Assets</b>	<b>\$ 29,321,092</b>	<b>\$ (1,512,741)</b>	<b>\$ 140,152</b>	<b>\$ 27,668,199</b>

## Berks Area Regional Transportation Authority

### Notes to Financial Statements

June 30, 2016 and 2015

#### Note 9 - Capital Assets (continued)

	<u>Balance July 1, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2015</u>
<b>Capital Assets Not Being Depreciated</b>				
Land	\$ 577,296	\$ -	\$ -	\$ 577,296
Construction in progress	-	138,611	-	138,611
<b>Total Capital Assets Not Being Depreciated</b>	<u>577,296</u>	<u>138,611</u>	<u>-</u>	<u>715,907</u>
<b>Capital Assets Being Depreciated</b>				
Buildings	29,055,867	105,256	4,315	29,156,808
Revenue vehicles and equipment	23,987,472	-	1,170,444	22,817,028
Service vehicles and equipment	290,262	-	22,457	267,805
Shop and garage equipment	1,124,889	97,769	45,776	1,176,882
Furniture and office equipment	537,787	55,206	149,306	443,687
Miscellaneous revenue equipment	1,803,876	1,801,018	1,453,825	2,151,069
<b>Total Capital Assets Being Depreciated</b>	<u>56,800,153</u>	<u>2,059,249</u>	<u>2,846,123</u>	<u>56,013,279</u>
<b>Accumulated Depreciation</b>				
Buildings	9,144,306	1,114,970	4,316	10,254,960
Revenue vehicles and equipment	14,107,089	2,389,916	1,170,443	15,326,562
Service vehicles and equipment	220,918	29,999	22,457	228,460
Shop and garage equipment	848,699	104,676	45,775	907,600
Furniture and office equipment	383,103	81,965	140,764	324,304
Miscellaneous revenue equipment	1,658,931	124,464	1,417,187	366,208
<b>Accumulated Depreciation</b>	<u>26,363,046</u>	<u>3,845,990</u>	<u>2,800,942</u>	<u>27,408,094</u>
<b>Capital Assets Being Depreciated, Net</b>	<u>30,437,107</u>	<u>(1,786,741)</u>	<u>45,181</u>	<u>28,605,185</u>
<b>Total Capital Assets</b>	<u>\$ 31,014,403</u>	<u>\$ (1,648,130)</u>	<u>\$ 45,181</u>	<u>\$ 29,321,092</u>

## **Berks Area Regional Transportation Authority**

### Notes to Financial Statements

June 30, 2016 and 2015

#### **Note 10 - Due To/From Commonwealth of Pennsylvania**

The amounts due to/from the Commonwealth of Pennsylvania are for state-funded programs in which the Authority participates. Amounts due to the state are excess funding allowed to be part of the funding of the respective programs in the subsequent year. The programs are as follows:

	<u>2016</u>	<u>2015</u>
<b>Due from Commonwealth of Pennsylvania</b>		
State Welfare to Work Program	\$ -	\$ 2,204
State Persons with Disabilities Program	-	6,366
State Shared Ride Program	-	164,575
State Capital Improvement Program	<u>3,462</u>	<u>284,471</u>
	<u>\$ 3,462</u>	<u>\$ 457,616</u>
<b>Due to Commonwealth of Pennsylvania - Capital Grant</b>	<u>\$ 14,122</u>	<u>\$ 14,122</u>

#### **Note 11 - Due From County of Berks**

At June 30, 2016 and 2015, the amounts due from the County of Berks are \$18,169 and \$267,213, respectively. These amounts are for reimbursement of planning expenses and transportation services under the State Medical Assistance Transportation Program.

#### **Note 12 - Unearned Commonwealth of Pennsylvania Act 49 Funds**

In May 1984, the Pennsylvania Department of Transportation changed its methodology of determining the amount of operating assistance funding. This legislation, Act 49, allowed for an assumed rate of operating revenue which is retained by the Authority and utilized to offset deficits, ineligible expenditures, local share of capital grants, and other capital expenditures. At June 30, 2016 and 2015, the Authority has accumulated \$181,103 and \$186,075, respectively, which is recorded as unearned revenue. Effective July 1, 1987, this legislation was superseded.

#### **Note 13 - Unearned Commonwealth of Pennsylvania Act 3 Base Supplemental Grant Funds**

In April 1997, the Pennsylvania legislature passed a dedicated source of funding for public transportation. This legislation, known as Act 3, provides for the transfer of sales taxes to be collected by the Department of Revenue and passed through the Department of Transportation to transit authorities for both capital and capital asset maintenance costs. Under regulations promulgated by the Department of Transportation, Act 3 Base Supplemental Grant funds may be used for operating deficits, capital asset maintenance and preapproved capital projects. This funding was replaced with Commonwealth of Pennsylvania funding under Act 44 on July 1, 2007. Any funds not used in any given year may be carried over and used for the above purposes.

## **Berks Area Regional Transportation Authority**

### Notes to Financial Statements

June 30, 2016 and 2015

#### **Note 13 - Unearned Commonwealth of Pennsylvania Act 3 Base Supplemental Grant Funds (continued)**

The following transactions occurred relative to the Act 3 Base Supplemental Grant account for the years ended June 30:

	<u>2016</u>	<u>2015</u>
<b>Balance, Beginning of Year</b>	<b>\$ 77,703</b>	<b>\$ 387,987</b>
Interest	<u>60</u>	<u>726</u>
<b>Total Available</b>	<b>77,763</b>	388,713
Funds expended	<u>77,763</u>	<u>311,010</u>
<b>Balance, End of Year</b>	<u><u>\$ -</u></u>	<u><u>\$ 77,703</u></u>

#### **Note 14 - Unearned Commonwealth of Pennsylvania Act 44 Funds**

In July 2007, the Pennsylvania legislature enacted Act 44 which provides a dedicated source of funding for public transportation. The funding under this Act replaces state operating grants, the State Senior Citizens Program Grant, and dedicated tax revenues under Act 26 and Act 3. Funding under Act 44, as amended by Act 89, is to be used for operating purposes and requires certain levels of local government support. Funds not expended in the year of receipt can be carried forward for future operating expenses. The following transactions occurred in relation to Act 44 account for the years ended June 30:

	<u>2016</u>	<u>2015</u>
<b>Balance, Beginning of Year</b>	<b>\$ 4,815,905</b>	<b>\$ 6,218,409</b>
Funds received - state	-	7,931,351
Funds reallocated	<b>960</b>	-
Investment income	<u>7,892</u>	<u>21,278</u>
	<b>4,824,757</b>	14,171,038
Funds expended	<u><b>(4,824,757)</b></u>	<u>(9,355,133)</u>
<b>Balance, End of Year</b>	<u><u>\$ -</u></u>	<u><u>\$ 4,815,905</u></u>

## **Berks Area Regional Transportation Authority**

### Notes to Financial Statements

June 30, 2016 and 2015

#### **Note 15 - Pension Plans and Related Expenses**

##### **Plan Description**

BARTA Transit Union Retirement and Disability Plan (the Union Plan) is a single-employer defined benefit pension plan administered by the Authority. Bus drivers who are members of the Amalgamated Transit Union Division #1345 are members. The plan provides for normal and early retirement, disability, vested, and death benefits. Benefits are provided by the plan document. Employees classified as full-time are eligible to participate in the plan after a 120 day probationary period.

##### **Benefits Provided**

A member is eligible for normal retirement after attainment of age 65. The normal retirement pension is payable monthly during the member's lifetime, with payments ceasing upon the members death. The amount of monthly pension is equal to \$50.00 per month per year of credited service. For employees who retire after July 1, 2014, the benefit credit is \$52.00 for years of service after July 1, 2014. For employees who retire after July 1, 2015, the benefit credit is \$54 for years of service after July 1, 2015. For employees who retire after July 1, 2016, the benefit credit is \$56 for years of service after July 1, 2016.

##### **Employees Covered by Benefit Terms**

At June 30, 2016, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	64
Inactive employees entitled to, but not yet receiving benefits	8
Active members	<u>108</u>
	<u>180</u>

##### **Contributions**

The Authority is required to contribute amounts necessary to fund the plan using the actuarial basis specified by statute. The Authority is obligated to contribute to the plan \$1.62 per hour worked, not including sick pay, and the employees contribute \$.82 per hour worked, not including sick pay.

##### **Net Pension Liability, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At June 30, 2016 and 2015, the Authority reported a liability of \$2,674,256 and \$2,413,107, respectively, for its net pension liability. The net pension liability was measured as of June 30, 2016 and 2015, and the total pension liability was determined by rolling forward the liabilities from an actuarial valuation as of July 1, 2015. No significant events or changes in assumptions occurred between the valuation date and the fiscal year end.

## **Berks Area Regional Transportation Authority**

### Notes to Financial Statements

June 30, 2016 and 2015

#### **Note 15 - Pension Plans and Related Expenses (continued)**

##### **Net Pension Liability, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)**

At June 30, 2016, the Authority reported a liability of \$2,674,256 for the Union Plan net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability was determined by rolling forward the liabilities from an actuarial valuation as of July 1, 2015. For the years ended June 30, 2016 and 2015, the Authority recognized pension credit of \$87,573 and pension expense of \$549,841, respectively. The Authority reported deferred outflows of resources related to the Disability & Retirement Allowance Plan from the following source at June 30:

	<u>2016</u>	<u>2015</u>
<b>Deferred Outflows of Resources</b>		
Differences between projected and actual earnings on pension plan investments	<u>\$ 584,783</u>	<u>\$ 242,861</u>
<b>Deferred Inflows of Resources</b>		
Differences between projected and actual experience	<u>\$ (68,003)</u>	<u>\$ (74,803)</u>

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

2017	\$ 154,574
2018	154,575
2019	154,575
2020	93,859
2021	(6,800)
Thereafter	(34,002)

#### **Actuarial Assumptions**

The total pension liability in the July 1, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Investment rate of return	8.00%, net of expenses including inflation

Mortality rates were based on the RP-2000 Combined Mortality Table for males and females.

The actuarial assumptions used in the July 1, 2015 valuation were based on past experience under the plan and reasonable future expectations which represent our best estimate of anticipated experience under the plan.



## Berks Area Regional Transportation Authority

### Notes to Financial Statements

June 30, 2016 and 2015

#### Note 15 - Pension Plans and Related Expenses (continued)

##### Actuarial Assumptions (continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of inflation) are developed for each major 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. As of June 30, 2016, 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
Domestic equity	54.00 %	7.00 %
International equity	15.00	6.00
Fixed income	28.00	2.50
Cash	3.00	0.00

##### Discount Rate

The discount rate used to measure the total pension liability was 8.00%. The pension plan's fiduciary net position is projected to be available to make all projected future benefit payments of current active and inactive employees. 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. The employer has always met the funding requirements of Pennsylvania law Act 205 of 1984. Act 205 requires full funding of the entry age normal cost plus plan expenses, as well as amortization of the unfunded liability.

##### Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
<b>Balance at June 30, 2014</b>	\$ 9,244,493	\$ 6,998,033	\$ 2,246,460
Service cost	154,218	-	154,218
Interest cost	751,800	-	751,800
Changes for experience	(81,603)	-	(81,603)
Contributions - employer	-	310,871	(310,871)
Contributions - member	-	152,673	(152,673)
Net investment income	-	255,443	(255,443)
Benefit payments, including refunds of member contributions	(422,927)	(422,927)	-
Administrative expense	-	(61,219)	61,219
<b>Net Changes</b>	<b>401,488</b>	<b>234,841</b>	<b>166,647</b>

## Berks Area Regional Transportation Authority

### Notes to Financial Statements

June 30, 2016 and 2015

#### Note 15 - Pension Plans and Related Expenses (continued)

##### Changes in the Net Pension Liability (continued)

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
<b>Balance at June 30, 2015</b>	<u>\$ 9,645,981</u>	<u>\$ 7,232,874</u>	<u>\$ 2,413,107</u>
Service cost	155,528	-	155,528
Interest cost	764,313	-	764,313
Contributions - employer	-	421,452	(421,452)
Contributions - member	-	169,115	(169,115)
Net investment income	-	78,725	(78,725)
Benefit payments, including refunds of member contributions	(495,182)	(495,182)	-
Administrative expense	-	(10,600)	10,600
<b>Net Changes</b>	<u>424,659</u>	<u>163,510</u>	<u>261,149</u>
<b>Balance at June 30, 2016</b>	<u>\$ 10,070,640</u>	<u>\$ 7,396,384</u>	<u>\$ 2,674,256</u>

##### Sensitivity of the Authority's Net Pension Liability to Changes in the Discount Rate

The following is a sensitivity analysis of the net pension liability to changes in the discount rate. The table below presents the net pension liability calculated using the discount rate of 8.00% as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (7.00%) or one percentage point higher (9.00%) than the current rate:

	1% Decrease (7.00%)	Discount Rate (8.00%)	1% Increase (9.00%)
<b>Net Pension Liability</b>	<u>\$ 3,653,718</u>	<u>\$ 2,674,256</u>	<u>\$ 1,874,991</u>

##### Pennsylvania Municipal Retirement System

The Authority also administers and contributes to the Pennsylvania Municipal Retirement System and the I.A.M. National Pension Fund. The assets of the plans are invested separately and each plan's assets may be used only for the payment of benefits to the members of that plan in accordance with the terms of the plan.

## **Berks Area Regional Transportation Authority**

### Notes to Financial Statements

June 30, 2016 and 2015

#### **Note 15 - Pension Plans and Related Expenses (continued)**

##### **Pennsylvania Municipal Retirement System (continued)**

The plan is a single-employer defined benefit pension plan controlled by the provisions of Resolution of 7-21-77 adopted pursuant to Act 15. The plan participates in the Pennsylvania Municipal Retirement System (PMRS), which is an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for participating municipal pension plans. As of the date of this report PMRS has not provided to the Authority the necessary information required to be disclosed under the provision of GASB 68 as of June 30, 2016. The most recent information available was as of December 31, 2014. As of January 1, 2015, no BARTA employees actively participate in the PMRS program.

##### **Employees Covered by Benefit Terms**

At December 31, 2014, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	14
Inactive employees entitled to, but not yet receiving benefits	-
Active members	<u>19</u>
	<u>33</u>

##### **Net Pension Liability, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At December 31, 2014, the Authority has an unrecorded liability of \$180,805 for its net pension liability. The net pension liability was measured as of December 31, 2014, and the total pension liability was determined by rolling forward the liabilities from an actuarial valuation as of January 1, 2011. No significant events or changes in assumptions occurred between the valuation date and the fiscal year end.

For the year ended June 30, 2015, the Authority recognized pension expense of \$52,416. The Authority has unreported deferred outflows of resources related to the PMRS from the following source at June 30, 2015:

##### **Deferred Outflows of Resources**

Differences between projected and actual earnings on pension plan investments	\$ 238,017
Differences between expected and actual experience	<u>39,824</u>
	<u>\$ 277,841</u>

## **Berks Area Regional Transportation Authority**

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### Notes to Financial Statements

June 30, 2016 and 2015

#### **Note 15 - Pension Plans and Related Expenses (continued)**

##### **Net Pension Liability, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)**

Amounts unreported as deferred outflows of resources and deferred inflows of resources related to pensions should have been recognized in pension expense as follows for the years ended June 30:

2015	\$	<b>57,559</b>
2016		<b>57,559</b>
2017		<b>57,559</b>
2018		<b>57,559</b>
2019		<b>47,605</b>

The audit opinion on the June 30, 2015 financial statements was qualified due to the lack of available information related to the Authority's pension plan with the PMRS. Based on the information subsequently received, the OPEB liability at June 30, 2015 was \$180,805, deferred outflows were \$277,841. If the amounts had been recorded at June 30, 2015, the net effect would have been an increase in net assets of \$97,036. The effect on net assets was recorded as a component of the OPEB costs for the year ended June 30, 2016. The Authority considers this amount to be immaterial to the results from operations for the year ended June 30, 2016.

##### **Actuarial Assumptions**

The total pension liability in the January 1, 2011 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Investment rate of return	5.50%, net of expenses including inflation

Mortality rates were based on the Pre-Retirement Mortality: Males - RP 2000 with one year set back, Females - RP 2000 with 5 year set back.

The actuarial assumptions used in the January 1, 2011 valuation were based on past experience under the plan and reasonable future expectations which represent our best estimate of anticipated experience under the plan.

## Berks Area Regional Transportation Authority

### Notes to Financial Statements

June 30, 2016 and 2015

#### Note 15 - Pension Plans and Related Expenses (continued)

##### Actuarial Assumptions (continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of inflation) are developed for each major 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. As of June 30, 2016, the target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
Domestic equities (large capitalized firms)	25.00 %	8.70 %
Domestic equities (small capitalized firms)	15.00	8.40
International equities (international developed markets)	15.00	4.60
International equity (emerging markets)	10.00	8.10
Real estate	20.00	6.70
Fixed income	15.00	(1.00)

##### Discount Rate

The discount rate used to measure the Total Pension Liability was 5.50%. We have assumed that the employees will continue to contribute to the plan at the current rates and the employers will continue the historical and legally required practice of contributing to the plan based on an actuarially determined contribution, reflecting a payment equal to annual normal cost, the expected administrative expenses, and an amount necessary to amortize the remaining unfunded actuarial liability as a level dollar amount over a closed period. See the latest Act 205 Form for details on the closed period.

## Berks Area Regional Transportation Authority

Notes to Financial Statements

June 30, 2016 and 2015

### Note 15 - Pension Plans and Related Expenses (continued)

#### Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
<b>Balance at December 31, 2013</b>	\$ 3,991,253	\$ 4,197,728	\$ (206,475)
Service cost	123,696	-	123,696
Interest cost	220,918	-	220,918
Differences between expected and actual experience	285,620	-	285,620
Contributions - employer	-	61,527	(61,527)
Contributions - member	-	119	(119)
Net investment income	-	191,231	(191,231)
Benefit payments, including refunds of member contributions	(199,165)	(199,165)	-
Administrative expense	-	(9,923)	9,923
<b>Net Changes</b>	<b>431,069</b>	<b>43,789</b>	<b>387,280</b>
<b>Balance at December 31, 2014</b>	<b>\$ 4,422,322</b>	<b>\$ 4,241,517</b>	<b>\$ 180,805</b>

#### Sensitivity of the Authority's Net Pension Liability to Changes in the Discount Rate

The following is a sensitivity analysis of the net pension liability to changes in the discount rate. The table below presents the net pension liability calculated using the discount rate of 5.50% as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (4.50%) or one percentage point higher (6.50%) than the current rate:

	1% Decrease (4.50%)	Discount Rate (5.50%)	1% Increase (6.50%)
<b>Net Pension Liability</b>	<b>\$ 625,988</b>	<b>\$ 180,805</b>	<b>\$ (201,472)</b>

#### I.A.M. National Pension Fund

The Authority contributes to the I.A.M. National Pension Fund, a cost-sharing multiple employer defined benefit pension plan administered by the International Union, for employees who are members of Local Lodge #724, District 152, International Association of Machinists and Aerospace Workers, A. F. of L. C. I. O (the Union). Employees classified as full-time are eligible to participate in the plan after a 90-day probationary period.

## **Berks Area Regional Transportation Authority**

### Notes to Financial Statements

June 30, 2016 and 2015

#### **Note 15 - Pension Plans and Related Expenses (continued)**

##### **Sensitivity of the Authority's Net Pension Liability to Changes in the Discount Rate (continued)**

###### **I.A.M. National Pension Fund (continued)**

For the years ended June 30, 2016 and 2015, contributions to the plan are made at \$4.35 and \$4.25, respectively, per man-hour worked up to a maximum of \$174 and \$170 per week, per employee, respectively. As of June 30, 2016 and 2015, 20 and 19 of the Authority's employees were covered under the plan. The Authority's contributions to the plan for the years ended June 30, 2016 and 2015 were \$150,638 and \$133,837, respectively, and equal to the required contributions for each year.

The plan does not issue publicly available financial statements. The terms of the plan are determined by a collective bargaining agreement with the Union which expires June 30, 2018.

#### **Note 16 - Postemployment Benefits Other than Pensions**

The Authority provides postemployment benefits for bus drivers, administrative employees, and shop employees. The Authority pays 50% of the health insurance premiums only from ages 62 through 64. Spouse coverage is available only if they pay 100% of the cost of coverage. Dependent children can participate only if the retiree pays 100% of the cost of coverage.

Benefit provisions for the bus drivers and the shop employees are established and amended through negotiations between the Authority and the respective union.

##### **Funding Policy and Annual OPEB Cost**

The Authority currently funds other postemployment benefit (OPEB) costs as they occur. For the year ended June 30, 2016, the Authority incurred \$18,878 in OPEB costs for current premiums. Plan members receiving benefits contributed \$25,672 or approximately 58% of the total premiums through their required contributions.

The Authority's annual OPEB expense is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The Authority's annual OPEB cost for the current year and the related information is as follows:

Annual required contribution	\$ 112,531
Adjustment to the annual required contribution	(58,296)
Interest on net OPEB obligation	<u>42,731</u>
Annual OPEB cost	96,966
Contributions made	<u>(44,550)</u>

## Berks Area Regional Transportation Authority

### Notes to Financial Statements

June 30, 2016 and 2015

#### Note 16 - Postemployment Benefits Other than Pensions (continued)

##### Funding Policy and Annual OPEB Cost (continued)

Increase in net OPEB obligation	52,416
Net OPEB obligation at beginning of year	<u>1,022,599</u>
<b>Net OPEB Obligation at End of Year</b>	<b><u>\$ 1,075,015</u></b>

The Authority's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for the plan were as follows for the years ended June 30:

Years Ended	Annual OPEB Cost (AOC)	Percentage of AOC Contributed	Net Pension Liability
6/30/16	\$ 96,966	45.9%	\$ 1,075,015
6/30/15	97,429	44.4%	1,022,599
6/30/14	62,277	24.3%	968,453

##### Funded Status and Funding Progress

The funded status of the plan as of July 1, 2014, the most recent actuarial valuation, was as follows:

Number of participants covered	<u>197</u>
Actuarial present value at attained age (APVAA)	<u>\$ 1,321,910</u>
Actuarial accrued liability (AAL)	\$ 854,183
Actuarial value of assets (AVA)	<u>-</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 854,183</u>
Funded ratio	<u>-%</u>
Covered payroll	<u>\$ 7,112,082</u>
Unfunded actuarial accrued liability (funding excess) as a percentage of covered payroll	<u>12.0%</u>

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The required schedule of funding progress presented as supplementary information provide multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial liability for benefits.



## **Berks Area Regional Transportation Authority**

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### Notes to Financial Statements

June 30, 2016 and 2015

#### **Note 16 - Postemployment Benefits Other than Pensions (continued)**

##### **Actuarial Methods and Assumptions**

Projections of benefits are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the Authority and the plan members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Significant methods and assumptions are as follows:

<b>Actuarial Valuation Date</b>	July 1, 2014
<b>Actuarial Cost Method</b>	Entry age normal
<b>Amortization Method</b>	Level annual dollar amount
<b>Remaining Amortization Period</b>	30-year open period
<b>Asset Valuation Method</b>	Market value
<b>Actuarial Assumptions</b>	
Investment rate of return	4.50% per annum
Projected salary increases	4.00% per annum
<b>Healthcare Inflation Rate</b>	Declining scale from 6.5% in 2014, decreasing .5% per year to 5.5% in 2016. Rates gradually decrease to 4.2% in 2089.

#### **Note 17 - Risk Management**

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The Authority has joined together with other transit organizations in the Commonwealth of Pennsylvania to form the State Association for Transportation Insurance (SAFTI) Property and Liability Pool, a public entity risk pool currently operating as a common risk management and insurance program. The Authority pays annual premiums to the SAFTI Property and Liability Pool for its property; general liability; automobile liability; automobile physical damage; crime, boiler, and machinery; and public officials' errors and omissions insurance coverage. The agreement for formation of the SAFTI Property and Liability Pool provides that the SAFTI Property and Liability Pool will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of certain amounts specified for each type of coverage. In the event annual contributions are not sufficient to fund operations or obligations of the SAFTI Property and Liability Pool, additional supplementary premiums may be assessed to members on a pro-rata basis. Premiums paid to the SAFTI Property and Liability Pool and charged to operations during the years ended June 30, 2016 and 2015 amounted to \$446,194 and \$484,209, respectively.

## **Berks Area Regional Transportation Authority**

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### Notes to Financial Statements

June 30, 2016 and 2015

#### **Note 17 - Risk Management (continued)**

The Authority has joined together with other transit organizations in the Commonwealth of Pennsylvania to form the SAFTI Workers' Compensation Pool, a public entity risk pool currently operating as a common risk management and insurance program. The Authority pays annual premiums to the SAFTI Workers' Compensation Pool for its workers' compensation insurance coverage. The agreement for formation of the SAFTI Workers' Compensation Pool provides that the SAFTI Workers' Compensation Pool will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of certain amounts specified. In the event annual premiums are not sufficient to fund operations or obligations of the SAFTI Workers' Compensation Pool, additional supplementary premiums may be assessed to members on a pro-rata basis. Premiums paid to the SAFTI Workers' Compensation Pool and charged to operations during the years ended June 30, 2016 and 2015 amounted to \$88,131 and \$69,335, respectively, which was net of premium refunds in the amounts of \$468,766 and \$471,679, respectively.

The Authority carries commercial insurance for other risks, including employee benefits.

For the years ended June 30, 2016, 2015, and 2014, claims settled were not in excess of insurance coverage. In addition, settled claims have not exceeded the insurance coverage purchased for the years ended June 30, 2016, 2015, and 2014.

#### **Note 18 - Advertising**

Advertising costs included in the statement of revenues, expenses, and changes in net position for the years ended June 30, 2016 and 2015 were \$-0- and \$50,828, respectively.

#### **Note 19 - Commitment and Contingencies**

##### **Commitment**

##### **Bus Tire Lease**

The Authority leases bus tires under the terms of an operating lease that calls for monthly payments based on actual mileage. Mileage rates are determined based on calculations included in the lease agreement.

##### **Capital Purchases**

The Authority has capital commitments of approximately \$2,718,000. These expenditures will be funded through federal, state, and local capital grants.

## **Berks Area Regional Transportation Authority**

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### Notes to Financial Statements

June 30, 2016 and 2015

#### **Note 19 - Commitment and Contingencies (continued)**

##### **Contingencies**

###### **Grants**

A significant portion of the Authority's support is received from federal, state, and local governments in the form of operating and capital grant assistance. A significant reduction in the level of this support would have a material effect on the Authority's operations.

###### **Capital Assets**

Although title to the capital assets rests with the Authority, upon disposition, the proceeds may need to be returned to federal, state, and local governments that initially funded their acquisition under the terms of the capital grants.

###### **Audit**

The grants received by the Authority are subject to audit by federal and state governments. As of the date of this report, management is unaware of any material adjustments that will be required as a result of such audits.

###### **Multi-Employer Pension Plans**

Governmental regulations impose certain requirements relative to multi-employer pension plans. In the event of plan termination or employer withdrawal, an employer may be liable for a portion of the plan's unfunded vested benefits. The Authority has not received information from the plans' administrators to determine its share of unfunded vested benefits. The Authority does not anticipate withdrawal from the plans, nor is the Authority aware of any expected plan terminations.

###### **Unemployment Compensation**

The Authority has elected to fund unemployment compensation insurance with the Commonwealth of Pennsylvania Unemployment Compensation Fund on a reimbursable status, whereby the Authority reimburses the Commonwealth for actual benefits paid to qualified claimants.

###### **Concentration of Labor**

The Authority entered into a collective bargaining agreement with the maintenance employees through June 30, 2018. The Authority also entered into a collective bargaining agreement with drivers through June 30, 2019. Of the Authority's total workforce, 100% is covered under collective bargaining agreements.

## **Berks Area Regional Transportation Authority**

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### Notes to Financial Statements

June 30, 2016 and 2015

#### **Note 20 - Management Agreement**

The Authority entered into a management agreement with Red Rose Transit Authority, Lancaster, Pennsylvania, on October 21, 2013. The agreement called for Red Rose Transit Authority to provide executive director services to the Authority. The original term was in effect through April 30, 2014 and called for payments totaling \$60,000 to be made, which was funded through a Technical Assistance Grant applied for by Red Rose Transit Authority. The agreement was extended on May 1, 2014 and again on August 1, 2014, for an additional period ending December 31, 2014, which required monthly payments of \$14,204.

The Authority entered into a Mutual Cooperation Agreement with the South Central Transit Authority which took effect on January 1, 2015. The agreement called for South Central Transit Authority to provide all executive, management, administrative, and support services. The Authority is to make monthly payments of \$175,000 for the services provided. The initial term of the agreement ended June 30, 2015. Management service expense included in the statement of revenues, expenses, and changes in net position for the year ended June 30, 2015 was \$1,135,224.

The Authority entered into a subcontract agreement with the South Central Transit Authority, which takes effect on July 1, 2015 and extends through June 30, 2020. The agreement calls for the Authority to provide fixed route transportation services and paratransit services for the County of Berks. Under the agreement, the Authority will continue to utilize its existing vehicles to provide the services. The agreement also calls for the Authority to lease the building at 1700 North Eleventh Street, the BARTA Transportation Center, Franklin Street Park and Ride Garage, and the Franklin Street Station, as well as administrative vehicles to the South Central Transit Authority. The payment of all such maintenance, repairs, operating, and insurance costs by South Central Transit Authority shall be the consideration for the lease of such properties, without the payment of any additional sums and shall be considered the rent for such properties. South Central Transit Authority will be receiving future grants which will fund transportation services in the County of Berks and as a result, South Central Transit Authority may purchase vehicles, supplies, and services needed to provide the contracted transportation services. As a result, the Authority transferred all remaining capital reserves totaling \$256,721 to the South Central Transportation Authority for the future acquisition of assets related to providing transportation services. Any existing leases or contracts shall be assigned to the South Central Transit Authority.

Under the terms of this agreement, the Authority provides fixed route and paratransit service for the South Central Transportation Authority in exchange for the South Central Transit Authority funding the operating deficit of the Authority. During the year ended June 30, 2016, the Authority received \$4,915,435 in operating revenue from South Central Transportation Authority in exchange for the services provided.

#### **Note 21 - Subsequent Events**

The Authority has evaluated subsequent events through December 2, 2016. This date is the date the financial statements were available to be issued. There were no material events subsequent to June 30, 2016, except as follows.

The Authority entered into an agreement to purchase twelve buses at an approximate cost of \$800,000. This expenditure will be funded through federal, state, and local capital grants.

## Berks Area Regional Transportation Authority

Schedule of Changes in Net Pension Liability and Related Ratios  
Last Ten Fiscal Years\*

	BARTA Transit Union Retirement and Disability Plan		Pennsylvania Municipal Retirement System
	Years Ended June 30, 2016	2015	Year Ended June 30, 2016
<b>Total Pension Liability</b>			
Service cost	\$ 155,528	\$ 154,218	\$ 123,696
Interest cost	764,313	751,800	220,918
Difference between expected and actual experience	-	(81,603)	285,620
Benefit payments, including refunds of member contributions	(495,182)	(422,927)	(199,165)
<b>Net Change in Total Pension Liability</b>	<b>424,659</b>	<b>401,488</b>	<b>431,069</b>
<b>Total Pension Liability, Beginning</b>	<b>9,645,981</b>	9,244,493	<b>3,991,253</b> **
<b>Total Pension Liability, Ending</b>	<b>\$ 10,070,640</b>	\$ 9,645,981	<b>\$ 4,422,322</b>
<b>Plan Fiduciary Net Position</b>			
Contributions - employer	\$ 421,452	\$ 310,871	\$ 61,527
Contributions - member	169,115	152,673	119
Net investment income	78,725	255,443	191,231
Benefit payments, including refunds of member contributions	(495,182)	(422,927)	(199,165)
Administrative expense	(10,600)	(61,219)	(9,923)
<b>Net Change in Plan Fiduciary Net Position</b>	<b>163,510</b>	<b>234,841</b>	<b>43,789</b>
<b>Plan Net Position, Beginning</b>	<b>7,232,874</b>	6,998,033	<b>4,197,728</b> **
<b>Plan Net Position, Ending</b>	<b>\$ 7,396,384</b>	\$ 7,232,874	<b>\$ 4,241,517</b>
<b>Authority's Net Pension Liability</b>	<b>\$ 2,674,256</b>	\$ 2,413,107	<b>\$ 180,805</b>
<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>	<b>73.4%</b>	75.0%	<b>95.9%</b>
<b>Covered Employee Payroll</b>	<b>\$ 4,600,925</b>	\$ 4,699,257	<b>\$ 4,600,925</b>
<b>Authority's Net Pension Liability as a Percentage of Covered Employee Payroll</b>	<b>58.1%</b>	51.4%	<b>3.9%</b>

\* This schedule is to present the information for ten years. However, until a full ten-year trend is compiled, information for those years which information is available is shown.

\*\* Information for the Pennsylvania Municipal Retirement System was not available at the time of issuance of the June 30, 2015 financial statements. The change was all run through the current year statement of revenues, expenses, and changes in net position. The effect of this on the Authority's financial statements was immaterial.

## Berks Area Regional Transportation Authority

### Schedule of Pension Contributions - Transit Union Retirement and Disability Plan Last Ten Fiscal Years\*

Years	Actuarially Determined Contribution	Contributions from Employer	Contribution Deficiency/ (Excess)	Covered Employee Payroll	Contributions as a % of Payroll
2011	\$ 291,367	\$ 294,016	\$ (2,649)	\$ -	0.0%
2012	289,710	289,710	-	-	0.0%
2013	330,608	330,608	-	-	0.0%
2014	310,871	310,871	-	4,699,257	6.62%
2015	421,452	421,452	-	4,600,925	9.16%

#### Actuarial Methods and Assumptions

Valuation Date: Actuarially determined contribution rates are calculated as of July 1, two to four years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates are as follows:

<b>Actuarial Cost Method</b>	Entry age normal
<b>Amortization Method</b>	Level dollar closed
<b>Remaining Amortization Period</b>	eight years
<b>Asset Valuation Method</b>	Smoothed value with a corridor of 80% to 120% of market value
<b>Inflation</b>	3.00%
<b>Salary Increases</b>	0.00% - non-pay benefit formula
<b>Investment Rate of Return</b>	8.00%
<b>Retirement Age</b>	Earlier of normal retirement age or age 62 with 25 years of vesting service
<b>Mortality</b>	RP2000 Table, post retirement only. This table does not include projected mortality improvements.

There have been no changes in the benefit terms since June 30, 2016.

\* Only five years are available.

## Berks Area Regional Transportation Authority

### Schedule of Pension Contributions - Pennsylvania Municipal Retirement System Last Ten Fiscal Years\*

Year	Actuarially Determined Contribution	Contributions from Employer	Contribution Deficiency/ (Excess)	Covered Employee Payroll	Contributions as a % of Payroll
2014	\$ 68,430	\$ 61,527	\$ 6,903	\$ 1,154,695	5.3%

#### Actuarial Methods and Assumptions

Valuation Date: Actuarially determined contribution rates are calculated as of January 1, two to four years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates are as follows:

<b>Actuarial Cost Method</b>	Entry age
<b>Amortization Method</b>	Level dollar based upon the amortization periods in Act 205
<b>Asset Valuation Method</b>	Based upon the municipal reserves
<b>Inflation</b>	3.00%
<b>Salary Increases</b>	Age related scale with merit and inflation component
<b>COLA Increases</b>	3.00% for this eligible for a COLA
<b>Pre-Retirement Mortality</b>	Males - RP 2000 with one year set back, Females - RP 2000 with five years set back
<b>Post-Retirement Mortality</b>	Sex distinct RP-2000 Combined Healthy Mortality

There have been no changes in the benefit terms since June 30, 2016.

\* Only one year available.

# Berks Area Regional Transportation Authority

## Schedule of Funding Progress - Postemployment Benefits Other than Pension

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) - Entry Age (b)</b>	<b>Unfunded AAL UAAL (b-a)</b>	<b>Funded Ratio (a/b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a Percentage of Covered Payroll ((b-a)/c)</b>
July 1, 2014	\$ -	\$ 854,183	\$ 854,183	- %	\$ 7,112,082	12.0 %
July 1, 2012	-	570,014	570,014	-	6,579,066	8.7
July 1, 2009	-	2,046,864	2,046,864	-	5,904,662	34.7