



Berks Area Regional Transportation Authority

**Financial Statements and
Supplementary Information**

June 30, 2018 and 2017



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Berks Area Regional Transportation Authority

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June 30, 2018 and 2017

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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, 2018 and 2017, 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.

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, 2018 and 2017, 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.

Adoption of Governmental Accounting Standards Board (GASB) Statement No. 75

As described in Note 2 of the financial statements, in 2018 the Authority adopted the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, an amendment of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. Our opinion is not modified in respect to these matters.

Required Supplementary Information

Accounting principles generally accepted in the United States of America, require that the management's discussion and analysis and the required supplementary information as listed in the table of contents on pages 3 to 9 and pages 46 to 50 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our 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* and the audit requirements of the Pennsylvania Department of Transportation, we have also issued our report, dated December 10, 2018, 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* and the audit requirements of the Pennsylvania Department of Transportation in considering the Authority's internal control over financial reporting and compliance.

RKL LLP

December 10, 2018
Lancaster, Pennsylvania

Berks Area Regional Transportation Authority

Management's Discussion and Analysis

June 30, 2018 and 2017

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, 2018 and 2017. Please read it in conjunction with the Authority's financial statements.

Authority Activities and Highlights

- The Authority's net position decreased approximately \$437,000 for the year ended June 30, 2018, compared to an increase of approximately \$249,000 and a decrease of approximately \$1,521,000 for the years ended June 30, 2017 and 2016, respectively. These changes were primarily the result of fluctuations in the unrestricted net deficit which primarily fluctuates due to changes in deferred inflows of resources and deferred outflows of resources. Unrestricted net deficit approximated \$(3,048,000), \$(2,539,000), and \$(2,987,000) for the years ended June 30, 2018, 2017, and 2016, respectively.
- The Authority's operating revenues increased approximately \$373,000 or 3.8% for the year ended June 30, 2018. The increase is primarily the result of an increase in purchased service revenue which was caused by the change in the relationship with South Central Transit Authority (SCTA). The Authority's operating revenues increased approximately \$4,794,000 or 97.5% for the year ended June 30, 2017 and decreased by \$1,881,000 or 27.7% for the year ended June 30, 2016.
- The Authority's operating expenses increased by approximately \$1,149,000 or 8.9% for the year ended June 30 2018, decreased approximately \$582,000 or 4.3% for the year ended June 30, 2017, and decreased approximately \$7,782,000 or 36.7% for the year ended June 30, 2016. The increase is primarily attributable to an increase in salaries and fringe benefits.
- The Authority provided 3,133,130 passenger trips during fiscal year 2018, compared to 3,037,789 and 3,134,873 in the fiscal years 2017 and 2016. The increase approximates 3.1% for 2018 compared to a 3.1% decrease in system ridership for 2017. This included a 3.7% increase in passengers using the Authority's fixed-route system. From 2017 to 2018, passenger trips increased by 95,371 trips and from 2016 to 2017 passenger trips decreased by 47,084 trips.
- The Authority's beginning net position has been restated to properly reflect the effect of the implementation of GASB Statement No. 75. The June 30, 2016 financial statements as previously issued were restated for this adoption.

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

Management's Discussion and Analysis

June 30, 2018 and 2017

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.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information, including management's discussion and analysis and information concerning the Authority's progress in funding its obligation to provide pension benefits and other postemployment 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 and deferred outflows of resources exceeded liabilities and deferred inflows of resources by approximately \$24,493,000, \$24,930,000, and \$24,681,000 as restated as of June 30, 2018, 2017, and 2016, respectively.

Berks Area Regional Transportation Authority

Management's Discussion and Analysis

June 30, 2018 and 2017

Financial Analysis (continued)

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Assets			
Current assets	\$ 1,166,597	\$ 1,175,179	\$ 1,200,537
Capital assets, net	27,540,676	27,469,118	27,668,199
Net pension asset	-	91,304	-
Total Assets	<u>28,707,273</u>	<u>28,735,601</u>	<u>28,868,736</u>
Deferred Outflow of Resources - Pension	<u>668,381</u>	<u>872,618</u>	<u>862,624</u>
Deferred Outflow of Resources - Postemployment Benefit	<u>111,569</u>	<u>84,956</u>	<u>-</u>
Liabilities			
Current and other liabilities	1,023,550	1,031,204	1,019,437
Unearned grant funds	158,308	169,144	181,103
Postemployment benefit liability	812,561	847,959	926,823
Net pension liability	2,232,882	2,399,790	2,855,061
Total Liabilities	<u>4,227,301</u>	<u>4,448,097</u>	<u>4,982,424</u>
Deferred Inflow of Resources - Pension	<u>559,735</u>	<u>132,850</u>	<u>68,003</u>
Deferred Inflow of Resources - Postemployment Benefit	<u>207,352</u>	<u>182,384</u>	<u>-</u>
Net Position			
Investment in capital assets	27,540,676	27,469,118	27,668,199
Unrestricted net deficit	(3,047,841)	(2,539,274)	(2,987,266)
Total Net Position, as Restated	<u>\$ 24,492,835</u>	<u>\$ 24,929,844</u>	<u>\$ 24,680,933</u>

By far the largest portion of the Authority's net assets, 112.4%, 110.2%, and 112.1% as of June 30, 2018, 2017, and 2016, respectively, reflects its investment in capital assets (e.g., land, buildings, service vehicles and equipment, and furniture and office 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.

Berks Area Regional Transportation Authority

Management's Discussion and Analysis

June 30, 2018 and 2017

Financial Analysis (continued)

The remaining unrestricted net deficits of approximately \$3,048,000, \$2,539,000, and \$2,987,000 at June 30, 2018, 2017, and 2016, respectively, represent cumulative losses as a result of the net pension liability and postemployment benefit liability recorded on the statement of net position in response to GASB Statement No. 68 and 75.

Changes in Revenues, Expenses, and Changes in Net Position. 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>2018</u>	<u>2017</u>	<u>2016</u>
Operating Revenues			
Purchased service revenue	\$ 10,077,417	\$ 9,709,675	\$ 4,915,850
Passenger fares	548	400	93
Miscellaneous	4,741	-	-
Total Operating Revenues	<u>10,082,706</u>	<u>9,710,075</u>	<u>4,915,943</u>
Operating Expenses			
Salaries and payroll taxes	5,427,907	5,289,355	5,413,688
Fringe benefits	4,615,174	3,503,939	3,600,887
Services	44,857	13,493	52,953
Casualty and liability	501,637	417,667	448,214
Other materials and supplies	-	-	2,291
Miscellaneous	2,101	37,876	20,532
Depreciation	3,402,565	3,583,210	3,740,918
Total Operating Expenses	<u>13,994,241</u>	<u>12,845,540</u>	<u>13,279,483</u>
Nonoperating Revenues (Expenses)			
Federal government	-	-	77,772
Commonwealth of Pennsylvania Act 44/89 Funds	-	-	4,824,757
Interest income	403	247	475
Loss on disposal of equipment	-	-	(1,541)
Total Nonoperating Revenues (Expenses)	<u>403</u>	<u>247</u>	<u>4,901,463</u>
Capital Grant Funding	<u>3,474,123</u>	<u>3,384,129</u>	<u>2,089,566</u>
Increase (Decrease) in Net Position	<u>\$ (437,009)</u>	<u>\$ 248,911</u>	<u>\$ (1,372,511)</u>

Berks Area Regional Transportation Authority

Management's Discussion and Analysis

June 30, 2018 and 2017

Financial Analysis (continued)

The Authority is dependent on a management agreement with South Central Transit Authority to fund its operations. The funding received from this entity is included in other operating revenues.

The Authority's major expenses are salaries and payroll taxes and fringe benefits.

Capital Assets and Debt Administration

Capital Assets

The Authority's investment in capital assets includes land and land improvements, 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, 2018, 2017, and 2016, net of accumulated depreciation, amounted to \$27,540,676, \$27,469,118, and \$27,668,199, respectively. These amounts represent a net increase or (decrease) (including additions, deletions, and depreciation) of \$71,558, \$(199,081), and \$(1,652,893) for the years ended June 30, 2018, 2017, and 2016, respectively.

	Capital Assets at June 30 (Net of Accumulated Depreciation)		
	2018	2017	2016
Land and land improvements	\$ 577,296	\$ 577,296	\$ 577,296
Buildings and improvements	15,738,084	16,833,716	17,931,033
Revenue vehicles and equipment	9,898,026	8,401,482	7,161,937
Service vehicles and equipment	9,648	14,466	19,284
Shop and garage equipment	99,736	146,659	208,010
Furniture and office equipment	16,530	31,263	78,521
Miscellaneous revenue equipment	1,201,356	1,464,236	1,692,118
	\$ 27,540,676	\$ 27,469,118	\$ 27,668,199

During the years ended June 30, 2018, 2017, and 2016, the Authority expended approximately \$3,474,000, \$3,384,000, and \$2,090,000, 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 has no debt.

Berks Area Regional Transportation Authority

Management's Discussion and Analysis

June 30, 2018 and 2017

Economic Factors

This fiscal year represented the third full year of the merger of the administrative functions between the Berks Area Regional Transportation (BARTA) and the Red Rose Transit Authority (RRTA) with the newly formed SCTA. With the merger, BARTA and RRTA only employ the drivers and mechanics necessary to provide the fixed-route and shared ride services within Berks and Lancaster Counties, respectively, 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 and RRTA which entails seven facilities in total. All new vehicles purchased for either fixed-route service or shared ride service are now owned by SCTA and leased back to either BARTA or RRTA as appropriate to operate and maintain. Through the cost savings from the merger and increased operating funds from the state, SCTA was able to hold the current levels of service in both communities. Further, the cost savings from the merger resulted in another year that Berks and Lancaster Counties were not required to pay a local match for state funding as included in Act 89, a savings of over \$780,000 in local funds. These savings are allowed for five years under Act 89.

For the fiscal year, overall ridership increased by 3.1% with fixed-route ridership increasing 3.7% and the shared ride ridership decreasing 3.1%. In an effort to spur ridership, SCTA used a special twenty-five cent (\$.25) promotion for the month of September, 2017 that saw nearly a 30% growth.

In an effort to address the downward trends and evaluate service, a Transit Development Plan (TDP) Update was completed during FY 2018 that included service in both communities with a focus on providing bus service to jobs. This is the first time that a joint TDP Update was completed for SCTA's services in both communities. The Plan was accepted by the Board of Directors and the local MPO's and provides service recommendations for the next 5 to 10 year time period depending on available funding.

In terms of capital improvements, another 17 new hybrid electric buses and 11 shared ride service vehicles were ordered by SCTA to serve the Reading area. These vehicle replacements are in line with SCTA's Transit Asset Maintenance Plan adopted by the Board of Directors. All these vehicles will be delivered during FY 2019.

One of the major capital projects underway 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. The project was bid late in the fiscal year and is expected to begin construction late summer 2018. Other capital projects in the works include the roof replacement and other upgrades to the Reading BTC transit center.

Further, the increasing trend in oil prices during the fiscal year, resulted in a higher diesel fuel bid \$2.0911 the first and second year that began April 1, 2018 through March 31, 2019 compared to \$1.5055 per gallon in FY 2016 and \$1.3161 in FY 2015. For gasoline for the shared ride fleet, the price is \$1.8748 for the first and second year compared that began April 1, 2018 through March 31, 2019 compared to \$1.3214 in FY 2016 and \$1.1669 in FY 2015. These higher prices are expected to increase the operating budget by over \$640,000 for FY 2019 reversing the past trends of lower fuel costs and savings.

Berks Area Regional Transportation Authority

Management's Discussion and Analysis

June 30, 2018 and 2017

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, Benjamin Dice, at 45 Erick Road, Lancaster, Pennsylvania 17601.

Berks Area Regional Transportation Authority

Statement of Net Position

	June 30,	
	2018	2017
		(As Restated)
Assets		
Current Assets		
Cash and cash equivalents	\$ 393,794	\$ 245,140
Cash and cash equivalents - restricted	379,887	423,636
Accounts receivable, including amounts due from South Central Transit Authority; 2018 \$59,602; 2017 \$403,451	292,420	406,317
Inventories	45,595	45,595
Prepaid expenses	49,782	54,491
Capital grants receivable	5,119	-
Total Current Assets	1,166,597	1,175,179
Capital Assets		
Capital assets not being depreciated	577,296	577,296
Capital assets being depreciated, net	26,963,380	26,891,822
Capital Assets, Net	27,540,676	27,469,118
Other Assets - Net Pension Asset		
Pennsylvania Municipal Retirement System	-	91,304
Total Assets	28,707,273	28,735,601
Deferred Outflow of Resources		
Pension		
Transit Union Retirement and Disability Plan	333,398	423,409
Pennsylvania Municipal Retirement System	334,983	449,209
	668,381	872,618
Postemployment Benefit Liability	111,569	84,956
Total Assets and Deferred Outflow of Resources	29,487,223	29,693,175

Berks Area Regional Transportation Authority

Statement of Net Position (continued)

	June 30,	
	2018	2017
		(As Restated)
Liabilities		
Current Liabilities		
Accounts payable, including amounts due to South Central Transit Authority; 2018 - \$151,422; 2017 - \$-0-	206,178	210,815
Accrued expenses		
Wages	505,143	494,459
Professional fees	4,444	-
Other	294	631
Payroll withholdings	71,790	56,685
Due to Commonwealth of Pennsylvania	14,122	14,122
Proceeds from disposal of capital assets	221,579	254,492
Unearned Commonwealth of Pennsylvania Act 49 Funds	158,308	169,144
Total Current Liabilities	1,181,858	1,200,348
Long-Term Liabilities		
Net pension liability		
Transit Union Retirement and Disability Plan	2,027,122	2,399,790
Pennsylvania Municipal Retirement System	205,760	-
Postemployment benefit liability	812,561	847,959
Total Long-Term Liabilities	3,045,443	3,247,749
Total Liabilities	4,227,301	4,448,097
Deferred Inflow of Resources		
Pension		
Transit Union Retirement and Disability Plan	370,665	110,893
Pennsylvania Municipal Retirement System	189,070	21,957
	559,735	132,850
Postemployment Benefit Liability	207,352	182,384
	767,087	315,234
Net Position		
Net Position		
Investment in capital assets	27,540,676	27,469,118
Unrestricted net deficit	(3,047,841)	(2,539,274)
Total Net Position, as Restated	\$ 24,492,835	\$ 24,929,844

Berks Area Regional Transportation Authority

Statement of Revenues, Expenses, and Changes in Net Position

	Years Ended June 30,	
	2018	2017
		(As Restated)
Operating Revenues		
Purchased service revenue	\$ 10,077,417	\$ 9,709,675
Passenger fares	548	400
Miscellaneous	4,741	-
Total Operating Revenues	10,082,706	9,710,075
Operating Expenses		
Salaries and wages	5,427,907	5,289,355
Fringe benefits	4,615,174	3,503,939
Services	44,857	13,493
Casualty and liability	501,637	417,667
Miscellaneous expense	2,101	37,876
Depreciation	3,402,565	3,583,210
Total Operating Expenses	13,994,241	12,845,540
Loss from Operations	(3,911,535)	(3,135,465)
Interest Income	403	247
Loss Before Capital Grant Funding	(3,911,132)	(3,135,218)
Capital Grant Funding		
Federal government	3,412,011	2,501,853
State government	10,972	864,501
Other	51,140	17,775
Total Capital Grant Funding	3,474,123	3,384,129
Increase (Decrease) in Net Position	(437,009)	248,911
Net Position at Beginning of Year, as Restated	24,929,844	24,680,933
Net Position at End of Year, as Restated	\$ 24,492,835	\$ 24,929,844

Berks Area Regional Transportation Authority

Statement of Cash Flows

	Years Ended June 30,	
	2018	2017
		(As Restated)
Cash Flows from Operating Activities		
Cash received from customers	\$ 10,196,603	\$ 10,048,806
Cash payments to suppliers for goods and services	(10,836)	(908,588)
Cash payments to employees for services	(10,032,397)	(8,845,017)
Net Cash Provided by Operating Activities	153,370	295,201
Cash Flows from Capital and Related Financing Activities		
Receipts from capital grants	3,407,028	3,396,721
Proceeds from sale of capital assets	18,227	109,666
Purchase of capital assets	(3,474,123)	(3,384,129)
Net Cash Provided by (Used in) Capital and Related Financing Activities	(48,868)	122,258
Cash Flows Provided by Investing Activities		
Interest income received	403	247
Net Increase in Cash and Cash Equivalents	104,905	417,706
Cash and Cash Equivalents at Beginning of Year	668,776	251,070
Cash and Cash Equivalents at End of Year	\$ 773,681	\$ 668,776
Cash is Comprised of the Following on the Statement of Net Position		
Cash and cash equivalents	\$ 393,794	\$ 245,140
Cash and cash equivalents - restricted	379,887	423,636
	\$ 773,681	\$ 668,776

Berks Area Regional Transportation Authority

Statement of Cash Flows (continued)

	Years Ended June 30,	
	2018	2017
		(As Restated)
Reconciliation of Loss from Operations to Net Cash Provided by Operating Activities		
Loss from operations	\$ (3,911,535)	\$ (3,135,465)
Adjustments to reconcile loss from operations to net cash provided by operating activities		
Depreciation	3,402,565	3,583,210
(Increase) decrease in assets		
Accounts receivable and other receivables	113,897	338,731
Inventories	-	(182)
Net pension asset (liability)	(75,604)	(546,575)
Prepaid expenses	4,709	62,189
Increase in deferred outflow of resources - pension	204,237	(9,994)
Increase in deferred outflow of resources -		
Postemployment benefit liability	(26,613)	-
Increase (decrease) in liabilities		
Accounts payable and other current liabilities	25,259	(80,124)
Postemployment benefit liability	(35,398)	18,564
Increase in deferred inflow of resources - pension	451,853	64,847
Net Cash Provided by Operating Activities	\$ 153,370	\$ 295,201

Berks Area Regional Transportation Authority

Notes to Financial Statements

June 30, 2018 and 2017

Note 1 - Nature of Activity

The Berks Area Regional Transportation Authority (the Authority or BARTA) 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 (SCTA).

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 and utilize the proprietary fund type. 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

Notes to Financial Statements

June 30, 2018 and 2017

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, 2018, 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, 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 capital grants from the federal, state, and local government's interest income, and gain disposal of capital assets. The principal nonoperating expenses of the Authority is 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 subject to withdrawal restrictions or penalties 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 collectability 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 as of June 30, 2018 and 2017 was \$-0-.

Berks Area Regional Transportation Authority

Notes to Financial Statements

June 30, 2018 and 2017

Note 2 - Summary of Significant Accounting Policies (continued)

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

Investment of Funds

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. Bills of exchange or time drafts drawn on and accepted by a commercial bank not to exceed 180 days
6. Short-term, unsecured obligations of corporations or other business entities organized in accordance with Federal or State law
7. 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.

Berks Area Regional Transportation Authority

Notes to Financial Statements

June 30, 2018 and 2017

Note 2 - Summary of Significant Accounting Policies (continued)

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

Capital Assets

Capital assets are those assets with a cost greater than or equal to \$1,000 and the item meets the Bureau of Public Transportation's listing of estimated useful life for capital items. 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	4 to 15 years
Service vehicles and equipment	5 to 10 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 from the accounts.

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, 2018 and 2017.

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.

Berks Area Regional Transportation Authority

Notes to Financial Statements

June 30, 2018 and 2017

Note 2 - Summary of Significant Accounting Policies (continued)

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

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.

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 two 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 ages 62 through 64. The Authority funds postemployment benefits as they are incurred.

Berks Area Regional Transportation Authority

Notes to Financial Statements

June 30, 2018 and 2017

Note 2 - Summary of Significant Accounting Policies (continued)

Recent Accounting Pronouncements

In June 2015, the Governmental Accounting Standards Board (GASB) issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pensions*. This statement amends financial accounting and reporting requirements for sponsors (employers) of other post-employment benefits (OPEB) plans. The Authority adopted GASB Standard No. 75 for its 2018 financial statements. The adoption of this statement increased the June 30, 2016 net position by \$148,192 and the June 30, 2017 net position by \$190,441.

In June 2017, the GASB issued Statement No. 87, *Leases*. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. GASB Statement No. 87 is effective for periods beginning after December 15, 2019. The Authority is currently evaluating what effect the adoption of the GASB statement will have on its financial statements.

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

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, 2018 and 2017, the carrying amounts of the Authority's cash and cash equivalents deposits were \$767,877 and \$662,972, and the bank balances were \$4,186,181 and \$674,245, of which \$3,936,181 and \$424,245, 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. The Authority has \$5,804 of cash on hand and petty cash at both June 30, 2018 and 2017.

Berks Area Regional Transportation Authority

Notes to Financial Statements

June 30, 2018 and 2017

Note 6 - Cash and Cash Equivalents - Restricted

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

	<u>2018</u>	<u>2017</u>
Proceeds from disposal of capital assets	\$ 221,579	\$ 254,492
Unearned Commonwealth of Pennsylvania Act 49 Funds	<u>158,308</u>	<u>169,144</u>
	<u>\$ 379,887</u>	<u>\$ 423,636</u>

Note 7 - Inventories

The classification of inventories is as follows at June 30:

	<u>2018</u>	<u>2017</u>
Parts and supplies	\$ 182	\$ 182
Fuel and lubricants	<u>45,413</u>	<u>45,413</u>
	<u>\$ 45,595</u>	<u>\$ 45,595</u>

Note 8 - Capital Grants Receivable

At June 30, 2018 and 2017, \$5,119 and \$-0-, respectively, are due from the Federal Transit Authority.

Berks Area Regional Transportation Authority

Notes to Financial Statements

June 30, 2018 and 2017

Note 9 - Capital Assets

Capital asset activity was as follows for the years ended June 30:

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
Capital Assets Not Being Depreciated				
Land and improvements	\$ 577,296	\$ -	\$ -	\$ 577,296
Capital Assets Being Depreciated				
Buildings	29,298,698	-	-	29,298,698
Revenue vehicles and equipment	24,142,264	3,463,605	919,283	26,686,586
Service vehicles and equipment	259,796	-	-	259,796
Shop and garage equipment	1,165,873	2,411	12,351	1,155,933
Furniture and office equipment	453,857	8,107	6,187	455,777
Miscellaneous revenue equipment	2,272,808	-	21,468	2,251,340
Total Capital Assets Being Depreciated	57,593,296	3,474,123	959,289	60,108,130
Accumulated Depreciation				
Buildings	12,464,982	1,096,086	-	13,561,068
Revenue vehicles and equipment	15,740,781	1,966,608	919,283	16,788,106
Service vehicles and equipment	245,330	4,818	-	250,148
Shop and garage equipment	1,019,214	49,334	12,351	1,056,197
Furniture and office equipment	422,594	22,840	6,187	439,247
Miscellaneous revenue equipment	808,573	262,879	21,468	1,049,984
Accumulated Depreciation	30,701,474	3,402,565	959,289	33,144,750
Capital Assets Being Depreciated, Net	26,891,822	71,558	-	26,963,380
Total Capital Assets	\$ 27,469,118	\$ 71,558	\$ -	\$ 27,540,676

Berks Area Regional Transportation Authority

Notes to Financial Statements
June 30, 2018 and 2017

Note 9 - Capital Assets (continued)

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
Capital Assets Not Being Depreciated				
Land and improvements	\$ 577,296	\$ -	\$ -	\$ 577,296
Capital Assets Being Depreciated				
Buildings	29,298,698	-	-	29,298,698
Revenue vehicles and equipment	22,620,768	3,334,272	1,812,776	24,142,264
Service vehicles and equipment	259,796	-	-	259,796
Shop and garage equipment	1,209,677	1,409	45,213	1,165,873
Furniture and office equipment	457,424	2,133	5,700	453,857
Miscellaneous revenue equipment	2,226,493	46,315	-	2,272,808
Total Capital Assets Being Depreciated	56,072,856	3,384,129	1,863,689	57,593,296
Accumulated Depreciation				
Buildings	11,367,665	1,097,317	-	12,464,982
Revenue vehicles and equipment	15,458,831	2,094,726	1,812,776	15,740,781
Service vehicles and equipment	240,512	4,818	-	245,330
Shop and garage equipment	1,001,667	62,760	45,213	1,019,214
Furniture and office equipment	378,903	49,391	5,700	422,594
Miscellaneous revenue equipment	534,375	274,198	-	808,573
Accumulated Depreciation	28,981,953	3,583,210	1,863,689	30,701,474
Capital Assets Being Depreciated, Net	27,090,903	(199,081)	-	26,891,822
Total Capital Assets	\$ 27,668,199	\$ (199,081)	\$ -	\$ 27,469,118

Note 10 - Due To Commonwealth of Pennsylvania

The amounts due to 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. As of June 30, 2018 and 2017, the Authority owes \$14,122 to the Commonwealth of Pennsylvania for capital grants.

Berks Area Regional Transportation Authority

Notes to Financial Statements

June 30, 2018 and 2017

Note 11 - 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 that is retained by the Authority and utilized to offset deficits, ineligible expenditures, local share of capital grants, and other capital expenditures. At June 30, 2018 and 2017, the Authority has accumulated \$158,308 and \$169,144, respectively, which is recorded as unearned revenue. Effective July 1, 1987, this legislation was superseded.

Note 12 - Pension Plans and Related Expenses

Transit Union Retirement and Disability 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. Separate financial statements are available by contacting the Authority. 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

Normal Retirement

If hired prior to July 1, 2016, a participant is eligible for normal retirement after attainment of age 65. If the hired on or after July 1, 2016, a participant is eligible for normal retirement after attainment of age 65 and completion of five years of vested service.

The normal retirement pension is payable monthly during the participant's lifetime, with payments ceasing upon the participant's death.

The amount of monthly pension is equal to an amount per year of benefit service based upon the date of retirement as outlined in the following schedule:

<u>Date of Retirement</u>	<u>Benefit Amount per Year of Benefit Service</u>
After July 1, 2018	\$ 53.00
After July 1, 2019	54.00

For employees who retire after July 1, 2015, the benefit credit is \$54.00 for years of service after July 1, 2015.

For employees who retire after July 1, 2016, the benefit credit is \$56.00 for years of service after July 1, 2016.

Berks Area Regional Transportation Authority

Notes to Financial Statements

June 30, 2018 and 2017

Note 12 - Pension Plans and Related Expenses (continued)

Transit Union Retirement and Disability Plan Description (continued)

Benefits Provided (continued)

Late Retirement

If a member continues working after their normal retirement date, their pension does not start until they actually retire. The monthly late retirement pension is equal to the benefit accrued to the late retirement date.

Early Retirement

A member is eligible for early retirement after attainment of age 55 and completion of ten years of vesting service. The monthly early retirement pension is equal to the benefit accrued to the date of early retirement, reduced by 5/9 of 1% for each of the first 60 months payments begin early and by 5/18 of 1% for each of the next 60 months payments begin early.

After attainment of age 62 and completion of 25 years of vesting service, a member is eligible for unreduced early retirement. The monthly early retirement pension is equal to the benefit accrued to the date of early retirement.

Death Benefits

The monthly death benefit for a member who is vested and has been married at least one year, is a survivor pension for his spouse equal to the actuarially reduced benefit accrued to the date of death. Payments begin at the member's earliest retirement date.

Vesting

A member's benefits vest upon completion of ten years of service. The vested benefit is a deferred monthly pension beginning at normal retirement equal to the benefit accrued to the date of termination.

Disability Retirement

If an active member is determined to be totally and permanently disabled and has completed ten years of vesting service, they are eligible for a disability pension. The monthly disability retirement pension, commencing at the date of disability, is equal to the benefit accrued to the date of disability.

Berks Area Regional Transportation Authority

Notes to Financial Statements

June 30, 2018 and 2017

Note 12 - Pension Plans and Related Expenses (continued)

Transit Union Retirement and Disability Plan Description (continued)

Benefits Provided (continued)

Employees Covered by Benefit Terms

At June 30, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	77
Inactive employees entitled to, but not yet receiving benefits	7
Active members	<u>104</u>
	<u>188</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 \$1.96 per hour worked, not including sick pay, and the employees contribute \$.98 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, 2018 and 2017, the Authority reported a liability of \$2,027,122 and \$2,399,790, respectively, for its net pension liability. The net pension liability was measured as of June 30, 2018 and 2017, and the total pension liability was determined by rolling forward the liabilities from an actuarial valuation as of July 1, 2017. 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, 2018 and 2017

Note 12 - Pension Plans and Related Expenses (continued)

Transit Union Retirement and Disability Plan Description (continued)

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

For the years ended June 30, 2018 and 2017, the Authority recognized pension expense of \$194,690 and \$341,688, respectively. The Authority reported deferred outflows of resources related to the Transit Union Retirement and Disability Plan from the following source at June 30:

	<u>2018</u>	<u>2017</u>
Deferred Outflows of Resources		
Differences between projected and actual earnings on pension plan investments	<u>\$ 333,398</u>	<u>\$ 423,409</u>
Deferred Inflows of Resources		
Differences between projected and actual experience	\$ (344,737)	\$ (76,322)
Differences between projected and actual earnings on pension plan investments	<u>(25,928)</u>	<u>(34,571)</u>
	<u>\$ (370,665)</u>	<u>\$ (110,893)</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:

2019	\$ 116,300
2020	55,584
2021	(45,075)
2022	(36,427)
2023	(54,272)
Thereafter	(73,377)

Actuarial Assumptions

The total pension liability in the July 1, 2017 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, 2017 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, 2018 and 2017

Note 12 - Pension Plans and Related Expenses (continued)

Transit Union Retirement and Disability Plan Description (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, 2018, 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 %	5.50 - 7.50 %
International equity	15.00	4.50 - 6.50
Fixed income	28.00	1.00 - 3.00
Real estate	0.00	4.50 - 6.50
Cash	3.00	0.00 - 1.00

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). Act 205 requires full funding of the entry age normal cost plus plan expenses, as well as amortization of the unfunded liability.

Berks Area Regional Transportation Authority

Notes to Financial Statements

June 30, 2018 and 2017

Note 12 - Pension Plans and Related Expenses (continued)

Transit Union Retirement and Disability Plan Description (continued)

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at June 30, 2016	\$ 10,070,640	\$ 7,396,384	\$ 2,674,256
Service cost	162,924	-	162,924
Interest cost	794,872	-	794,872
Changes for experience	(16,493)	-	(16,493)
Contributions - employer	-	405,499	(405,499)
Contributions - member	-	190,699	(190,699)
Net investment income	-	635,636	(635,636)
Benefit payments, including refunds of member contributions	(562,349)	(562,349)	-
Administrative expense	-	(16,065)	16,065
Net Changes	378,954	653,420	(274,466)
Balance at June 30, 2017	10,449,594	8,049,804	2,399,790
Service cost	184,467	-	184,467
Interest cost	804,214	-	804,214
Changes for experience	(322,688)	-	(322,688)
Changes of benefit terms	69,392	-	69,392
Contributions - employer	-	369,270	(369,270)
Contributions - member	-	201,436	(201,436)
Net investment income	-	550,822	(550,822)
Benefit payments, including refunds of member contributions	(656,188)	(656,188)	-
Administrative expense	-	(13,475)	13,475
Net Changes	79,197	451,865	(372,668)
Balance at June 30, 2018	\$ 10,528,791	\$ 8,501,669	\$ 2,027,122

Berks Area Regional Transportation Authority

Notes to Financial Statements

June 30, 2018 and 2017

Note 12 - Pension Plans and Related Expenses (continued)

Transit Union Retirement and Disability Plan Description (continued)

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:

	<u>1% Decrease (7.00%)</u>	<u>Discount Rate (8.00%)</u>	<u>1% Increase (9.00%)</u>
Net Pension Liability	<u>\$ 3,008,738</u>	<u>\$ 2,027,122</u>	<u>\$ 1,178,689</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. Publicly available financial statements are located on the internet at www.pMrs.state.pa.us.

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, the most recent information available was as of December 31, 2016. As of January 1, 2015, no BARTA employees actively participate in the PMRS program.

Benefits Provided

Normal Retirement

Normal retirement age is sixty (60).

The annual benefit is determined by multiplying their years of credited service times their final salary times one and sixty-seven hundredths percent (.0167). Example: Assume 20 years credited service and a final salary of \$35,000.

$$20 \times \$35,000 \times .0167 = \$11,690 \text{ annual benefit}$$

Final salary is the average annual compensation earned and paid during the final five (5) consecutive years prior to the effective date of retirement.

Berks Area Regional Transportation Authority

Notes to Financial Statements

June 30, 2018 and 2017

Note 12 - Pension Plans and Related Expenses (continued)

Pennsylvania Municipal Retirement System (continued)

Benefits Provided (continued)

Early Retirement

A member is eligible for early retirement if involuntarily terminated with eight (8) or more years of credited service or they voluntarily leave employment with at least twenty (20) years of credited service.

If they elect an early retirement, the monthly benefit will be actuarially reduced for each year prior to normal retirement age that they elect early retirement. The reduction will be approximately one-half percent (1/2%) of the benefit for each month under normal retirement age.

Disability must prevent them from being gainfully employed and be permanent and total. For a service-connected disability, their annual benefit will equal fifty percent (50%) of their final salary. The benefit is offset by applicable Worker's Compensation Benefits.

For a non-service connected disability they must have ten (10) years of credited service. The annual benefit will equal thirty percent (30%) of their final salary.

Survivor Benefits

Participants can select one of the following options at the time of retirement.

Single Life Annuity - Under this option they will receive a continual income throughout their lifetime with no beneficiary benefit. In the event of death, any member contributions and credited interest not already paid to them in the form of a benefit will be paid to their designated beneficiary.

Option 1 - Selecting this option provides them with a reduced lifetime benefit so that the remaining lump sum value of the account will go to their beneficiary. Under this option, if they die before receiving the present value of their retirement benefit (the accumulated member and municipal contributions), the remainder will be paid to their named beneficiary or to their estate. If the amount is more than five thousand dollars (\$5,000), their beneficiary may elect to receive it in (1) a lump sum, (2) an annuity, or (3) a lump sum with the remainder as an annuity.

Option 2 - Option 2 allows them to provide a joint and one hundred percent (100%) survivorship annuity. With this option, they choose a survivor annuitant, and as long as either they or their survivor annuitant is living, the benefit continues to be paid at the same dollar level.

Option 3 - Option 3 allows a joint and fifty percent (50%) survivorship annuity. Upon their death, if the survivor annuitant is still living, the annuitant receives a benefit that is one half (1/2) of their original benefit. If the survivor annuitant is no longer living, the benefit ceases.

Berks Area Regional Transportation Authority

Notes to Financial Statements

June 30, 2018 and 2017

Note 12 - Pension Plans and Related Expenses (continued)

Pennsylvania Municipal Retirement System (continued)

Benefits Provided (continued)

Survivor Benefits (continued)

Under Option 2 or Option 3, they must select their survivor annuitant at retirement. They may not change their survivor annuitant after retiring.

Death Benefits

If eligible for a normal or voluntary early retirement benefit and prior to death did not pre-select a survivor option (see below) it will be assumed that they retired and elected Option 1 from the benefit payment options the day before their death. This assumption allows for their beneficiary to receive the present value of their account.

If a participant dies before being eligible for a normal or voluntary early retirement benefit, their accumulated deductions will be paid to the most recently named beneficiary on file with PMRS. If there are no employee contributions, there is no benefit.

Vesting

A member's benefits vest upon completion of ten years of service. The vested benefit is a deferred monthly pension beginning at normal retirement equal to the benefit accrued to the date of termination.

Employees Covered by Benefit Terms

At January 1, 2017, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	22
Inactive employees entitled to, but not yet receiving benefits	8
Active members	-
	<hr/>
	30
	<hr/> <hr/>

Berks Area Regional Transportation Authority

Notes to Financial Statements

June 30, 2018 and 2017

Note 12 - Pension Plans and Related Expenses (continued)

Pennsylvania Municipal Retirement System (continued)

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

At December 31, 2016, the Authority has a liability of \$205,760 for its net pension liability. The net pension liability was measured as of December 31, 2016, and the total pension asset was determined by rolling forward the liabilities from an actuarial valuation as of January 1, 2017. No significant events or changes in assumptions occurred between the valuation date and the fiscal year end.

For the years ended June 30, 2018 and 2017, the Authority recognized pension expense of \$771,009 and income of \$(263,042). The Authority has unreported deferred outflows of resources related to the PMRS from the following sources at June 30:

	<u>2018</u>	<u>2017</u>
Deferred Outflows of Resources		
Differences between projected and actual earnings on pension plan investments	\$ 183,124	\$ 247,485
Differences between projected and actual experience	142,811	190,414
Changes in assumptions	<u>9,048</u>	<u>11,310</u>
	<u>\$ 334,983</u>	<u>\$ 449,209</u>
Deferred Inflows of Resources		
Differences between projected and actual experience	<u>\$ (189,070)</u>	<u>\$ (21,957)</u>

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:

2017	\$ 66,958
2018	66,958
2019	57,002
2020	(45,006)

Actuarial Assumptions

The total pension liability in the January 1, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Investment rate of return	5.25%, net of expenses including inflation

Berks Area Regional Transportation Authority

Notes to Financial Statements

June 30, 2018 and 2017

Note 12 - Pension Plans and Related Expenses (continued)

Pennsylvania Municipal Retirement System (continued)

Actuarial Assumptions (continued)

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

The actuarial assumptions used in the January 1, 2016 valuation were based on past experience under the plan and reasonable future expectations which represent our best estimate of anticipated experience under the plan.

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, 2018, 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 equities (large capitalized firms)	25 %	6.4 %
Domestic equities (small capitalized firms)	15	7.0
International equities (international developed markets)	15	3.7
International equity (emerging markets)	10	7.9
Real estate	20	7.0
Fixed income	15	2.4

Discount Rate

The discount rate used to measure the Total Pension Liability was 5.25%. 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, 2018 and 2017

Note 12 - Pension Plans and Related Expenses (continued)

Pennsylvania Municipal Retirement System (continued)

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at December 31, 2014	\$ 4,422,322	\$ 4,241,517	\$ 180,805
Interest cost	235,459	-	235,459
Changes of benefit terms	(490,584)	-	(490,584)
Differences between expected and actual experience	(26,348)	-	(26,348)
Changes of assumptions	13,572	-	13,572
Contributions - employer	-	79,401	(79,401)
Contributions - member	-	87	(87)
Net investment income	-	(66,012)	66,012
Benefit payments, including refunds of member contributions	(232,914)	(232,914)	-
Administrative expense	-	(9,268)	9,268
Net Changes	(500,815)	(228,706)	(272,109)
Balance at December 31, 2015	3,921,507	4,012,811	(91,304)
Interest cost	205,369	-	205,369
Differences between expected and actual experience	350,452	-	350,452
Changes of assumptions	94,549	-	94,549
Contributions - employer	-	(79,314)	79,314
Net investment income	-	443,863	(443,863)
Benefit payments, including refunds of member contributions	(380,149)	(380,149)	-
Administrative expense	-	(11,243)	11,243
Net Changes	270,221	(26,843)	297,064
Balance at December 31, 2016	\$ 4,191,728	\$ 3,985,968	\$ 205,760

Change in assumptions included the decrease in the investment return assumption for municipal assets from 5.5% to 5.25%.

Berks Area Regional Transportation Authority

Notes to Financial Statements

June 30, 2018 and 2017

Note 12 - Pension Plans and Related Expenses (continued)

Pennsylvania Municipal Retirement System (continued)

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 5.25% as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (4.25%) or one percentage point higher (6.25%) than the current rate:

	<u>1% Decrease (4.25%)</u>	<u>Discount Rate (5.25%)</u>	<u>1% Increase (6.25%)</u>
Net Pension Liability	\$ 627,454	\$ 205,760	\$ 150,017

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.

For the years ended June 30, 2018 and 2017, contributions to the plan are made at \$4.50 and \$4.45, respectively, per man-hour worked up to a maximum of \$180 and \$178 per week, per employee, respectively. As of June 30, 2018 and 2017, 17 and 18 of the Authority's employees were covered under the plan. The Authority's contributions to the plan for the years ended June 30, 2018 and 2017 were \$155,673 and \$170,279, 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 13 - Postemployment Benefits Other than Pensions

Plan Description

Berks Area Regional Area Transportation Authority Postemployment Benefit Plan is a single-employer plan administered by the Authority. Upon normal or early retirement, The Authority will provide postemployment benefits. Normal retirement shall be age 62 with 25 years of service for bus drivers, and age 62 with 20 years of service for shop employees. Early retirement shall be age 55 with 10 years of service for bus drivers, and age 55 with 5 years of service for shop employees.

Berks Area Regional Transportation Authority

Notes to Financial Statements

June 30, 2018 and 2017

Note 13 - Postemployment Benefits Other than Pensions (continued)

Benefits Provided

The Authority will pay 50% of the medical premium for the member only for the ages 62 through 64. During this time period, the member must pay the remaining premium, as well as any additional premium to cover dependents. Upon the member and/or spouse attaining age 65, he or she must enroll in the Senior Plan to continue coverage and pay 100% of the premium. Additionally, upon the member attaining age 65, no other coverage is available for the spouse and dependents. Otherwise, the member, spouse, and dependents are not eligible for coverage.

For full-time employees, The Authority will pay for a death benefit. For Grandfathered Administrative Employees, the face value is \$1,200. For Shop Employees, the face value is \$500 if retiring before October 1, 1975, and \$1,200 otherwise. For Bus Drivers, the face value is \$500 if retiring before October 1, 1975, \$1,200 if retiring between October 1, 1975 and April 1, 2014, and \$2,000 otherwise.

Benefits are established or modified through collective bargaining agreements with participants. Separate financial statements are available by contacting the Authority.

Retiree Contributions

The retiree contributions are assumed to increase at the same rate as the Health Care Cost Trend Rate.

Death Benefit

It is assumed that the annual cost to provide the death benefit varies by age. The assumed cost is equal to the amount of coverage times the applicable mortality factor contained in the valuation mortality table.

Funding Policy

The Authority currently funds OPEB costs as they occur.

Employees Covered by Benefit Terms

Active participants	125
Vested former participants	-
Retired participants	61
	<hr/>
	186
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Berks Area Regional Transportation Authority

Notes to Financial Statements

June 30, 2018 and 2017

Note 13 - Postemployment Benefits Other than Pensions (continued)

Postemployment Benefits Liability, Postemployment Benefit Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Postemployment Benefits

At June 30, 2018 and 2017, the Authority reported a liability of \$812,561 and \$847,959, respectively, for its postemployment benefit liability. The net postemployment benefit liability was measured as of June 30, 2018 and 2017, respectively, and the total postemployment benefit liability was determined by rolling forward the liabilities from an actuarial valuation as of July 1, 2017. For the years ended June 30, 2018 and 2017, the Authority recognized postemployment benefit expense of \$80,133 and \$93,407, respectively, related to this plan. At June 30, 2018 and 2017, the Authority reported deferred outflows and inflows of resources related to the Berks Area Regional Transportation Authority Postemployment Benefits Plan from the following sources:

	<u>2018</u>	<u>2017</u>
Deferred Outflows of Resources		
Changes of assumptions	\$ 74,337	\$ 84,956
Benefit payments made subsequent to the measurement date	<u>37,232</u>	<u>-</u>
	<u>\$ 111,569</u>	<u>\$ 84,956</u>
Deferred Inflows of Resources		
Changes of assumptions	\$ (47,766)	\$ -
Differences between expected and actual experience	<u>(159,586)</u>	<u>(182,384)</u>
	<u>\$ (207,352)</u>	<u>\$ (182,384)</u>

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

2019	\$ 15,500
2020	(21,732)
2021	(21,732)
2022	(21,732)
2023	(21,732)
Thereafter	(24,355)

Berks Area Regional Transportation Authority

Notes to Financial Statements

June 30, 2018 and 2017

Note 13 - Postemployment Benefits Other than Pension (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:

Actuarial Valuation Date	July 1, 2017
Actuarial Cost Method	Entry age normal
Asset Valuation Method	Market value
Interest rate	3.13% per annum based on S&P Municipal Bond 20 year high grade rate index at July 1, 2017
Healthcare Inflation Rate	Declining scale from 6.00% in 2017, and 5.50% through 2023. Rates gradually decrease from 5.40% in 2024 to 3.9% in 2075 based on the Society of Actuaries Long-Run Medical Cost Trend Model.
Salary	Assumptions for salary increases is used only for spreading contributions over future pay under entry age normal cost method. For this purpose salary increases are assumed to be 5.00%.
Mortality	RP 2000 Table
Retirement	Latest of age 62, age at the completion of ten years of service, or age on the valuation date
Election of coverage	40% medical and prescription coverage, 100% receive death benefit
Percent Married at Retirement	15% are assumed married and have a covered spouse at retirement

Berks Area Regional Transportation Authority

Notes to Financial Statements
June 30, 2018 and 2017

Note 13 - Postemployment Benefits Other than Pension (continued)

Changes in the Net Postemployment Benefit Liability

	Increase (Decrease)		
	Total Postemployment Benefit Liability (a)	Plan Fiduciary Net Position (b)	Net Postemployment Benefit Liability (a) - (b)
Balance at June 30, 2016	\$ 926,823	\$ -	\$ 926,823
Service cost	66,306	-	66,306
Interest cost	39,280	-	39,280
Changes for experience	(205,182)	-	(205,182)
Changes in assumptions	95,575	-	95,575
Benefit payments	(74,843)	-	(74,843)
Net Changes	(78,864)	-	(78,864)
Balance at June 30, 2017	847,959	-	847,959
Service cost	79,841	-	79,841
Interest cost	22,024	-	22,024
Changes in assumptions	(57,319)	-	(57,319)
Benefit payments	(79,944)	-	(79,944)
Net Changes	(35,398)	-	(35,398)
Balance at June 30, 2018	\$ 812,561	\$ -	\$ 812,561

Changes in assumptions included the discount rate changed from 2.49% to 3.13% the trend assumption was updated and the assumption for salary was updated to 5%.

Sensitivity of the Authority's Net Postemployment Benefit Liability to Changes in the Discount Rate

The following is a sensitivity analysis of the net postemployment benefit liability to changes in the discount rate. The table below presents the net postemployment benefit liability calculated using the discount rate of 3.13% as well as what the net postemployment benefit liability would be if it were calculated using a discount rate that is one percentage point lower (2.13%) or one percentage point higher (4.13%) than the current rate:

	1% Decrease (2.13%)	Discount Rate (3.13%)	1% Increase (4.13%)
Net Postemployment Benefit Liability	\$ 765,402	\$ 812,561	\$ 863,994

Berks Area Regional Transportation Authority

Notes to Financial Statements

June 30, 2018 and 2017

Note 13 - Postemployment Benefits Other than Pension (continued)

Sensitivity of the Authority's Net Postemployment Benefit Liability to Changes in the Healthcare Cost Trend Rate

The following is a sensitivity analysis of the net postemployment benefit liability to changes in the healthcare cost trend rate. The table below presents the net postemployment benefit liability calculated using the healthcare cost trend rate of 6.00% as well as what the net postemployment benefit liability would be if it were calculated using a healthcare cost trend rate that is one percentage point lower (5.00%) or one percentage point higher (7.00%) than the current rate:

	<u>1% Decrease (5.00%)</u>	<u>Healthcare Cost Trend Rate (6.00%)</u>	<u>1% Increase (7.00%)</u>
Net Postemployment Benefit Liability	<u>\$ 757,613</u>	<u>\$ 812,561</u>	<u>\$ 874,304</u>

Note 14 - 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, 2018 and 2017 amounted to \$501,637 and \$417,667, respectively.

Berks Area Regional Transportation Authority

Notes to Financial Statements

June 30, 2018 and 2017

Note 14 - 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, 2018 and 2017 amounted to \$267,891 and \$203,864, respectively, which was net of premium refunds in the amounts of \$262,460 and \$285,942, respectively.

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

For the years ended June 30, 2018, 2017, and 2016, 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, 2018, 2017, and 2016.

Note 15 - 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 made no commitments at June 30, 2018.

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.

Berks Area Regional Transportation Authority

Notes to Financial Statements

June 30, 2018 and 2017

Note 15 - Commitment and Contingencies (continued)

Contingencies (continued)

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 Postemployment Benefit Plans

Governmental regulations impose certain requirements relative to multi-employer postemployment benefit 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.

Note 16 - Management Agreement

The Authority entered into a subcontract agreement with the SCTA, which takes effect on July 1, 2016 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. Any existing leases or contracts shall be assigned to the South Central Transit Authority.

Berks Area Regional Transportation Authority

Notes to Financial Statements

June 30, 2018 and 2017

Note 16 - Management Agreement (continued)

Under the terms of this agreement, the Authority leased all of its transportation operations to SCTA and provides fixed-route and paratransit service for the SCTA in exchange for the South Central Transit Authority funding the operating deficit of the Authority. During the year ended June 30, 2018 and 2017, the Authority received \$10,077,417 and \$9,709,675, respectively, in operating revenue from SCTA in exchange for the services provided.

Note 17 - Restatement of 2016 and 2017 Financial Statements

The Authority's beginning net position has been restated to properly reflect the effect of the implementation of GASB Statement No. 75. The June 30, 2016 and 2017 financial statements as previously issued were restated for this correction.

	Statement of Net Position at June 30, 2016		
	As Previously Reported	As Restated	Effect of Changes
Liabilities			
Postemployment benefit liability	\$ 1,075,015	\$ 926,823	\$ 148,192
Net Position			
Unrestricted net deficit	\$ (3,135,458)	\$ (2,987,266)	\$ (148,192)
Total Net Position	\$ 24,532,741	\$ 24,741,746	\$ 209,005
	Statement of Net Position at June 30, 2017		
Deferred Outflow of Resources			
Postemployment benefit liability	\$ -	\$ 84,956	\$ 84,956
Liabilities			
Postemployment benefit liability	\$ 1,135,828	\$ 847,959	\$ (287,869)
Deferred Inflow of Resources			
Postemployment benefit liability	\$ -	\$ 182,384	\$ 182,384
Net Position			
Unrestricted net deficit	\$ (2,729,715)	\$ (2,539,274)	\$ 190,441
Total Net Position	\$ 24,739,403	\$ 24,929,844	\$ 190,441

Berks Area Regional Transportation Authority

Notes to Financial Statements

June 30, 2018 and 2017

Note 17 - Restatement of 2016 and 2017 Financial Statements (continued)

	Statement of Revenues, Expenses, and Changes in Net Position at June 30, 2017		
	As Previously Reported	As Restated	Effect of Changes
Operating Expense			
Fringe benefits	\$ 3,546,188	\$ 3,564,752	\$ 18,564
Increase (Decrease) in Net Position	\$ 206,662	\$ 188,098	\$ (18,564)

Note 18 - Reclassification of Prior Year Amounts

Certain items in the June 30, 2017 financial statements have been reclassified to conform with the June 30, 2018 presentation. The reclassification had no impact on the increase in net position.

Note 19 - Subsequent Events

The Authority has evaluated subsequent events through December 10, 2018. This date is the date the financial statements were available to be issued. There were no material events subsequent to June 30, 2018.

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,				Years Ended June 30,		
	2018	2017	2016	2015	2018	2017	2016
Total Pension Liability							
Service cost	\$ 184,467	\$ 162,924	\$ 155,528	\$ 154,218	\$ -	\$ -	\$ 123,696
Interest cost	804,214	794,872	764,313	751,800	205,369	235,459	220,918
Changes of benefit terms	69,392	-	-	-	-	(490,584)	-
Changes in assumptions **	-	-	-	-	94,549	13,572	-
Difference between expected and actual experience	(322,688)	(16,493)	-	(81,603)	350,452	(26,348)	285,620
Benefit payments, including refunds of member contributions	(656,188)	(562,349)	(495,182)	(422,927)	(380,149)	(232,914)	(199,165)
Net Change in Total Pension Liability	79,197	378,954	424,659	401,488	270,221	(500,815)	431,069
Total Pension Liability, Beginning	10,449,594	10,070,640	9,645,981	9,244,493	3,921,507	4,422,322	3,991,253
Total Pension Liability, Ending	\$ 10,528,791	\$ 10,449,594	\$ 10,070,640	\$ 9,645,981	\$ 4,191,728	\$ 3,921,507	\$ 4,422,322
Plan Fiduciary Net Position							
Contributions - employer	\$ 369,270	\$ 405,499	\$ 421,452	\$ 310,871	\$ (79,314)	\$ 79,401	\$ 61,527
Contributions - member	201,436	190,699	169,115	152,673	-	87	119
Net investment income	550,822	635,636	78,725	255,443	443,863	(66,012)	191,231
Benefit payments, including refunds of member contributions	(656,188)	(562,349)	(495,182)	(422,927)	(380,149)	(232,914)	(199,165)
Administrative expense	(13,475)	(16,065)	(10,600)	(61,219)	(11,243)	(9,268)	(9,923)
Net Change in Plan Fiduciary Net Position	451,865	653,420	163,510	234,841	(26,843)	(228,706)	43,789
Plan Net Position, Beginning	8,049,804	7,396,384	7,232,874	6,998,033	4,012,811	4,241,517	4,197,728
Plan Net Position, Ending	\$ 8,501,669	\$ 8,049,804	\$ 7,396,384	\$ 7,232,874	\$ 3,985,968	\$ 4,012,811	\$ 4,241,517
Authority's Net Pension (Asset) Liability	\$ 2,027,122	\$ 2,399,790	\$ 2,674,256	\$ 2,413,107	\$ 205,760	\$ (91,304)	\$ 180,805
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	80.7%	77.0%	73.4%	75.0%	95.1%	102.3%	95.9%
Covered Employee Payroll	\$ 4,729,612	\$ 4,528,151	\$ 4,600,925	\$ 4,699,257	\$ -	\$ -	\$ 1,154,695
Authority's Net Pension Liability as a Percentage of Covered Employee Payroll	42.9%	53.0%	58.1%	51.4%	N/A	N/A	15.7%

* 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.

** Change in assumptions included the decrease in the investment return assumption for municipal assets from 5.50% to 5.25%.

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%
2016	405,499	405,499	-	4,528,151	8.96%
2017	369,270	369,270	-	4,729,612	7.81%

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:

Actuarial Cost Method	Entry age normal
Amortization Method	Level dollar closed
Remaining Amortization Period	Eight years
Asset Valuation Method	Smoothed value with a corridor of 80% to 120% of market value
Inflation	3.00%
Salary Increases	0.00% - non-pay benefit formula
Investment Rate of Return	8.00%
Retirement Age	Earlier of normal retirement age or age 62 with 25 years of vesting service
Mortality	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, 2018.

* Only seven 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%
2015	79,314	79,401	(87)	-	0.0%
2016	-	(79,314)**	79,314	-	0.0%

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:

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

There have been no changes in the benefit terms since June 30, 2018.

* Only three years are available.

** A refund was received for a payment which was made after the merger with the South Central Transit Authority was completed.

Berks Area Regional Transportation Authority

Schedule of Changes in Postemployment Benefit Liability and Related Ratios
Last Ten Fiscal Years*

	Years Ended June 30,	
	2018	2017
Total Postemployment Benefit Liability		
Service cost	\$ 79,841	\$ 66,306
Interest cost	22,024	39,280
Changes in assumptions**	(57,319)	95,575
Difference between expected and actual experience	-	(205,182)
Benefit payments	(79,944)	(74,843)
Net Change in Total Postemployment Benefit Liability	(35,398)	(78,864)
Total Postemployment Benefit Liability, Beginning	847,959	926,823
Total Postemployment Benefit Liability, Ending	\$ 812,561	\$ 847,959
Covered Employee Payroll	\$ 5,962,725	\$ 7,112,082
Authority's Net Postemployment Benefit Liability as a Percentage of Covered Employee Payroll	13.63%	11.92%

* 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.

** Changes in assumptions included in the discount rate changed from 2.49% to 3.13%, the trend assumption was updated and the assumption for salary increases was updated to 5.00%.

No assets have been accumulated for the payment of benefits

Actuarial Valuation Date	July 1, 2017
Actuarial Cost Method	Entry age normal
Asset Valuation Method	Market value
Interest Rate	3.13% per annum based on S&P Municipal Bond 20 year high grade rate index at July 1, 2017
Healthcare Inflation Rate	Declining scale from 6.00% in 2017, and 5.50% through 2023. Rates gradually decrease from 5.40% in 2024 to 3.9% in 2075 based on the Society of Actuaries Long-Run Medical Cost Trend Model.

Berks Area Regional Transportation Authority

Schedule of Changes in Postemployment Benefit Liability and Related Ratios (continued)
Last Ten Fiscal Years*

Salary	Assumptions for salary increases is used only for spreading contributions over future pay under entry age normal cost method. For this purpose salary increases are assumed to be 5.00%.
Mortality	RP 2000 Table
Retirement	Latest of age 62, age at the completion of ten years of service, or age on the valuation date
Election of Coverage	40% medical and prescription coverage, 100% receive death benefit
Percent Married at Retirement	15% are assumed married and have a covered spouse at retirement