

BERKSHIRE REGIONAL TRANSIT AUTHORITY

**Financial Statements and
Supplementary Information**

June 30, 2011

Table of Contents

	Page
Independent Auditors' Report	2 - 3
Management's Discussion and Analysis	4
Financial Statements	
Statements of Net Assets	5
Statements of Revenues, Expenses and Changes in Net Assets	6 - 7
Statements of Cash Flows	8
Notes to Financial Statements	9 - 25
Supplementary Information	
Computation of Operating Assistance From the Federal Transit Administration	26
Statement of Net Cost of Service	27
Report on Internal Control Over Financial Reporting and On Compliance And Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	28 - 29

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INDEPENDENT AUDITORS' REPORT

To the Advisory Board of the
BERKSHIRE REGIONAL TRANSIT AUTHORITY
 One Columbus Avenue, Suite 201
 Pittsfield, MA 01201

We have audited the accompanying financial statements of the business-type activities of Berkshire Regional Transit Authority, a component unit of the Commonwealth of Massachusetts, as of and for the years ended June 30, 2011 and 2010, which comprise the Berkshire Regional Transit Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Berkshire Regional Transit Authority's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 1 to the financial statements, the Berkshire Regional Transit Authority adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* as of July 1, 2010.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of Berkshire Regional Transit Authority, as of June 30, 2011 and 2010, and the respective changes in financial position and cash flows, thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated September 1, 2011 on our consideration of the Berkshire Regional Transit Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on page 4 and budgetary comparisons on pages 6 and 7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that comprise the Berkshire Regional Transit Authority's financial statements as a whole. The supplementary information starting on page 26 is presented for purposes of additional analysis and is not a required part of the financial statements. The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Adelson Moynihan Kowalczyk PC

ADELSON MOYNIHAN KOWALCZYK PC

September 1, 2011

BERKSHIRE REGIONAL TRANSIT AUTHORITY

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2011

The Berkshire Regional Transit Authority's (the Authority) management discussion and analysis for the fiscal year ended June 30, 2011, is designed to assist the reader in focusing on significant financial issues, provide an overview of the Authority's financial activity, identify changes in the Authority's financial position and identify any material deviations from the financial plan (the approved budget).

Financial Highlights

- The assets of the Authority exceeded its liabilities at June 30, 2011 by \$13,725,532.
- The Authority's total net assets had a net decrease of \$(330,806) from fiscal year 2010, mainly due to contributed capital assets of \$822,069, current year non-reimbursable depreciation on capital assets of \$(990,348), an a decrease in working capital held by Berkshire Transit Management, Inc., the Authority's fixed route operator of \$(162,527).
- Operating revenues increased \$883,415 or 19% from fiscal year 2010.
- Operating expenses increased \$1,097,100 or 12% from fiscal year 2010.
- The Authority expended \$831,959 on capital assets of which \$822,069 was contributed from the federal and state government.
- The Authority's operations are funded annually through a state required computation of the net cost of service. Except for the establishment of a restricted reserve, the Authority's funding cannot exceed its net cost of service. However, a deficit can result if funding is not sufficient to cover expenses.

Overview of the Financial Statements

The Authority is a component unit of Massachusetts formed for the purpose of carrying out business-type activities in 24 western Massachusetts communities. The Authority's financial statements consist of three main statements: Statement of Net Assets, Statement of Revenues, Expenses and Changes in Net Assets, and Statement of Cash Flows. Notes and supplementary information that disclose information about the nature of the Authority's business, accounting policies and additional information about specific statement amounts follow these statements.

The Authority's net assets consist of its net investment in capital assets (e.g. land, revenue vehicles and office equipment), less any debt used to acquire those assets, and working capital held by the Authority's fixed route operator. The Authority uses these capital assets and working capital held by the fixed route operator to provide transportation services to individuals within its service area. Although the Authority's capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt, if any, must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The Authority currently has no capital lease obligations or capital debt. Net assets also consist of a restricted reserve for extraordinary expenses as allowed by Massachusetts General Laws Chapter 161B Section 6(q). Unfunded deficits are reported as unassigned net assets.

The Statement of Revenues, Expenses and Changes in Net Assets report the results of both operating and non-operating activities. Increases or decreases in the Authority's net assets indicate whether the financial health is improving or deteriorating.

BERKSHIRE REGIONAL TRANSIT AUTHORITY

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2011

The Statement of Cash Flows, which is presented using the direct method, accounts for the change in the cash and equivalents balance between July 1 and June 30. The cash flows statement provides the detail on the cash the Authority received from and paid for operating and non-operating activities, investing, and financing activities.

Summary of Net Assets

	<u>6/30/2011</u>	<u>6/30/2010</u>
Total current assets	\$ 6,884,534	\$ 6,687,737
Property and equipment, net	<u>13,323,857</u>	<u>13,489,700</u>
Total assets	20,208,391	20,177,437
 Total liabilities	 <u>6,482,859</u>	 <u>6,121,099</u>
 Nonspendable		
Investment in capital assets, net of related debt	13,323,857	13,489,700
Restricted reserve	144,940	144,940
Assigned		
Working capital held by fixed route operator	584,385	746,912
Unassigned	<u>(327,650)</u>	<u>(325,214)</u>
Total net assets	<u>\$ 13,725,532</u>	<u>\$ 14,056,338</u>

Restricted and assigned net assets

The Authority's restricted net assets represent amounts that can be spent only for specific purposes because of state laws, or externally imposed conditions by grantors or creditors. The Authority's assigned net assets represent amounts that are designated for a particular purpose. The Authority's restricted and assigned net assets consisted of the following at June 30:

Net Assets Restricted and Assigned for Other Purposes

	<u>6/30/2011</u>	<u>6/30/2010</u>
Restricted net assets		
Accumulated reserve established under Massachusetts		
General Laws for extraordinary expenses	\$ 144,940	\$ 144,940
Assigned net assets		
Working capital held by Berkshire Transit Management, Inc.		
for operation of the fixed route	<u>584,385</u>	<u>746,912</u>
Total	<u>\$ 729,325</u>	<u>\$ 891,852</u>

BERKSHIRE REGIONAL TRANSIT AUTHORITY

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2011

Unassigned net assets

Unassigned net assets represent funds that may be used to fund current operations. During fiscal year 2011, the unassigned fund balance decreased a net amount of (\$2,436) from fiscal year 2010 for a total negative unassigned fund balance of (\$327,650) at June 30, 2011. The net decrease in the unassigned fund balance is due to the following:

Current year unfunded deficit	\$ ---
Reimbursable depreciation on capital assets	7,454
Capital assets acquired with the Authority's own cash	<u>(9,890)</u>
Change in unassigned net assets	(2,436)
Unassigned net assets, beginning	<u>(325,214)</u>
Unassigned net assets, ending	<u>\$ (327,650)</u>

Summary of Statement of Revenues, Expenses and Changes in Net Assets

	<u>6/30/2011</u>	<u>6/30/2010</u>	<u>Change</u>
Total operating revenues	\$ 5,554,518	\$ 4,671,103	\$ 883,415
Total operating expenses	<u>10,100,901</u>	<u>9,003,801</u>	<u>1,097,100</u>
Operating income (loss)	(4,546,383)	(4,332,698)	(213,685)
Total non-operating revenues (expenses)	<u>4,546,383</u>	<u>4,212,297</u>	<u>334,086</u>
Income (loss) before capital contributions and other items	---	(120,401)	120,401
Capital contributions	822,069	755,373	66,696
Nonreimbursable depreciation	(990,348)	(970,269)	(20,079)
Increase (decrease) in working capital held by fixed route operator	<u>(162,527)</u>	<u>69,884</u>	<u>(232,411)</u>
Change in net assets	(330,806)	(265,413)	(65,393)
Net assets, beginning	<u>14,056,338</u>	<u>14,321,751</u>	<u>(265,413)</u>
Net assets, ending	<u>\$ 13,725,532</u>	<u>\$ 14,056,338</u>	<u>\$ (330,806)</u>

BERKSHIRE REGIONAL TRANSIT AUTHORITY

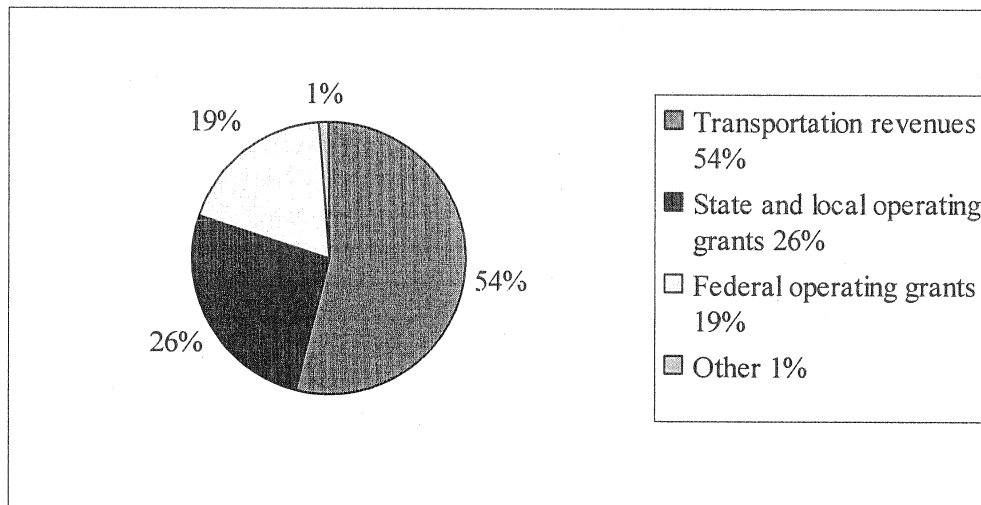
Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2011

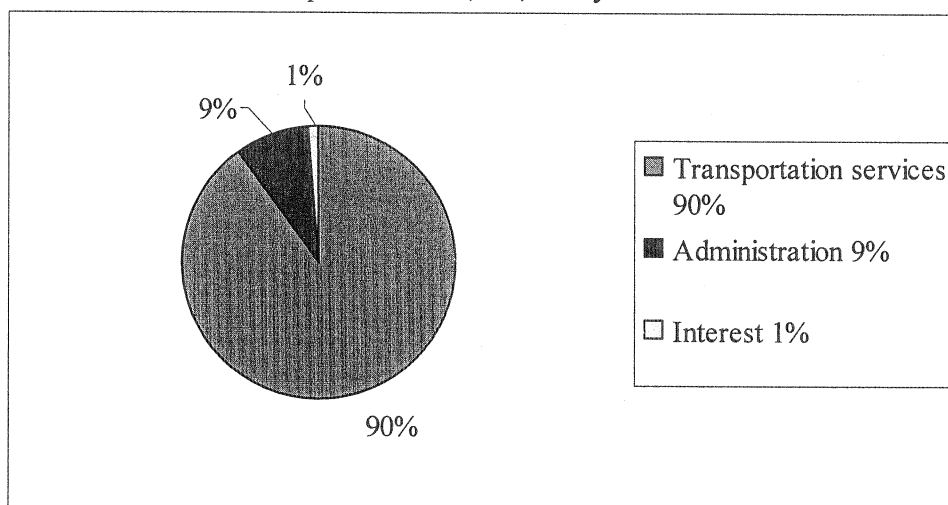
Operating revenues increased \$883,415 or 19% from the prior year. This increase is attributable to an increase in fixed route ridership and brokerage (HST) activity.

Operating expenses increased \$1,097,100 or 12% from the prior year. Fixed route service expenses increased \$62,938 from fiscal year 2010 mainly due to increased insurance, fuel, and vehicle maintenance costs; demand response service decreased (\$27,102) from fiscal year 2010; brokerage service increased \$921,208 from fiscal year 2010 mainly due to increased activity; administrative salaries, taxes and fringe benefits increased \$50,276 from fiscal year 2010; other administrative costs increased \$89,780 mainly due to increase professional and technical services related to the new intelligent transportation system being implemented.

Total Operating and Non-operating
Revenues of \$10,220,439 by Source



Total Operating and Non-operating
Expenses of \$10,220,439 by Source



BERKSHIRE REGIONAL TRANSIT AUTHORITY

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2011

Budget vs. Actual – an analysis of significant budget variances, including reasons for the variances that may affect future services or liquidity is as follows:

- Demand response expenses were over budget due to additional activity throughout the year.
- Brokerage service income and expenses were over budget due to increased activity during the year.
- Interest expense is under budget due to falling interest rates between the budget completion in May and the borrowing in September.

Capital Asset and Debt Administration

Capital assets

The Authority's net decrease in capital assets during the year ending June 30, 2011 was \$(165,843). The Authority primarily acquires its capital assets under federal capital grants with state matching funds. The details on capital assets totaling \$13,323,857, net of accumulated depreciation, are disclosed in Note 5 of the financial statements.

This net decrease in investment in capital assets includes:

Purchases	
Bus shelters	\$ 12,000
Revenue vehicles	354,782
Intermodal center common area renovations	73,247
ITS vehicle locator system	391,930
Total purchases	831,959
Current year depreciation	(997,802)
Net decrease in capital assets	<u>\$ (165,843)</u>

Revenue Anticipation Notes

At the end of fiscal year 2011, the Authority had a revenue anticipation note payable of \$5,800,000 maturing on September 29, 2011 at a rate of 2.25%. This note provides cash flow until Commonwealth appropriations are received.

BERKSHIRE REGIONAL TRANSIT AUTHORITY**Management's Discussion and Analysis****For the Fiscal Year Ended June 30, 2011***Economic Factors and Next Year's Budget*

Funding for the Authority's net cost of service (non-capital expenses less all non-capital revenues except state contract assistance and member municipality assessments) is dependent primarily (up to 75%) on operating assistance from the Commonwealth of Massachusetts. This operating assistance is funded a year in arrear by the State (the Authority's fiscal 2011 assistance will be included in the State's fiscal 2012 budget). The balance (at least 25% but no more than 50%) of the Authority's net cost of service is funded also in arrears through assessments to member municipalities. These assessments may increase annually in the aggregate by no more than 2.5% plus the member's share of any new services.

Requests for Information

This financial report is designed to provide a general overview of the Authority's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Berkshire Regional Transit Authority, One Columbus Avenue – Suite 201, Pittsfield, MA, 01201.

BERKSHIRE REGIONAL TRANSIT AUTHORITY

STATEMENTS OF NET ASSETS

JUNE 30,

	2011	2010
ASSETS		
Current assets		
Cash and equivalents	\$ 648,074	\$ 473,100
Receivables, net	5,652,075	5,448,992
Other assets	---	18,733
Working capital held by fixed route operator	584,385	746,912
Total current assets	6,884,534	6,687,737
Property and equipment, net	13,323,857	13,489,700
TOTAL ASSETS	20,208,391	20,177,437
LIABILITIES		
Accounts payable	508,685	333,946
Accrued payroll and related liabilities	19,498	19,044
Deferred revenue	45,809	32,275
Accrued interest	108,867	125,834
Notes payable	5,800,000	5,610,000
TOTAL LIABILITIES	6,482,859	6,121,099
NET ASSETS		
Nonspendable		
Invested in capital assets, net of related debt	13,323,857	13,489,700
Restricted reserve	144,940	144,940
Assigned		
Working capital held by fixed route operator	584,385	746,912
Unassigned	(327,650)	(325,214)
TOTAL NET ASSETS	\$ 13,725,532	\$ 14,056,338

See notes to financial statements.

BERKSHIRE REGIONAL TRANSIT AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
For the Year Ended June 30, 2011

	Budget	Actual	Variance Favorable (Unfavorable)
Operating revenues			
Fixed route income	\$ 740,000	\$ 713,150	\$ (26,850)
Demand response income	223,100	199,193	(23,907)
Brokerage service income	4,215,762	4,642,175	426,413
Total operating revenues	<u>5,178,862</u>	<u>5,554,518</u>	<u>375,656</u>
Operating expenses			
Fixed route service	4,411,068	4,047,849	363,219
Demand response service	751,344	846,272	(94,928)
Brokerage service	3,923,521	4,320,063	(396,542)
Administrative salaries, taxes and fringe benefits	416,678	463,855	(47,177)
Other administrative expenses	441,677	415,408	26,269
Reimbursable depreciation	---	7,454	(7,454)
Total operating expenses	<u>9,944,288</u>	<u>10,100,901</u>	<u>(156,613)</u>
Operating income (loss)	<u>(4,765,426)</u>	<u>(4,546,383)</u>	<u>219,043</u>
Non-operating revenues (expenses)			
Government operating assistance			
Federal	2,242,797	1,978,094	(264,703)
Massachusetts	1,822,305	1,822,305	---
Member communities	780,468	780,468	---
Advertising income	22,500	22,500	---
Rental income	48,100	38,119	(9,981)
Other income	14,400	12,222	(2,178)
Interest income	12,000	12,213	213
Interest expense	(177,144)	(119,538)	57,606
Total non-operating revenues (expenses)	<u>4,765,426</u>	<u>4,546,383</u>	<u>(219,043)</u>
Income (loss) before capital contributions and other items	<u>\$ ---</u>	<u>---</u>	<u>\$ ---</u>
Capital contributions		822,069	
Nonreimbursable depreciation		(990,348)	
Other changes		<u>(162,527)</u>	
CHANGE IN NET ASSETS		(330,806)	
Net assets, beginning		<u>14,056,338</u>	
NET ASSETS, ENDING		<u>\$ 13,725,532</u>	

See notes to financial statements.

BERKSHIRE REGIONAL TRANSIT AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
For the Year Ended June 30, 2010

	Budget	Actual	Variance Favorable (Unfavorable)
Operating revenues			
Fixed route income	\$ 725,035	\$ 724,891	\$ (144)
Demand response income	221,126	226,563	5,437
Brokerage service income	3,719,961	3,719,649	(312)
Total operating revenues	<u>4,666,122</u>	<u>4,671,103</u>	<u>4,981</u>
Operating expenses			
Fixed route service	4,046,667	3,984,911	61,756
Demand response service	781,344	873,374	(92,030)
Brokerage service	3,552,190	3,398,855	153,335
Administrative salaries, taxes and fringe benefits	418,131	413,579	4,552
Other administrative expenses	318,770	325,315	(6,545)
Reimbursable depreciation	---	7,767	(7,767)
Total operating expenses	<u>9,117,102</u>	<u>9,003,801</u>	<u>113,301</u>
Operating income (loss)	<u>(4,450,980)</u>	<u>(4,332,698)</u>	<u>118,282</u>
Non-operating revenues (expenses)			
Government operating assistance			
Federal	2,031,838	1,667,571	(364,267)
Massachusetts	1,830,363	1,812,128	(18,235)
Member communities	656,533	761,433	104,900
Other state assistance	---	20,628	20,628
Advertising income	20,000	24,966	4,966
Rental income	38,116	38,119	3
Other income	23,884	19,525	(4,359)
Interest income	18,000	11,629	(6,371)
Interest expense	(200,000)	(143,702)	56,298
Total non-operating revenues (expenses)	<u>4,418,734</u>	<u>4,212,297</u>	<u>(206,437)</u>
Income (loss) before capital contributions and other items	<u>\$ (32,246)</u>	(120,401)	<u>\$ (88,155)</u>
Capital contributions		755,373	
Nonreimbursable depreciation		(970,269)	
Other changes		<u>69,884</u>	
CHANGE IN NET ASSETS		(265,413)	
Net assets, beginning		<u>14,321,751</u>	
NET ASSETS, ENDING		<u>\$ 14,056,338</u>	

See notes to financial statements.

BERKSHIRE REGIONAL TRANSIT AUTHORITY

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30,

	2011	2010
Cash flows from operating activities:		
Receipts from customers	\$ 5,331,733	\$ 4,675,252
Payments for goods and services	(9,330,043)	(8,559,789)
Payments to employees	(463,401)	(416,332)
Net cash provided (used) by operating activities	(4,461,711)	(4,300,869)
Cash flows from noncapital financing activities:		
Receipts of operating grants	4,580,867	4,261,760
Proceeds from issuing revenue anticipation notes	5,800,000	5,610,000
Repayments of revenue anticipation notes	(5,610,000)	(5,610,000)
Interest paid	(136,505)	(185,322)
Net cash provided (used) by noncapital financing activities	4,634,362	4,076,438
Cash flows from capital and related financing activities:		
Receipts of capital grants	822,069	755,373
Payments for capital acquisitions	(831,959)	(755,373)
Net cash provided (used) by capital and related financing activities	(9,890)	---
Cash flows from investing activities:		
Interest on savings	12,213	11,629
Net cash provided (used) by investing activities	12,213	11,629
NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS	174,974	(212,802)
Cash and equivalents, beginning	473,100	685,902
CASH AND EQUIVALENTS, ENDING	\$ 648,074	\$ 473,100
Reconciliation of operating income to net cash provided (used) by operating activities:		
OPERATING LOSS	\$ (4,546,383)	\$ (4,332,698)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:		
Reimbursable depreciation	7,454	7,767
Advertising income	22,500	24,966
Rental income	38,119	38,119
Other income	12,222	19,525
Change in assets and liabilities:		
(Increase) decrease in receivables	(203,083)	(116,752)
(Increase) decrease in prepaid expenses and other assets	18,733	(11,765)
Increase (decrease) in accounts payable	174,739	65,493
Increase (decrease) in accrued payroll and related liabilities	454	(2,753)
Increase (decrease) in deferred revenue	13,534	7,229
Net cash provided (used) by operating activities	\$ (4,461,711)	\$ (4,300,869)

See notes to financial statements.

BERKSHIRE REGIONAL TRANSIT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Berkshire Regional Transit Authority (the Authority) operates under Massachusetts General Laws (MGL) Chapter 161B as a body politic and a corporate and political subdivision of the Commonwealth of Massachusetts. Its members consist of the cities of Pittsfield and North Adams and the towns of Adams, Alford, Becket, Cheshire, Clarksburg, Dalton, Egremont, Florida, Great Barrington, Hinsdale, Lanesborough, Lee, Lenox, Monterey, Mt. Washington, Otis, Richmond, Sheffield, Stockbridge, Washington, Williamstown and Windsor. It has a general responsibility to develop, finance and contract for the operation of mass transportation facilities within its territory. It is authorized to improve, modify, or extend existing facilities and enter into agreements with other parties, including government agencies, municipalities, authorities, private transportation companies, railroads, corporations, and other concerns, providing for construction, operation and use by such other party of any mass transportation facility or equipment of the Authority.

The Authority's activities are managed by an administrator who is appointed by an Advisory Board which is made up of chief elected officials or their appointees from the member communities. The Authority's operations are primarily funded through passenger fares, contractual reimbursements and operating subsidies from the federal and state government and member municipalities. In addition, the Authority receives capital grants from the federal and state government to finance acquisitions and improvements of facilities and equipment.

Basis of Accounting

An enterprise fund is used to account for the Authority, which is maintained on the accrual basis of accounting.

The Authority uses proprietary fund accounting which follows all Governmental Accounting Standards Board (GASB) pronouncements. Private-sector standards issued by the Financial Accounting Standards Board prior to December 31, 1989 generally are followed to the extent that those standards do not conflict with or contradict GASB guidance.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing transit services to the general public. The principal operating revenues consist of passenger fares and contract reimbursements for demand response transit services provided to agencies of the Commonwealth of Massachusetts. Operating expenses include the cost of transit services provided by third party vendors, administrative expenses and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The Authority is a component unit of the Commonwealth of Massachusetts per statement No. 14 of the Governmental Accounting Standards Board. Massachusetts provides funding to the Authority.

Fund Balances

During the year ended June 30, 2011, the Authority implemented the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying existing governmental fund type definitions. It establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which the Authority is bound to observe constraints imposed upon the use of the resources reported in its financial statements.

NOTE 1 - (Continued)

Fund balances are classified as follows in the Authority's financial statements:

Non-spendable

Amounts that cannot be spent either because they are in a non-spendable form or because they are legally or contractually required to be maintained intact.

Restricted

Amounts that can be spent only for specific purposes because of state laws, or externally imposed conditions by grantors or creditors. The Authority has a restricted reserve established for the purpose of meeting the cost of extraordinary expenses in accordance with Massachusetts General Laws, Chapter 161b, Section 6(q). At June 30, 2011, the Authority's reserve balance was \$144,940.

Assigned

Amounts that are designated for particular purposes but are not spendable until a budget is passed or there is a majority vote approval by the Advisory Board.

Unassigned

All amounts not included in other spendable classifications

Revenue Recognition

Operating assistance and capital assistance are recorded at the time eligible expenditures under the terms of the grants are incurred.

Budgetary Basis of Accounting

The Authority follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Administrator presents to the Advisory Board a proposed budget by April 1, each year, for the fiscal year commencing the following July. The budget includes proposed expenditures and the means of financing them.
2. By June 1, each year, the budget is legally enacted by a vote of the Advisory Board.

Funding

The Authority's operations are funded through fares from riders and assistance provided under various federal, state, and local grants. Reimbursement under these grants is based on expenses incurred during the fiscal year and is subject to certain compliance regulations.

Capital Grants

The Authority's capital assets are generally acquired with federal, state and local capital grants. These assets are owned by the Authority and included in property and equipment. Proceeds received from dispositions of these assets must be either refunded to the grantor agency or used to acquire new capital items. Capital grant revenues are reflected in the Statement of Revenues, Expenses and Changes in Net Assets as capital contributions.

Cash and Equivalents

For purposes of the statements of cash flows, the Authority considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable.

NOTE 1 - (Continued)**Property and Equipment**

Property and equipment are recorded at acquisition cost and depreciation is calculated using the straight-line method over five to forty year lives.

Allocation of Indirect Costs

An indirect cost allocation plan established under Office of Management and Budget Circular A-87 is utilized in which all costs that are not chargeable directly to a program are allocated to each program on the basis of either salaries or operating expenses charged directly to each program.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that effect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Subsequent Events

Management has evaluated subsequent events through September 1, 2011, the date which the financial statements were available to be issued.

Concentration of Source of Supply of Labor

The Authority signed a three year contract effective July 1, 2008 and expiring on June 30, 2011, for its fixed route transportation services with Berkshire Transit Management (BTM), a division of First Transit, Inc. Subsequent to fiscal year end, the Authority signed a new three year contract effective July 1, 2011 and expiring on June 30, 2014 for its fixed route transportations services with the same company.

Approximately, sixty-eight percent (68%) of BTM employees are members of the International Brotherhood of Teamsters, Local 404 (the Union). BTM's labor agreement with the Union is effective through June 30, 2012.

Advertising Costs

Advertising costs are expensed as incurred. Advertising expense was \$11,832 and \$28,132 for the years ended June 30, 2011 and 2010, respectively.

Comparative Data

Certain prior year amounts have been reclassified to conform to the current year presentation.

NOTE 2 - DEPOSITS AND INVESTMENTS

State and local statutes place certain limitations on the nature of deposits and investments available to the Authority. Deposits, including demand deposits, money markets and certificates of deposit in any one financial institution, may not exceed certain levels unless collateralized by the financial institution involved. Investments may be made in unconditionally guaranteed U.S. Government obligations having maturities of a year or less from the date of purchase, or through repurchase agreements with maturities of no greater than 90 days in which the underlying securities consist of such obligations. Other allowable investments include authorized bonds of all states, banker's acceptances, commercial paper rated within the three highest classifications established by rating agencies, and units in the Massachusetts Municipal Depository Trust.

Custodial Credit Risk Related to Deposits

Custodial credit risk is the risk that in the event of bank failure, the Authority's deposits may not be returned. The Authority carries deposits that are insured by FDIC and DIF insurance. Insured bank deposits as of June 30, 2011, were \$580,176. Uninsured bank deposits as of June 30, 2011, were \$-0-.

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

	<u>2011</u>	<u>2010</u>
Federal		
Operating assistance	\$ 1,945,468	\$ 1,702,980
Capital and planning assistance	<u>---</u>	<u>137,226</u>
Total federal	<u>1,945,468</u>	<u>1,840,206</u>
Massachusetts		
Operating assistance for current year expenditures	1,822,305	1,822,305
* Operating assistance for prior year expenditures	151,408	151,408
Capital assistance	32,487	195,056
Allowance for uncollectible	<u>(151,408)</u>	<u>(151,408)</u>
Total Massachusetts	<u>1,854,792</u>	<u>2,017,361</u>
Member communities		
Operating assistance for current year expenditures	780,469	761,433
Operating assistance for prior year expenditures	<u>221,988</u>	<u>203,419</u>
Total member communities	<u>1,002,457</u>	<u>964,852</u>
Other receivables	<u>849,358</u>	<u>626,573</u>
Total receivables	<u>\$ 5,652,075</u>	<u>\$ 5,448,992</u>

* The Authority has recorded an allowance against this receivable which is required for the financial statements to be in conformity with accounting principles generally accepted in the United States of America. The Authority believes that this receivable will eventually be paid by the State, and has not been advised by the State that it is uncollectible.

The Federal government, under 49 USC sections 5307, 5311 and other sections, provides for assistance of up to 50% of the Authority's operating deficit. In addition, under 49 USC sections 5307, 5309 and 5310, the Federal government may provide 80% to 100% of the cost of capital equipment. During the year ended June 30, 2011 and 2010, the Authority was awarded American Recovery and Reinvestment funds through the Department of Transportation, of which 10% may provide for operating assistance with the remainder for capital assistance.

Massachusetts general laws require the operating assistance assessed upon member communities be at least 25% of net cost of service including new services. The local assessment can be increased by a maximum of 2.5% over the previous year's local assessment plus 25% of the cost of new service.

The Authority has a contract with the Commonwealth of Massachusetts under which Massachusetts agrees to provide operating assistance for a portion of the operating deficit remaining after any Federal grants and the local assistance have been applied.

NOTE 4 - WORKING CAPITAL HELD BY FIXED ROUTE OPERATOR

Berkshire Transit Management, Inc. (BTM) is the fixed route operator for the Authority. The assets and liabilities held by BTM are owned by the Authority and consist mainly of cash, inventory, prepaid expenses, and accounts payable and accrued wages. The value of these assets less liabilities held by BTM as of June 30, 2011 and 2010 was \$584,385 and \$746,912, respectively, and are reported as working capital held by the fixed route operator in the Authority's financial statements.

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

	2011			
	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 61,628	\$ ---	\$ ---	\$ 61,628
Total capital assets, not being depreciated	61,628	---	---	61,628
Capital assets, being depreciated:				
Buildings	13,198,009	73,247	---	13,271,256
Revenue equipment	6,125,565	366,782	(3,451)	6,488,896
Office equipment and furniture	213,021	391,930	(10,365)	594,586
Service vehicles	185,505	---	(986)	184,519
Total capital assets, being depreciated	19,722,100	831,959	(14,802)	20,539,257
Less accumulated depreciation for:				
Buildings	3,391,891	349,027	---	3,740,918
Revenue equipment	2,635,470	594,303	(3,451)	3,226,322
Office equipment and furniture	96,907	41,061	(10,365)	127,603
Service vehicles	169,760	13,411	(986)	182,185
Total accumulated depreciation	6,294,028	997,802	(14,802)	7,277,028
Total capital assets, being depreciated, net	13,428,072	(165,843)	---	13,262,229
Capital assets, net	\$ 13,489,700	\$ (165,843)	\$ ---	\$ 13,323,857

NOTE 5 - (Continued)

	2010			
	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 61,628	\$ ---	\$ ---	\$ 61,628
Total capital assets, not being depreciated	61,628	---	---	61,628
Capital assets, being depreciated:				
Buildings	13,275,820	4,546	(82,357)	13,198,009
Revenue equipment	6,423,740	726,605	(1,024,780)	6,125,565
Office equipment and furniture	206,435	24,222	(17,636)	213,021
Service vehicles	224,579	---	(39,074)	185,505
Total capital assets, being depreciated	20,130,574	755,373	(1,163,847)	19,722,100
Less accumulated depreciation for:				
Buildings	3,081,294	392,954	(82,357)	3,391,891
Revenue equipment	3,110,222	550,028	(1,024,780)	2,635,470
Office equipment and furniture	97,480	17,063	(17,636)	96,907
Service vehicles	190,843	17,991	(39,074)	169,760
Total accumulated depreciation	6,479,839	978,036	(1,163,847)	6,294,028
Total capital assets, being depreciated, net	13,650,735	(222,663)	---	13,428,072
Capital assets, net	\$ 13,712,363	\$ (222,663)	\$ ---	\$ 13,489,700

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

	2011	2010
2.25% Revenue anticipation note due September 29, 2011	\$ 5,800,000	
2.75% Revenue anticipation note due September 10, 2010		\$ 5,610,000
Total	<u>\$ 5,800,000</u>	<u>\$ 5,610,000</u>

Effective July 1, 2008 the Commonwealth is required pursuant to Section 10 of Chapter 161B of the Massachusetts General Laws to pay to the Authority amounts duly certified by the Administrator as necessary to pay the principal and interest on these notes if sufficient funds are not otherwise available; the obligation of the Commonwealth to pay such amounts to the Authority is a general obligation of the Commonwealth and the full faith and credit of the Commonwealth is pledged to make such payments.

NOTE 7 - NET ASSETS CONSISTED OF THE FOLLOWING AT JUNE 30:

	2011				
	Nonspendable				
	Invested in	Restricted			
	capital assets	Reserve	Assigned	Unassigned	Total
Net income (loss)				\$ ---	\$ ---
Reimbursable depreciation	\$ (7,454)			7,454	---
Nonreimbursable depreciation	(990,348)				(990,348)
Additions					
Capital contributions	822,069				822,069
Other	9,890			(9,890)	---
Decrease in retained working capital held by fixed route operator			\$ (162,527)		(162,527)
Increase (decrease) in net assets	(165,843)	---	(162,527)	(2,436)	(330,806)
Net assets, beginning	13,489,700	144,940	746,912	(325,214)	14,056,338
Net assets, ending	<u>\$ 13,323,857</u>	<u>\$ 144,940</u>	<u>\$ 584,385</u>	<u>\$ (327,650)</u>	<u>\$ 13,725,532</u>

	2010				
	Nonspendable				
	Invested in	Restricted			
	capital assets	Reserve	Assigned	Unassigned	Total
Net income (loss)				\$ (120,401)	\$ (120,401)
Reimbursable depreciation	\$ (7,767)			7,767	---
Nonreimbursable depreciation	(970,269)				(970,269)
Capital contributions	755,373				755,373
Increase in retained working capital held by fixed route operator			\$ 69,884		69,884
Increase (decrease) in net assets	(222,663)	---	69,884	(112,634)	(265,413)
Net assets, beginning	13,712,363	144,940	677,028	(212,580)	14,321,751
Net assets, ending	<u>\$ 13,489,700</u>	<u>\$ 144,940</u>	<u>\$ 746,912</u>	<u>\$ (325,214)</u>	<u>\$ 14,056,338</u>

NOTE 8 - TRANSPORTATION CONTRACTS CONSISTED OF THE FOLLOWING AT JUNE 30, 2011:

- A. Fixed route service was provided by Berkshire Transit Management Services, Inc. to the communities of Adams, Cheshire, Dalton, Great Barrington, Hinsdale, Lanesborough, Lee, Lenox, North Adams, Pittsfield, Stockbridge, and Williamstown. Payments were based upon reimbursement for actual costs incurred plus a fixed management fee of \$167,942.
- B. Approximately three taxi companies provided door-to-door transportation service for the elderly and disabled in the Authority's member communities. The Authority sold taxi tickets at a twenty percent discount from the face value to thirteen non-profit agencies, which distributed them to the residents of the above communities. Payments under these contracts were based upon the face value of tickets returned by the taxi operators.
- C. Under agreement with the Authority, one cabulance, or "chaircar" company provided door-to-door service to qualified persons confined to wheelchairs. Customers purchased tickets from the Authority or other approved agencies at a subsidized cost and the vendor submitted the tickets to the Authority for payment of the full cost of service.
- D. The Americans with Disabilities Act mandates that paratransit service be made available to disabled persons unable to access the fixed route buses at a cost not to exceed twice the maximum fare on the fixed route system. This is a curb-to-curb service utilizing a chaircar company with which the Authority contracts. Payments to the provider are a negotiated fare for the chaircar company. User cost is \$2.50 for each town traveled, up to a maximum fare of \$10.00.
- E. Under agreement with the Authority, ten Council on Aging (COA) organizations provided paratransit service to qualified persons with disabilities in their communities. Service was provided in Dalton, Lenox, Great Barrington, Pittsfield, Lanesborough, Adams, Cheshire, North Adams and Williamstown. Customers paid to the COA their usual suggested donation. The COA organizations receive a fixed stipend paid monthly.
- F. Under agreement with the Authority, one private non-profit organization (a consortium of nine Councils on Aging) provided paratransit service to qualified persons with disabilities in the Authority's member communities. Customers paid the private, non-profit organization its usual suggested donation.
- G. Approximately three taxi companies and two chaircar/ambulatory van companies provided transportation for Department of Medical Assistance (DMA), Department of Developmental Services (DDS), Department of Public Health (DPH), Massachusetts Rehabilitation Commission (MRC), and Massachusetts Commission for the Blind (MCB) eligible recipients. These provider companies submitted invoices to the Authority for payment at fees for services established by agreement with the Authority. The Authority was reimbursed by DMA, DDS and DPH for the provider service costs. In addition, the Department of Human Service Transportation (HST) paid the Authority a fixed management fee of \$266,933 during the fiscal year for providing these services.

NOTE 9 - DEFERRED COMPENSATION PLAN

The Authority is a member of the Commonwealth of Massachusetts Deferred Compensation Program. The Authority offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457 (Deferred Compensation Plans with Respect To Service For State and Local Governments). The plan is administered by Great-West Retirement Services. Under the plan, employees may elect to defer a portion of their salaries and postpone paying taxes on the deferred portion until the withdrawal date. The deferred compensation amount is not available for withdrawal by employees until termination, retirement, death, or unforeseeable emergency. All amounts of compensation deferred, all property and rights purchased, and all income, property, or rights are (until paid or made available to the employee or other beneficiary) held in trust for the exclusive benefit of the participants and their beneficiaries.

As part of its fiduciary role, the Authority has an obligation of due care in selecting the third party administrator. In the opinion of the Authority's management, the Authority has acted in a prudent manner and is not liable for losses that may arise from the administration of the plan.

NOTE 10 - PENSION PLAN**Plan Description**

The Authority provides retirement benefits to employees through the Berkshire Regional Transit Authority Pension Plan (the Plan). The Plan is a defined benefit pension plan which covers all eligible employees of the Authority. Employees, who are at least 21 years old, are eligible to enter the plan on the first day of the plan year. Members of the Plan become 100% vested immediately upon entering the plan.

The Plan provides both retirement and death benefits. Retirement benefits are calculated at 2.5% of a member's average monthly compensation times the number of years of service to a maximum of 40 years. Benefit payments are based upon a member's age, length of creditable service and level of compensation. Normal retirement is attained at age 65 with at least 5 years participation. A retirement allowance may be received early if the participant has reached age 55 and completed five years of service.

(Continued)

NOTE 10 - (Continued)**Annual Pension Cost and Net Pension Obligation**

The Authority's annual pension cost and net pension obligation for the current year were as follows:

Net pension obligation, beginning of year	\$ (10,181)
Annual pension cost	(40,031)
Contributions	40,817
Interest adjustment on net pension obligation	<u>6,287</u>
Net pension obligation, end of year	<u>\$ (3,108)</u>

Funding Policy and Actuarial Assumptions

Valuation date	July 1, 2010
Actuarial cost method	Modified Aggregate Cost Method
Asset valuation method	Market value
Actuarial market value of assets	\$ 153,088
Investment rate of return	3.40%
Projected salary increase	2%

Three Year Trend Information

Trend information gives an indication of the progress made in accumulating sufficient assets to pay benefits when due. Certain information for the Plan for the last three years is presented below.

Plan year ending	Annual pension cost (APC)	Percentage of APC contributed	Net pension obligation
06/30/09	\$ 35,822	100%	\$ ---
06/30/10	\$ 36,549	100%	\$ 10,181
06/30/11	\$ 33,744	100%	\$ 3,108

Additional pension disclosures required by generally accepted accounting principles were not available for presentation, but management feels this information would not have a material effect on the financial statement.

NOTE 11 - DEMAND RESPONSE INCOME AND SERVICE EXPENSES CONSISTED OF THE FOLLOWING FOR THE YEARS ENDED JUNE 30:

	2011		
	Budget	Actual	Variance Favorable (Unfavorable)
Demand response income			
Taxis	\$ 14,600	\$ 13,453	\$ (1,147)
Chaircar	156,500	131,582	(24,918)
ADA	52,000	54,158	2,158
Total income	<u>\$ 223,100</u>	<u>\$ 199,193</u>	<u>\$ (23,907)</u>

	2011		
	Budget	Actual	Variance Favorable (Unfavorable)
Demand response service expenses			
Taxis	\$ 24,000	\$ 17,722	\$ 6,278
Chaircar	380,887	370,518	10,369
ADA	271,397	383,032	(111,635)
Council on Aging	75,060	75,000	60
Total service expenses	<u>\$ 751,344</u>	<u>\$ 846,272</u>	<u>\$ (94,928)</u>

NOTE 11 - (Continued)

	2010		
	Budget	Actual	Variance Favorable (Unfavorable)
Demand response income			
Taxis	\$ 20,160	\$ 16,516	\$ (3,644)
Chaircar	145,035	150,040	5,005
ADA	48,731	54,795	6,064
Job Access Reverse Commute, RideWorks	7,200	5,212	(1,988)
Total income	<u>\$ 221,126</u>	<u>\$ 226,563</u>	<u>\$ 5,437</u>

	2010		
	Budget	Actual	Variance Favorable (Unfavorable)
Demand response service expenses			
Taxis	\$ 24,000	\$ 20,645	\$ 3,355
Chaircar	380,887	426,208	(45,321)
ADA	271,397	328,636	(57,239)
Job Access Reverse Commute, RideWorks	30,000	22,885	7,115
Council on Aging	75,060	75,000	60
Total service expenses	<u>\$ 781,344</u>	<u>\$ 873,374</u>	<u>\$ (92,030)</u>

NOTE 12 - BROKERAGE SERVICE INCOME AND EXPENSES CONSISTED OF THE FOLLOWING FOR THE YEARS ENDED JUNE 30:

	2011		
	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Human Service Transportation income			
Department of Public Health	\$ 203,971	\$ 224,365	\$ 20,394
Department of Developmental Services	1,721,568	1,893,702	172,134
Department of Mental Assistance	2,290,223	2,519,215	228,992
Massachusetts Rehabilitation Commission	---	4,893	4,893
Total income	<u>\$ 4,215,762</u>	<u>\$ 4,642,175</u>	<u>\$ 426,413</u>

	2011		
	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Human Service Transportation service expenses			
Department of Public Health	\$ 188,062	\$ 197,676	\$ (9,614)
Department of Developmental Services	1,860,957	1,839,550	21,407
Department of Mental Assistance	1,874,502	2,277,944	(403,442)
Massachusetts Rehabilitation Commission	---	4,893	(4,893)
Total service expenses	<u>\$ 3,923,521</u>	<u>\$ 4,320,063</u>	<u>\$ (396,542)</u>

NOTE 12 - (Continued)

	2010		
	Budget	Actual	Variance Favorable (Unfavorable)
Human Service Transportation income			
Department of Public Health	\$ 222,664	\$ 216,475	\$ (6,189)
Department of Developmental Services	1,675,707	1,789,367	113,660
Department of Mental Assistance	<u>1,821,590</u>	<u>1,713,807</u>	<u>(107,783)</u>
Total income	<u>\$ 3,719,961</u>	<u>\$ 3,719,649</u>	<u>\$ (312)</u>

	2010		
	Budget	Actual	Variance Favorable (Unfavorable)
Human Service Transportation service expenses			
Department of Public Health	\$ 185,058	\$ 177,070	\$ 7,988
Department of Developmental Services	1,827,495	1,748,608	78,887
Department of Mental Assistance	<u>1,539,637</u>	<u>1,473,177</u>	<u>66,460</u>
Total service expenses	<u>\$ 3,552,190</u>	<u>\$ 3,398,855</u>	<u>\$ 153,335</u>

NOTE 13 - ADMINISTRATIVE SALARIES, TAXES AND FRINGE BENEFITS CONSISTED OF THE FOLLOWING FOR THE YEARS ENDED JUNE 30:

	2011		
	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Salaries			
Administrative	\$ 173,306	\$ 213,541	\$ (40,235)
Paratransit and demand response	25,646	31,725	(6,079)
Human Service Transportation	<u>96,627</u>	<u>90,486</u>	<u>6,141</u>
Total salaries	295,579	335,752	(40,173)
Payroll taxes and fringe benefits	<u>121,099</u>	<u>128,103</u>	<u>(7,004)</u>
Total	<u>\$ 416,678</u>	<u>\$ 463,855</u>	<u>\$ (47,177)</u>

	2010		
	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Salaries			
Administrative	\$ 170,640	\$ 185,299	\$ (14,659)
Paratransit and demand response	29,277	27,790	1,487
Human Service Transportation	<u>93,616</u>	<u>76,248</u>	<u>17,368</u>
Total salaries	293,533	289,337	4,196
Payroll taxes and fringe benefits	<u>124,598</u>	<u>124,242</u>	<u>356</u>
Total	<u>\$ 418,131</u>	<u>\$ 413,579</u>	<u>\$ 4,552</u>

NOTE 14 - OTHER ADMINISTRATIVE EXPENSES CONSISTED OF THE FOLLOWING FOR THE YEARS ENDED JUNE 30:

	2011		
	Budget	Actual	Variance Favorable (Unfavorable)
Professional and technical services	\$ 179,691	\$ 231,861	\$ (52,170)
Travel and meetings	9,475	8,292	1,183
Office supplies	25,378	10,808	14,570
Utilities	88,970	76,786	12,184
Building repairs and maintenance	33,645	32,971	674
Advertising, printing and other administrative expenses	93,518	50,576	42,942
Bad debts	---	4,114	(4,114)
Transportation planning	11,000	---	11,000
Total	<u>\$ 441,677</u>	<u>\$ 415,408</u>	<u>\$ 26,269</u>
Fixed route		\$ 115,490	
Paratransit and demand response		92,431	
Human Service Transportation		<u>207,487</u>	
Total		<u>\$ 415,408</u>	

NOTE 14 - (Continued)

	2010		
	Budget	Actual	Variance Favorable (Unfavorable)
Professional and technical services	\$ 137,447	\$ 115,826	\$ 21,621
Travel and meetings	7,847	7,036	811
Office supplies	17,181	8,050	9,131
Utilities	80,938	76,027	4,911
Building repairs and maintenance	40,700	55,445	(14,745)
Advertising, printing and other administrative expenses	34,657	56,530	(21,873)
Bad debts	---	6,401	(6,401)
Total	<u>\$ 318,770</u>	<u>\$ 325,315</u>	<u>\$ (6,545)</u>
Fixed route		\$ 82,166	
Paratransit and demand response		59,062	
Human Service Transportation		<u>184,087</u>	
Total		<u>\$ 325,315</u>	

NOTE 15 - COMMITMENTS AND CONTINGENT LIABILITIES*Fiscal year 2012 budget*

For the fiscal year 2012, the Authority has approved an operating budget of \$9,730,038, which excludes depreciation. This budget includes grant-matching expenditures, which the Authority is required to meet as its share of Federal and State programs.

Federal and State funding

The Authority participates in a number of Federal and State grant programs. Accordingly, the Authority's compliance with the applicable grant requirements will be established at some future date. The amount of expenditures, if any, which may be disallowed by the granting agencies cannot be determined at this time, although the Authority expects such amounts, if any, to be immaterial.

Risk management

The Authority is exposed to various risks of loss related to torts, theft, damage and destruction of assets, errors and omissions, natural disasters, and workers compensation claims for which the Authority carries commercial insurance.

BERKSHIRE REGIONAL TRANSIT AUTHORITY
Computation of Operating Assistance
from the Federal Transit Administration
Under 49 USC Sections 5307, 5311, 5316 and 5317
For Years Ended June 30,

	<u>2011</u>	<u>2010</u>
Total operating expenses	\$ 10,100,901	\$ 9,003,801
Interest expense	<u>119,538</u>	<u>143,702</u>
Total eligible expenses	10,220,439	9,147,503
Revenues applied to eligible expenses:		
Fixed route income	713,150	724,891
Demand response income	199,193	226,563
Brokerage service income	4,642,175	3,719,649
Other federal and state assistance	32,626	213,315
Advertising income	22,500	24,966
Rental income	38,119	38,119
Other income	12,222	19,525
Interest income	<u>12,213</u>	<u>11,629</u>
Total revenues applied to eligible expenses	<u>5,672,198</u>	<u>4,978,657</u>
Net operating expenses eligible under Sections 5307, 5311, 5316 and 5317	4,548,241	4,168,846
Federal participation in eligible expenses	<u>x 50%</u>	<u>x 50%</u>
Maximum federal operating assistance allowed	<u>\$ 2,274,121</u>	<u>\$ 2,084,423</u>
Sections 5307, 5311, 5316 and 5317 operating assistance sought (amount above or less)	<u>\$ 1,945,468</u>	<u>\$ 1,474,884</u>

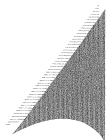
Nonreimbursable depreciation taken on equipment purchased with capital grant funding is not included in the eligible expenses above.

BERKSHIRE REGIONAL TRANSIT AUTHORITY
STATEMENT OF NET COST OF SERVICE - TOTAL SERVICE AREA
For the Year Ended June 30,

	2011	2010
Operating costs		
Administrative costs	\$ 886,717	\$ 746,661
Purchased services		
Fixed route service	4,047,849	3,984,911
Demand response service	846,272	873,374
Brokerage service	4,320,063	3,398,855
Debt service	119,538	143,702
Total operating costs	<u>10,220,439</u>	<u>9,147,503</u>
Operating assistance and revenues		
Federal operating and administrative assistance	<u>1,978,094</u>	<u>1,667,571</u>
Revenues		
Local revenues		
Fixed route income	713,150	724,891
Demand response income	199,193	226,563
Brokerage service income	4,642,175	3,719,649
Advertising income	22,500	24,966
Rental income	38,119	38,119
Other income	12,222	19,525
Interest income	12,213	11,629
Total local revenues	<u>5,639,572</u>	<u>4,765,342</u>
State planning assistance	<u>---</u>	<u>20,628</u>
Total operating assistance and revenues	<u>7,617,666</u>	<u>6,453,541</u>
Net operating deficit	2,602,773	2,693,962
Extraordinary expenses	<u>---</u>	<u>---</u>
Net cost of service	2,602,773	2,693,962
Net cost of service funding		
Local assessments	780,468	761,433
State contract assistance	<u>1,822,305</u>	<u>1,812,128</u>
Total funding	<u>2,602,773</u>	<u>2,573,561</u>
Unreimbursed deficit	---	120,401
Accumulated unreimbursed deficit, beginning	<u>271,809</u>	<u>151,408</u>
Accumulated unreimbursed deficit, ending	<u>\$ 271,809</u>	<u>\$ 271,809</u>

Nonreimbursable depreciation taken on property and equipment purchased with capital grant funding is not included in the eligible expenses above.

Richard F. LaFleche, CPA
 Vincent T. Viscuso, CPA
 Gary J. Moynihan, CPA
 Karen M. Kowalczyk, CPA
 Carol Leibinger-Healey, CPA



Adelson Moynihan Kowalczyk PC

CERTIFIED PUBLIC ACCOUNTANTS

Established 1938

Associates

Russell A. Faerber, CPA
 David M. Irwin, Jr., CPA
 Peter R. Ronan, CPA
 Jennifer J. Stark, CPA
 Sarah P. Voisin, CPA

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

To the Advisory Board of the
BERKSHIRE REGIONAL TRANSIT AUTHORITY
 One Columbus Avenue, Suite 201
 Pittsfield, MA 01201

We have audited the financial statements of the business-type activities of Berkshire Regional Transit Authority, a component unit of the Commonwealth of Massachusetts, as of and for the year ended June 30, 2011 which comprise Berkshire Regional Transit Authority's basic financial statements and have issued our report thereon dated September 1, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Berkshire Regional Transit Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Berkshire Regional Transit Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Berkshire Regional Transit Authority's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Berkshire Regional Transit Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain other matters that we reported to management of Berkshire Regional Transit Authority in a separate letter dated September 1, 2011.

This report is intended solely for the information and use of management, the Advisory Board, the finance committee, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Adelson Moynihan Kowalczyk PC

ADELSON MOYNIHAN KOWALCZYK PC

September 1, 2011