

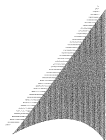
**BERKSHIRE REGIONAL TRANSIT AUTHORITY**

**Financial Statements and  
Supplementary Information  
June 30, 2012**

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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 Massachusetts Department of Transportation, as of and for the years ended June 30, 2012 and 2011, 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 an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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.

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, 2012 and 2011, 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 7, 2012 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 the Required Supplementary Information on page 26 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 7, 2012



*Adelson Moynihan Kowalczyk PC*

CERTIFIED PUBLIC ACCOUNTANTS

# BERKSHIRE REGIONAL TRANSIT AUTHORITY

## Management's Discussion and Analysis

### For the Fiscal Year Ended June 30, 2012

The Berkshire Regional Transit Authority's (the Authority) management discussion and analysis for the fiscal year ended June 30, 2012, 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, 2012 by \$13,852,892.
- The Authority's total net position had a net increase of \$127,360 from fiscal year 2011, mainly due to contributed capital assets of \$1,737,346, current year non-reimbursable depreciation on capital assets of \$(960,211), non-reimbursable loss on disposal of revenue equipment of \$(665,301), an increase in working capital held by Berkshire Transit Management, Inc., the Authority's fixed route operator of \$4,371, and an increase in the Authority's reserve of \$11,155 as allowed under M.G.L. 161B Section 6(q).
- Operating revenues increased \$702,707 or 12% from fiscal year 2011.
- Operating expenses increased \$748,628 or 7% from fiscal year 2011.
- The Authority expended \$1,861,054 on capital assets of which \$1,737,346 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 the Massachusetts Department of Transportation 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 Position, Statement of Revenues, Expenses and Changes in Fund Net Position, and Statement of Cash Flows. Notes and supplementary information that disclose information about the nature of the Authority's business, accounting policies and additional information about specific statement amounts follow these statements.

The Authority's net position 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 position also consists of a restricted reserve for extraordinary expenses as allowed by Massachusetts General Laws Chapter 161B Section 6(q). Unfunded deficits are reported as unrestricted net position.

The Statement of Revenues, Expenses and Changes in Fund Net Position report the results of both operating and non-operating activities. Increases or decreases in the Authority's net position 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, 2012

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 Position

	<u>6/30/2012</u>	<u>6/30/2011</u>
Total current assets	\$ 7,139,918	\$ 6,884,534
Property and equipment, net	<u>13,528,195</u>	<u>13,323,857</u>
Total assets	20,668,113	20,208,391
Total liabilities	<u>6,815,221</u>	<u>6,482,859</u>
Investment in capital assets, net of related debt	13,528,195	13,323,857
Restricted		
Reserve	156,095	144,940
Working capital held by fixed route operator	588,756	584,385
Unrestricted	<u>(420,154)</u>	<u>(327,650)</u>
Total net position	<u>\$ 13,852,892</u>	<u>\$ 13,725,532</u>

#### *Restricted and unrestricted net position*

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

#### Net Position Restricted for Other Purposes

	<u>6/30/2012</u>	<u>6/30/2011</u>
Restricted net position		
Accumulated reserve established under Massachusetts		
General Laws for extraordinary expenses	\$ 156,095	\$ 144,940
Working capital held by Berkshire Transit Management, Inc.		
for operation of the fixed route	<u>588,756</u>	<u>584,385</u>
Total	<u>\$ 744,851</u>	<u>\$ 729,325</u>

# BERKSHIRE REGIONAL TRANSIT AUTHORITY

## Management's Discussion and Analysis

### For the Fiscal Year Ended June 30, 2012

#### *Unrestricted net position*

Unrestricted net position represents funds that may be used to fund current operations. During fiscal year 2012, the unrestricted net position fund balance decreased a net amount of (\$92,504) from fiscal year 2011 for a total negative unrestricted fund balance of (\$420,154) at June 30, 2012. The net decrease in the unassigned fund balance is due to the following:

Current year net income	\$ 11,155
Reimbursable depreciation on capital assets	15,654
Capital Contributions	2,298
Capital assets acquired with the Authority's own cash	(126,006)
Other items	15,550
Increase to reserve for extraordinary expenses	<u>(11,155)</u>
Change in unrestricted net position	(92,504)
Unrestricted net position, beginning	<u>(327,650)</u>
Unrestricted net position, ending	<u>\$ (420,154)</u>

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

	<u>6/30/2012</u>	<u>6/30/2011</u>	<u>Change</u>
Total operating revenues	\$ 6,257,225	\$ 5,554,518	\$ 702,707
Total operating expenses	<u>10,849,529</u>	<u>10,100,901</u>	<u>748,628</u>
Operating income (loss)	(4,592,304)	(4,546,383)	(45,921)
Total non-operating revenues (expenses)	<u>4,603,459</u>	<u>4,546,383</u>	<u>57,076</u>
Income (loss) before capital contributions and other items	11,155	---	11,155
Capital contributions	1,737,346	822,069	915,277
Nonreimbursable depreciation	(960,211)	(990,348)	30,137
Nonreimbursable loss on disposal of revenue equipment	(665,301)	---	(665,301)
Increase (decrease) in working capital held by fixed route operator	<u>4,371</u>	<u>(162,527)</u>	<u>166,898</u>
Change in net position	127,360	(330,806)	458,166
Net position, beginning	<u>13,725,532</u>	<u>14,056,338</u>	<u>(330,806)</u>
Net position, ending	<u>\$ 13,852,892</u>	<u>\$ 13,725,532</u>	<u>\$ 127,360</u>

# BERKSHIRE REGIONAL TRANSIT AUTHORITY

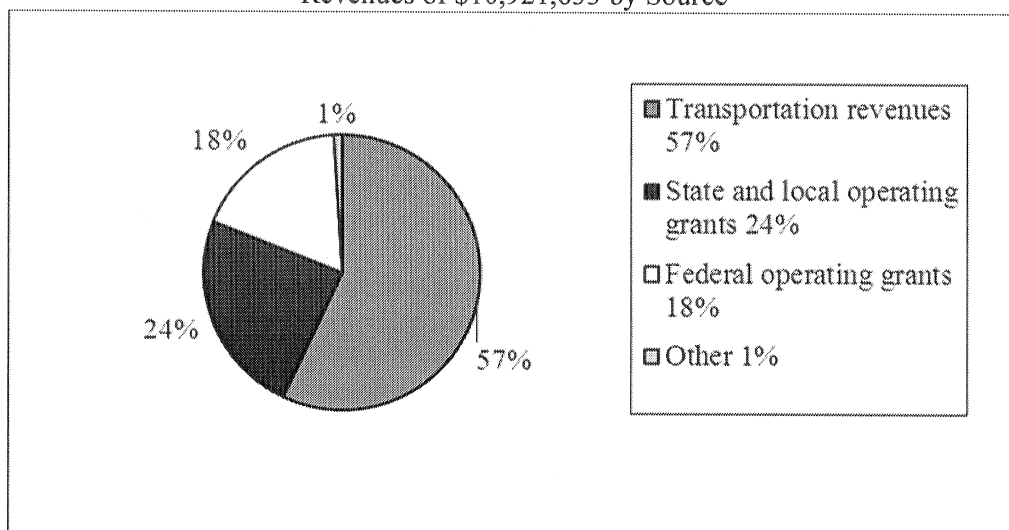
## Management's Discussion and Analysis

### For the Fiscal Year Ended June 30, 2012

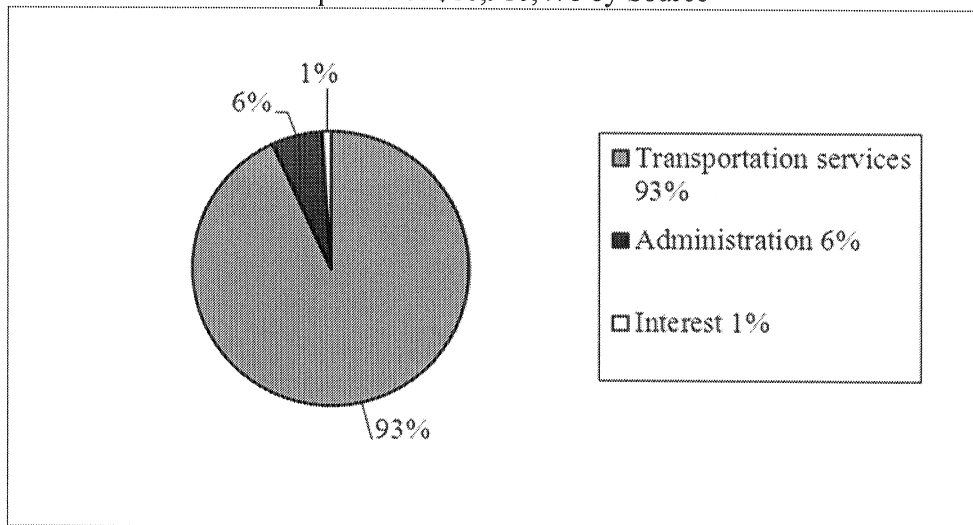
Operating revenues increased \$702,707 or 12% from the prior year. This increase is attributable to an increase in fixed route ridership and brokerage (HST) activity.

Operating expenses increased \$748,628 or 7% from the prior year. Fixed route service expenses increased \$90,076 from fiscal year 2011 mainly due to increased ridership, fuel and vehicle maintenance costs, and other operating costs; demand response service decreased (\$106,801) from fiscal year 2011; brokerage service increased \$740,508 from fiscal year 2011 mainly due to increased activity; administrative salaries, taxes and fringe benefits increased \$20,766 from fiscal year 2011; other administrative costs decreased \$(4,121).

Total Operating and Non-operating  
Revenues of \$10,921,633 by Source



Total Operating and Non-operating  
Expenses of \$10,910,478 by Source



# BERKSHIRE REGIONAL TRANSIT AUTHORITY

## Management's Discussion and Analysis

### For the Fiscal Year Ended June 30, 2012

**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 income was under budget due to decreased activity throughout the year and more individuals being transitioned into the brokerage services.
- 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 increase in capital assets during the year ending June 30, 2012 was \$204,338. The Authority primarily acquires its capital assets under federal capital grants with state matching funds. The details on capital assets totaling \$13,528,195, net of accumulated depreciation, are disclosed in Note 5 of the financial statements.

This net decrease in investment in capital assets includes:

Purchases	
Building improvements and renovations	\$ 140,649
Revenue vehicles	1,480,455
Office equipment and furniture	202,950
Service vehicle	<u>37,000</u>
Total purchases	1,861,054
Loss on revenue vehicles disposed of	(680,851)
Current year depreciation	<u>(975,865)</u>
Net increase in capital assets	<u>\$ 204,338</u>

### *Revenue Anticipation Notes*

At the end of fiscal year 2012, the Authority had a revenue anticipation note payable of \$5,900,000 maturing on September 28, 2012 at a rate of 1.25%. 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, 2012**

##### *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 2012 assistance will be included in the State's fiscal 2013 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 POSITION

JUNE 30,

	2012	2011
ASSETS		
Current assets		
Cash and equivalents	\$ 225,325	\$ 648,074
Receivables, net	6,325,837	5,652,075
Working capital held by fixed route operator	588,756	584,385
Total current assets	7,139,918	6,884,534
Property and equipment, net	13,528,195	13,323,857
TOTAL ASSETS	20,668,113	20,208,391
LIABILITIES		
Accounts payable	790,464	508,685
Accrued payroll and related liabilities	22,645	19,498
Deferred revenue	46,953	45,809
Accrued interest	55,159	108,867
Notes payable	5,900,000	5,800,000
TOTAL LIABILITIES	6,815,221	6,482,859
NET POSITION		
Invested in capital assets, net of related debt	13,528,195	13,323,857
Restricted		
Reserve	156,095	144,940
Working capital held by fixed route operator	588,756	584,385
Unrestricted	(420,154)	(327,650)
TOTAL NET POSITION	\$ 13,852,892	\$ 13,725,532

See notes to financial statements.

**BERKSHIRE REGIONAL TRANSIT AUTHORITY**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION**  
**For the Year Ended June 30, 2012**

	Budget	Actual	Variance Favorable (Unfavorable)
Operating revenues			
Fixed route income	\$ 678,778	\$ 775,523	\$ 96,745
Demand response income	211,100	146,763	(64,337)
Brokerage service income	4,190,454	5,334,939	1,144,485
Total operating revenues	<u>5,080,332</u>	<u>6,257,225</u>	<u>1,176,893</u>
Operating expenses			
Fixed route service	4,160,559	4,137,925	22,634
Demand response service	782,429	837,217	(54,788)
Brokerage service	4,190,454	5,221,880	(1,031,426)
Administrative salaries, taxes and fringe benefits	302,936	315,782	(12,846)
Other administrative expenses	165,838	321,071	(155,233)
Reimbursable depreciation	---	15,654	(15,654)
Total operating expenses	<u>9,602,216</u>	<u>10,849,529</u>	<u>(1,247,313)</u>
Operating income (loss)	<u>(4,521,884)</u>	<u>(4,592,304)</u>	<u>(70,420)</u>
Non-operating revenues (expenses)			
Government operating assistance			
Federal	1,943,121	1,947,732	4,611
Massachusetts	1,822,305	1,822,305	---
Member communities	799,980	799,980	---
Advertising income	25,000	25,000	---
Rental income	38,100	38,119	19
Other income	14,400	25,709	11,309
Interest income	6,800	5,563	(1,237)
Interest expense	(127,822)	(60,949)	66,873
Total non-operating revenues (expenses)	<u>4,521,884</u>	<u>4,603,459</u>	<u>81,575</u>
Income (loss) before capital contributions and other items	<u>\$ ---</u>	<u>11,155</u>	<u>\$ 11,155</u>
Capital contributions		1,737,346	
Nonreimbursable depreciation		(960,211)	
Nonreimbursable loss on disposal of revenue equipment		(665,301)	
Other changes		<u>4,371</u>	
CHANGE IN NET POSITION		127,360	
Net position, beginning		<u>13,725,532</u>	
NET POSITION, ENDING		<u>\$ 13,852,892</u>	

See notes to financial statements.

**BERKSHIRE REGIONAL TRANSIT AUTHORITY**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION**  
**For the Year Ended June 30, 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	782,990	944,018	(161,028)
Brokerage service	4,215,762	4,481,372	(265,610)
Administrative salaries, taxes and fringe benefits	254,817	295,016	(40,199)
Other administrative expenses	279,651	325,192	(45,541)
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 POSITION		(330,806)	
Net position, beginning		<u>14,056,338</u>	
NET POSITION, ENDING		<u>\$ 13,725,532</u>	

See notes to financial statements.



## BERKSHIRE REGIONAL TRANSIT AUTHORITY

## STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30,

	2012	2011
Cash flows from operating activities:		
Receipts from customers	\$ 6,124,617	\$ 5,331,733
Payments for goods and services	(10,474,946)	(9,330,043)
Payments to employees	(525,185)	(463,401)
Net cash provided (used) by operating activities	(4,875,514)	(4,461,711)
Cash flows from noncapital financing activities:		
Receipts of operating grants	4,570,017	4,580,867
Proceeds from issuing revenue anticipation notes	5,900,000	5,800,000
Repayments of revenue anticipation notes	(5,800,000)	(5,610,000)
Interest paid	(114,657)	(136,505)
Net cash provided (used) by noncapital financing activities	4,555,360	4,634,362
Cash flows from capital and related financing activities:		
Receipts of capital grants	1,737,346	822,069
Payments for capital acquisitions	(1,861,054)	(831,959)
Net cash provided (used) by capital and related financing activities	(123,708)	(9,890)
Cash flows from investing activities:		
Proceeds received from disposal of revenue equipment	15,550	---
Interest on savings	5,563	12,213
Net cash provided (used) by investing activities	21,113	12,213
NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS	(422,749)	174,974
Cash and equivalents, beginning	648,074	473,100
CASH AND EQUIVALENTS, ENDING	\$ 225,325	\$ 648,074
Reconciliation of operating income to net cash provided (used) by operating activities:		
OPERATING LOSS	\$ (4,592,304)	\$ (4,546,383)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:		
Reimbursable depreciation	15,654	7,454
Advertising income	25,000	22,500
Rental income	38,119	38,119
Other income	25,709	12,222
Change in assets and liabilities:		
(Increase) decrease in receivables	(673,762)	(203,083)
(Increase) decrease in prepaid expenses and other assets	---	18,733
Increase (decrease) in accounts payable	281,779	174,739
Increase (decrease) in accrued payroll and related liabilities	3,147	454
Increase (decrease) in deferred revenue	1,144	13,534
Net cash provided (used) by operating activities	\$ (4,875,514)	\$ (4,461,711)

See notes to financial statements.

## BERKSHIRE REGIONAL TRANSIT AUTHORITY

### NOTES TO FINANCIAL STATEMENTS

June 30, 2012

#### 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 Massachusetts Department of Transportation per statement No. 14 of the Governmental Accounting Standards Board. Massachusetts provides funding to the Authority.

##### **Fund Net Position**

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

##### *Invested in capital assets, net of related debt*

The portion of net position represented by capital assets less accumulated depreciation, less outstanding debt incurred by the Authority to buy or construct them. The Authority uses these capital assets to provide transportation services; consequently, these assets are not available for future spending. Although the Authority's investment in its capital assets is reported net of related debt, the resources needed to repay this debt, if any, must be provided from other sources, since these capital assets themselves cannot be used to liquidate these liabilities.

**NOTE 1 - (Continued)***Restricted*

Amounts that can be spent only for specific purposes because of state laws, or externally imposed conditions by grantors or creditors. The Authority has a restricted reserve established for the purpose of meeting the cost of extraordinary expenses in accordance with Massachusetts General Laws, Chapter 161b, Section 6(q). At June 30, 2012, the Authority's reserve balance was \$156,095.

*Unrestricted*

All amounts not included in other spendable classifications

**Revenue Recognition**

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

**Budgetary Basis of Accounting**

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

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

**Funding**

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

**Capital Grants**

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

**Property and Equipment**

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

**NOTE 1 - (Continued)****Allocation of Indirect Costs**

An indirect cost allocation plan established under Office of Management and Budget 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 7, 2012, 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, 2011 and expiring on June 30, 2014, for its fixed route transportation services with Berkshire Transit Management (BTM), a division of First Transit, Inc.

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, 2015.

**Advertising Costs**

Advertising costs are expensed as incurred. Advertising expense was \$12,930 and \$11,832 for the years ended June 30, 2012 and 2011, 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, 2012, were \$225,325. Uninsured bank deposits as of June 30, 2012, were \$-0-.

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

	<u>2012</u>	<u>2011</u>
Federal		
Operating assistance	\$ 2,311,169	\$ 1,945,468
Capital and planning assistance	<u>100,800</u>	<u>---</u>
Total federal	<u>2,411,969</u>	<u>1,945,468</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	63,947	32,487
Allowance for uncollectible	<u>(151,408)</u>	<u>(151,408)</u>
Total Massachusetts	<u>1,886,252</u>	<u>1,854,792</u>
Member communities		
Operating assistance for current year expenditures	799,980	780,469
Operating assistance for prior year expenditures	<u>245,670</u>	<u>221,988</u>
Total member communities	<u>1,045,650</u>	<u>1,002,457</u>
Other receivables	<u>981,966</u>	<u>849,358</u>
Total receivables	<u>\$ 6,325,837</u>	<u>\$ 5,652,075</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, 2012 and 2011, the Authority was awarded American Recovery and Reinvestment funds through the Department of Transportation.

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, 2012 and 2011 was \$588,756 and \$584,385, 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:**

	2012			
	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	13,271,256	140,649	---	13,411,905
Revenue equipment	6,488,896	1,480,455	(2,743,512)	5,225,839
Office equipment and furniture	594,586	202,950	---	797,536
Service vehicles	184,519	37,000	---	221,519
Total capital assets, being depreciated	20,539,257	1,861,054	(2,743,512)	19,656,799
Less accumulated depreciation for:				
Buildings	3,740,918	323,023	---	4,063,941
Revenue equipment	3,226,322	583,090	(2,062,661)	1,746,751
Office equipment and furniture	127,603	65,569	---	193,172
Service vehicles	182,185	4,183	---	186,368
Total accumulated depreciation	7,277,028	975,865	(2,062,661)	6,190,232
Total capital assets, being depreciated, net	13,262,229	885,189	(680,851)	13,466,567
Capital assets, net	\$ 13,323,857	\$ 885,189	\$ (680,851)	\$ 13,528,195

**NOTE 5 - (Continued)**

2011

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 61,628	\$ ---	\$ ---	\$ 61,628
Total capital assets, not being depreciated	<u>61,628</u>	<u>---</u>	<u>---</u>	<u>61,628</u>
Capital assets, being depreciated:				
Buildings	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	<u>185,505</u>	<u>---</u>	<u>(986)</u>	<u>184,519</u>
Total capital assets, being depreciated	<u>19,722,100</u>	<u>831,959</u>	<u>(14,802)</u>	<u>20,539,257</u>
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	<u>169,760</u>	<u>13,411</u>	<u>(986)</u>	<u>182,185</u>
Total accumulated depreciation	<u>6,294,028</u>	<u>997,802</u>	<u>(14,802)</u>	<u>7,277,028</u>
Total capital assets, being depreciated, net	<u>13,428,072</u>	<u>(165,843)</u>	<u>---</u>	<u>13,262,229</u>
Capital assets, net	<u>\$ 13,489,700</u>	<u>\$ (165,843)</u>	<u>\$ ---</u>	<u>\$ 13,323,857</u>

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

	2012	2011
1.25% Revenue anticipation note due September 28, 2012	\$ 5,900,000	
2.25% Revenue anticipation note due September 29, 2011		<u>\$ 5,800,000</u>
Total	<u>\$ 5,900,000</u>	<u>\$ 5,800,000</u>

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

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

	2012				
	Invested in capital assets	Restricted Reserve	Restricted Working Capital	Unrestricted	Total
Net income (loss)				\$ 11,155	\$ 11,155
Reimbursable depreciation	\$ (15,654)			15,654	---
Nonreimbursable depreciation	(960,211)				(960,211)
Nonreimbursable loss on disposal of revenue equipment	(680,851)			15,550	(665,301)
Additions					
Capital contributions	1,735,048			2,298	1,737,346
Other	126,006			(126,006)	---
Increase to reserve for Extraordinary expenses		\$ 11,155		(11,155)	---
Decrease in retained working capital held by fixed route operator			\$ 4,371	---	4,371
Increase (decrease) in net position	204,338	11,155	4,371	(92,504)	127,360
Net position, beginning	13,323,857	144,940	584,385	(327,650)	13,725,532
Net position, ending	<u>\$ 13,528,195</u>	<u>\$ 156,095</u>	<u>\$ 588,756</u>	<u>\$ (420,154)</u>	<u>\$ 13,852,892</u>

	2011				
	Invested in capital assets	Restricted Reserve	Restricted Working Capital	Unrestricted	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 position	(165,843)	---	(162,527)	(2,436)	(330,806)
Net position, beginning	13,489,700	144,940	746,912	(325,214)	14,056,338
Net position, ending	<u>\$ 13,323,857</u>	<u>\$ 144,940</u>	<u>\$ 584,385</u>	<u>\$ (327,650)</u>	<u>\$ 13,725,532</u>



**NOTE 8 - TRANSPORTATION CONTRACTS CONSISTED OF THE FOLLOWING AT JUNE 30, 2012:**

- 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 \$129,960.
- 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 approved persons. 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 approved 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, nine Council on Aging (COA) organizations and three private transportation agencies provided paratransit service to qualified persons with disabilities
- F. 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 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 - DEFINED BENEFIT 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 year ended June 30 were as follows:

	2012	2011
Net pension obligation, beginning of year	\$ (3,107)	\$ (10,181)
Annual pension cost	(77,750)	(40,031)
Contributions made	41,225	40,817
Other adjustments and assumption changes	(21,258)	6,288
Net pension obligation, end of year	<u>\$ (60,890)</u>	<u>\$ (3,107)</u>

**Funding Policy and Actuarial Assumptions**

Valuation date	July 1, 2012
Actuarial cost method	Modified Aggregate Cost Method
Asset valuation method	Market value
Actuarial market value of assets	\$ 219,054
Investment rate of return	2.82%
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 asset (obligation)
06/30/10	\$ 36,549	100%	\$ 34,890
06/30/11	\$ 40,031	100%	\$ (3,107)
06/30/12	\$ 77,750	53%	\$ (60,890)

**Schedule of Funding Progress**

The Schedule of Funding Progress included in supplementary information following the notes to the financial statements presents multi-year trend information of the actuarial value of the plan assets over time relative to the actuarial accrued liability for benefits.

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

	2012		
	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Demand response income			
Taxis	\$ 14,600	\$ 9,910	\$ (4,690)
Chaircar	132,500	79,860	(52,640)
ADA	<u>64,000</u>	<u>56,993</u>	<u>(7,007)</u>
Total income	<u>\$ 211,100</u>	<u>\$ 146,763</u>	<u>\$ (64,337)</u>

	2012		
	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Demand response service expenses			
Direct transportation			
Taxis	\$ 16,220	\$ 12,579	\$ 3,641
Chaircar	380,887	236,225	144,662
ADA	271,397	378,015	(106,618)
Council on Aging	75,060	75,000	60
Salaries, taxes and fringe benefits	37,865	68,610	(30,745)
Other costs	<u>1,000</u>	<u>66,788</u>	<u>(65,788)</u>
Total service expenses	<u>\$ 782,429</u>	<u>\$ 837,217</u>	<u>\$ (54,788)</u>

## NOTE 11 - (Continued)

	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			
Direct transportation			
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
Salaries, taxes and fringe benefits	25,646	43,829	(18,183)
Other costs	6,000	53,917	(47,917)
Total service expenses	<u>\$ 782,990</u>	<u>\$ 944,018</u>	<u>\$ (161,028)</u>

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

	2012		
	Budget	Actual	Variance Favorable (Unfavorable)
Human Service Transportation income			
Department of Public Health	\$ 200,857	\$ 283,061	\$ 82,204
Department of Developmental Services	1,987,565	2,070,126	82,561
Department of Mental Assistance	2,002,032	2,799,270	797,238
Massachusetts Rehabilitation Commission	---	6,972	6,972
Subtotal	4,190,454	5,159,429	968,975
Other fully funded brokerage income	---	175,510	175,510
Total income	<u>\$ 4,190,454</u>	<u>\$ 5,334,939</u>	<u>\$ 1,144,485</u>

	2012		
	Budget	Actual	Variance Favorable (Unfavorable)
Human Service Transportation service expenses			
Direct transportation			
Department of Public Health	\$ 188,062	\$ 256,639	\$ (68,577)
Department of Developmental Services	1,860,957	2,016,761	(155,804)
Department of Mental Assistance	1,874,502	2,541,779	(667,277)
Massachusetts Rehabilitation Commission	---	6,972	(6,972)
Salaries, taxes and fringe benefits	176,657	143,940	32,717
Other costs	90,276	80,279	9,997
Subtotal	4,190,454	5,046,370	(855,916)
Other fully funded brokerage expense	---	175,510	(175,510)
Total service expenses	<u>\$ 4,190,454</u>	<u>\$ 5,221,880</u>	<u>\$ (1,031,426)</u>

## NOTE 12 - (Continued)

	2011		
	Budget	Actual	Variance Favorable (Unfavorable)
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		
	Budget	Actual	Variance Favorable (Unfavorable)
Human Service Transportation service expenses			
Direct transportation			
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)
Salaries, taxes and fringe benefits	136,215	125,010	11,205
Other costs	<u>156,026</u>	<u>36,299</u>	<u>119,727</u>
Total service expenses	<u>\$ 4,215,762</u>	<u>\$ 4,481,372</u>	<u>\$ (265,610)</u>

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

	2012		
	Budget	Actual	Variance Favorable (Unfavorable)
Salaries	\$ 197,691	\$ 226,565	\$ (28,874)
Payroll taxes and fringe benefits	105,245	89,217	16,028
Total	<u>\$ 302,936</u>	<u>\$ 315,782</u>	<u>\$ (12,846)</u>

	2011		
	Budget	Actual	Variance Favorable (Unfavorable)
Salaries	\$ 173,306	\$ 213,541	\$ (40,235)
Payroll taxes and fringe benefits	81,511	81,475	36
Total	<u>\$ 254,817</u>	<u>\$ 295,016</u>	<u>\$ (40,199)</u>



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

	2012		
	Budget	Actual	Variance Favorable (Unfavorable)
Professional and technical services	\$ 59,043	\$ 112,243	\$ (53,200)
Travel and meetings	5,269	14,929	(9,660)
Office supplies	5,239	9,829	(4,590)
Utilities	53,149	87,257	(34,108)
Building repairs and maintenance	27,661	58,426	(30,765)
Advertising, printing and other administrative expenses	15,477	12,031	3,446
Transportation planning	---	26,356	(26,356)
Total	<u>\$ 165,838</u>	<u>\$ 321,071</u>	<u>\$ (155,233)</u>

	2011		
	Budget	Actual	Variance Favorable (Unfavorable)
Professional and technical services	\$ 85,741	\$ 156,157	\$ (70,416)
Travel and meetings	9,475	8,255	1,220
Office supplies	25,378	9,805	15,573
Utilities	88,970	76,786	12,184
Building repairs and maintenance	33,645	32,971	674
Advertising, printing and other administrative expenses	25,442	37,104	(11,662)
Bad debts	---	4,114	(4,114)
Transportation planning	11,000	---	11,000
Total	<u>\$ 279,651</u>	<u>\$ 325,192</u>	<u>\$ (45,541)</u>

**NOTE 15 - COMMITMENTS AND CONTINGENT LIABILITIES***Fiscal year 2013 budget*

For the fiscal year 2013, the Authority has approved an operating budget of \$11,617,893, 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**

## **Required Supplementary Information - Pension Funding Progress**

**June 30, 2012**

### **Defined Benefit Pension Plan:**

							$\frac{[(b - a)]}{c}$
	(a)	(b)	(b - a)		(a / b)	(c)	UAAL as
Acturial	Acturial	Acturial	Unfunded	(a / b)	(c)		a % of
Valuation	Value of	Accrued	AAL	Funded	Covered		Covered
Date	Assets	Liability (AAL)	(UAAL)	Ratio	Payroll		Payroll
07/01/11	\$ 213,276	\$ 216,383	\$ 3,107	98.56%	\$ 411,562		0.75%
07/01/12	\$ 219,054	\$ 279,944	\$ 60,890	78.25%	\$ 323,737		18.81%

**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,**

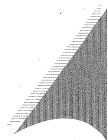
	<u>2012</u>	<u>2011</u>
Total operating expenses	\$ 10,849,529	\$ 10,100,901
Interest expense	<u>60,949</u>	<u>119,538</u>
Total eligible expenses	10,910,478	10,220,439
Revenues applied to eligible expenses:		
Fixed route income	775,523	713,150
Demand response income	146,763	199,193
Brokerage service income	5,334,939	4,642,175
Other federal assistance	40,169	32,626
Advertising income	25,000	22,500
Rental income	38,119	38,119
Other income	25,709	12,222
Interest income	<u>5,563</u>	<u>12,213</u>
Total revenues applied to eligible expenses	<u>6,391,785</u>	<u>5,672,198</u>
Net operating expenses eligible under Sections 5307, 5311, 5316 and 5317	4,518,693	4,548,241
Federal participation in eligible expenses	<u>x 50%</u>	<u>x 50%</u>
Maximum federal operating assistance allowed	<u>\$ 2,259,347</u>	<u>\$ 2,274,121</u>
Sections 5307, 5311, 5316 and 5317 operating assistance sought (amount above or less)	<u>\$ 1,907,563</u>	<u>\$ 1,945,468</u>

Nonreimbursable depreciation taken on property and equipment purchased with capital grant funding and losses on disposed assets originally purchased with capital grant funding are 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,**

	<u>2012</u>	<u>2011</u>
Operating costs		
Administrative costs	\$ 652,507	\$ 627,662
Purchased services		
Fixed route service	4,137,925	4,047,849
Demand response service	837,217	944,018
Brokerage service	5,221,880	4,481,372
Debt service	60,949	119,538
Total operating costs	<u>10,910,478</u>	<u>10,220,439</u>
Operating assistance and revenues		
Federal operating and administrative assistance	<u>1,947,732</u>	<u>1,978,094</u>
Revenues		
Local revenues		
Fixed route income	775,523	713,150
Demand response income	146,763	199,193
Brokerage service income	5,334,939	4,642,175
Advertising income	25,000	22,500
Rental income	38,119	38,119
Other income	25,709	12,222
Interest income	5,563	12,213
Total local revenues	<u>6,351,616</u>	<u>5,639,572</u>
Total operating assistance and revenues	<u>8,299,348</u>	<u>7,617,666</u>
Net operating deficit	2,611,130	2,602,773
Increase in reserve for extraordinary expenses	11,155	---
Net cost of service	2,622,285	2,602,773
Net cost of service funding		
Local assessments	799,980	780,468
State contract assistance	1,822,305	1,822,305
Total funding	<u>2,622,285</u>	<u>2,602,773</u>
Unreimbursed deficit	---	---
Accumulated unreimbursed deficit, beginning	271,809	271,809
Accumulated unreimbursed deficit, ending	<u>\$ 271,809</u>	<u>\$ 271,809</u>

Nonreimbursable depreciation taken on property and equipment purchased with capital grant funding and losses on disposed assets originally purchased with capital grant funding are not included in the eligible expenses above.



# Adelson Moynihan Kowalczyk PC

CERTIFIED PUBLIC ACCOUNTANTS

Established 1938

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

## 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 Massachusetts Department of Transportation, as of and for the year ended June 30, 2012 which comprise Berkshire Regional Transit Authority's basic financial statements and have issued our report thereon dated September 7, 2012. 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

Management of Berkshire Regional Transit Authority is responsible for establishing and maintaining effective 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 opinion 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 7, 2012.

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 7, 2012

