

BERKSHIRE REGIONAL TRANSIT AUTHORITY

**Financial Statements and
Supplementary Information
June 30, 2013**

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Adelson & Company PC

CERTIFIED PUBLIC ACCOUNTANTS

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

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Berkshire Regional Transit Authority, a component unit of the Massachusetts Department of Transportation, as of and for the years ended June 30, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the Berkshire Regional Transit Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Unmodified Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Berkshire Regional Transit Authority, as of June 30, 2013 and 2012, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on page 4, the budgetary comparison information on pages 6 and 7, and the schedule of pension funding progress 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Berkshire Regional Transit Authority's basic financial statements. The supplementary information starting on page 27 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report, dated September 4, 2013 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Berkshire Regional Transit Authority's internal control over financial reporting and compliance.

Adelson + Company PC

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September 4, 2013

BERKSHIRE REGIONAL TRANSIT AUTHORITY

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2013

The Berkshire Regional Transit Authority's (the Authority) management discussion and analysis for the fiscal year ended June 30, 2013, 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, 2013 by \$14,660,623.
- The Authority's total net position had a net increase of \$807,731 from fiscal year 2012, mainly due to contributed capital assets of \$1,671,974, current year non-reimbursable depreciation on capital assets of \$(1,017,205), an increase in working capital held by Berkshire Transit Management, Inc., the Authority's fixed route operator of \$149,060, and an increase in the Authority's reserve of \$3,902 as allowed under M.G.L. 161B Section 6(q).
- Operating revenues increased \$903,801 or 14% from fiscal year 2012.
- Operating expenses increased \$1,125,639 or 10% from fiscal year 2012.
- The Authority expended \$1,676,226 on capital assets of which \$1,671,974 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 23 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, buildings, 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, 2013

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>6/30/2013</u>	<u>6/30/2012</u>
Total current assets	\$ 8,053,903	\$ 7,139,918
Property and equipment, net	<u>14,160,516</u>	<u>13,528,195</u>
Total assets	22,214,419	20,668,113
 Total liabilities	 <u>7,553,796</u>	 <u>6,815,221</u>
 Investment in capital assets, net of related debt	 14,160,516	 13,528,195
Restricted		
Reserve	159,997	156,095
Working capital held by fixed route operator	737,816	588,756
Unrestricted	<u>(397,706)</u>	<u>(420,154)</u>
Total net position	<u>\$ 14,660,623</u>	<u>\$ 13,852,892</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>6/30/2013</u>	<u>6/30/2012</u>
Restricted net position		
Accumulated reserve established under Massachusetts		
General Laws for extraordinary expenses	\$ 159,997	\$ 156,095
Working capital held by Berkshire Transit Management, Inc.		
for operation of the fixed route	<u>737,816</u>	<u>588,756</u>
Total	<u>\$ 897,813</u>	<u>\$ 744,851</u>

BERKSHIRE REGIONAL TRANSIT AUTHORITY

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2013

Unrestricted net position

Unrestricted net position represents funds that may be used to fund current operations. During fiscal year 2013, the unrestricted net position fund balance increased a net amount of \$22,448 from fiscal year 2012 for a total negative unrestricted fund balance of (\$397,706) at June 30, 2013. The net increase in the unrestricted fund balance is due to the following:

Current year net income	\$ 3,902
Reimbursable depreciation on capital assets	26,700
Capital assets acquired with the Authority's own cash	(4,252)
Increase in reserve for extraordinary expenses	<u>(3,902)</u>
Change in unrestricted net position	22,448
Unrestricted net position, beginning	<u>(420,154)</u>
Unrestricted net position, ending	<u>\$ (397,706)</u>

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

	<u>6/30/2013</u>	<u>6/30/2012</u>	<u>Change</u>
Total operating revenues	\$ 7,161,026	\$ 6,257,225	\$ 903,801
Total operating expenses	<u>11,975,168</u>	<u>10,849,529</u>	<u>1,125,639</u>
Operating income (loss)	(4,814,142)	(4,592,304)	(221,838)
Total non-operating revenues (expenses)	<u>4,818,044</u>	<u>4,603,459</u>	<u>214,585</u>
Income (loss) before capital contributions and other items	3,902	11,155	(7,253)
Capital contributions	1,671,974	1,737,346	(65,372)
Nonreimbursable depreciation	(1,017,205)	(960,211)	(56,994)
Nonreimbursable loss on disposal of revenue equipment	---	(665,301)	665,301
Increase (decrease) in working capital held by fixed route operator	<u>149,060</u>	<u>4,371</u>	<u>144,689</u>
Change in net position	807,731	127,360	680,371
Net position, beginning	<u>13,852,892</u>	<u>13,725,532</u>	<u>127,360</u>
Net position, ending	<u>\$ 14,660,623</u>	<u>\$ 13,852,892</u>	<u>\$ 807,731</u>

BERKSHIRE REGIONAL TRANSIT AUTHORITY

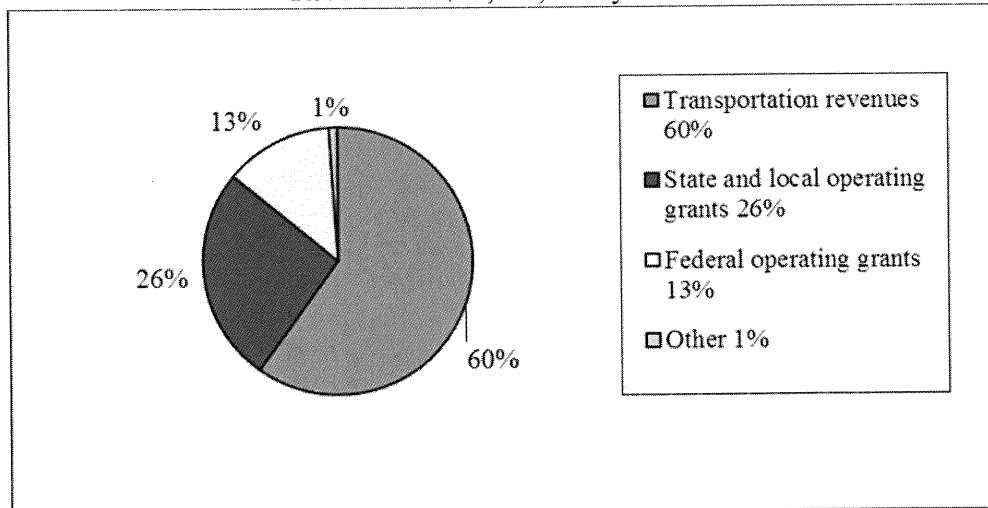
Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2013

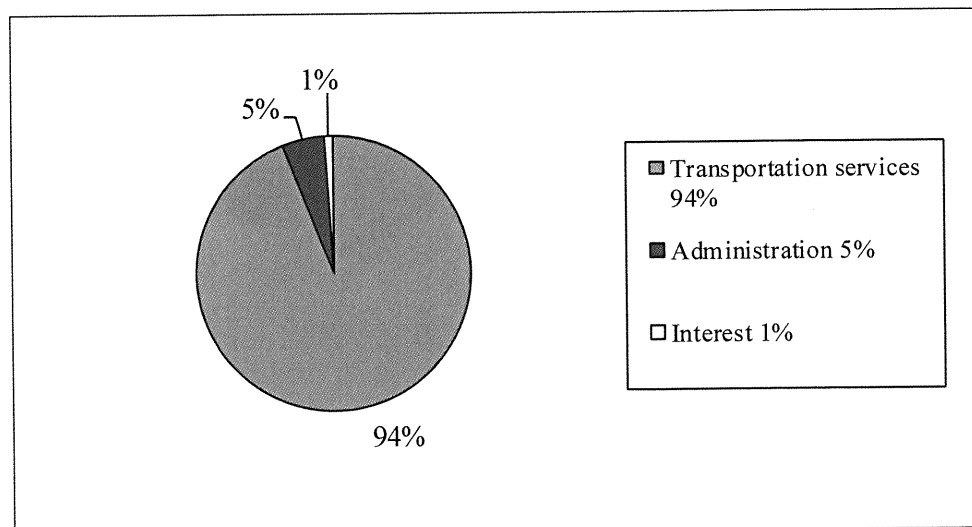
Operating revenues increased \$903,801 or 14% from the prior year. This increase is attributable to an increase in fixed route ridership and brokerage (HST) activity.

Operating expenses increased \$1,125,639 or 10% from the prior year. Fixed route service expenses increased \$364,026 from fiscal year 2012 mainly due to increased ridership, fuel and vehicle maintenance costs, and other operating costs; demand response service decreased (\$94,080) from fiscal year 2012; brokerage service increased \$820,749 from fiscal year 2012 mainly due to increased activity; administrative salaries, taxes and fringe benefits increased \$15,913 from fiscal year 2012; other administrative costs increased \$7,985.

Total Operating and Non-operating
Revenues of \$12,016,940 by Source



Total Operating and Non-operating
Expenses of \$12,013,038 by Source



BERKSHIRE REGIONAL TRANSIT AUTHORITY

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2013

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 and expenses were 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, 2013 was \$632,321. The Authority primarily acquires its capital assets under federal and state capital grants. The details on capital assets totaling \$14,160,516, 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	\$ 446,768
Revenue vehicles	1,023,308
Office equipment and furniture	206,150
Total purchases	1,676,226
Current year depreciation	(1,043,905)
Net increase in capital assets	<u>\$ 632,321</u>

Revenue Anticipation Notes

At the end of fiscal year 2013, the Authority had a revenue anticipation note payable of \$6,100,000 maturing on September 27, 2013 at a rate of 1.00%. 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, 2013***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 arrears by the State (the Authority's fiscal 2013 assistance will be included in the State's fiscal 2014 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,

	<u>2013</u>	<u>2012</u>
ASSETS		
Current assets		
Cash and equivalents	\$ 599,430	\$ 225,325
Receivables, net	6,716,657	6,325,837
Working capital held by fixed route operator	<u>737,816</u>	<u>588,756</u>
Total current assets	8,053,903	7,139,918
Property and equipment, net	<u>14,160,516</u>	<u>13,528,195</u>
TOTAL ASSETS	<u>22,214,419</u>	<u>20,668,113</u>
LIABILITIES		
Accounts payable	1,331,751	790,464
Accrued payroll and related liabilities	29,400	22,645
Deferred revenue	47,019	46,953
Accrued interest	45,626	55,159
Notes payable	<u>6,100,000</u>	<u>5,900,000</u>
TOTAL LIABILITIES	<u>7,553,796</u>	<u>6,815,221</u>
NET POSITION		
Invested in capital assets, net of related debt	14,160,516	13,528,195
Restricted		
Reserve	159,997	156,095
Working capital held by fixed route operator	737,816	588,756
Unrestricted	<u>(397,706)</u>	<u>(420,154)</u>
TOTAL NET POSITION	<u>\$ 14,660,623</u>	<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, 2013

	Budget	Actual	Variance Favorable (Unfavorable)
Operating revenues			
Fixed route income	\$ 761,028	\$ 792,765	\$ 31,737
Demand response income	162,000	137,276	(24,724)
Brokerage service income	5,618,796	6,230,985	612,189
Total operating revenues	6,541,824	7,161,026	619,202
Operating expenses			
Fixed route service	4,522,758	4,501,951	20,807
Demand response service	846,043	743,137	102,906
Brokerage service	5,618,796	6,152,974	(534,178)
Administrative salaries, taxes and fringe benefits	319,030	331,695	(12,665)
Other administrative expenses	218,263	218,711	(448)
Reimbursable depreciation	---	26,700	(26,700)
Total operating expenses	11,524,890	11,975,168	(450,278)
Operating income (loss)	(4,983,066)	(4,814,142)	168,924
Non-operating revenues (expenses)			
Government operating assistance			
Federal	1,953,086	1,525,215	(427,871)
Massachusetts	2,181,300	2,339,691	158,391
Member communities	819,980	819,980	---
Advertising income	35,000	35,000	---
Rental income	38,100	38,119	19
Other income	41,800	94,359	52,559
Interest income	6,800	3,550	(3,250)
Interest expense	(93,000)	(37,870)	55,130
Total non-operating revenues (expenses)	4,983,066	4,818,044	(165,022)
Income (loss) before capital contributions and other items	\$ ---	3,902	\$ 3,902
Capital contributions		1,671,974	
Nonreimbursable depreciation		(1,017,205)	
Other changes		149,060	
CHANGE IN NET POSITION		807,731	
Net position, beginning		13,852,892	
NET POSITION, ENDING		\$ 14,660,623	

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	5,332,225	(1,141,771)
Administrative salaries, taxes and fringe benefits	302,936	315,782	(12,846)
Other administrative expenses	165,838	210,726	(44,888)
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>	11,155	<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
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30,

	2013	2012
Cash flows from operating activities:		
Receipts from customers	\$ 7,066,008	\$ 6,124,617
Payments for goods and services	(11,017,570)	(10,536,730)
Payments to employees	(511,113)	(463,401)
Net cash provided (used) by operating activities	<u>(4,462,675)</u>	<u>(4,875,514)</u>
Cash flows from noncapital financing activities:		
Receipts of operating grants	4,684,886	4,570,017
Proceeds from issuing revenue anticipation notes	6,100,000	5,900,000
Repayments of revenue anticipation notes	(5,900,000)	(5,800,000)
Interest paid	(47,404)	(114,657)
Net cash provided (used) by noncapital financing activities	<u>4,837,482</u>	<u>4,555,360</u>
Cash flows from capital and related financing activities:		
Receipts of capital grants	1,671,974	1,737,346
Payments for capital acquisitions	(1,676,226)	(1,861,054)
Net cash provided (used) by capital and related financing activities	<u>(4,252)</u>	<u>(123,708)</u>
Cash flows from investing activities:		
Proceeds received from disposal of revenue equipment	---	15,550
Interest on savings	3,550	5,563
Net cash provided (used) by investing activities	<u>3,550</u>	<u>21,113</u>
NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS	374,105	(422,749)
Cash and equivalents, beginning	225,325	648,074
CASH AND EQUIVALENTS, ENDING	<u>\$ 599,430</u>	<u>\$ 225,325</u>
Reconciliation of operating income to net cash provided (used) by operating activities:		
OPERATING LOSS	\$ (4,814,142)	\$ (4,592,304)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:		
Reimbursable depreciation	26,700	15,654
Advertising income	35,000	25,000
Rental income	38,119	38,119
Other income	94,359	25,709
Change in assets and liabilities:		
(Increase) decrease in receivables	(390,820)	(673,762)
Increase (decrease) in accounts payable	541,288	281,779
Increase (decrease) in accrued payroll and related liabilities	6,755	3,147
Increase (decrease) in deferred revenue	66	1,144
Net cash provided (used) by operating activities	<u>\$ (4,462,675)</u>	<u>\$ (4,875,514)</u>

See notes to financial statements.

BERKSHIRE REGIONAL TRANSIT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

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, 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. 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, 2013, the Authority's reserve balance was \$159,997.

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 Fund Net Position as capital contributions.

Cash and Equivalents

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

Accounts Receivable

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

Property and Equipment

Property and equipment are recorded at acquisition cost and depreciation is calculated using the straight-line method over 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 4, 2013, 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, seventy-two percent (72%) 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 \$4,215 and \$12,930 for the years ended June 30, 2013 and 2012, respectively.

Comparative Data

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

NOTE 2 - DEPOSITS AND INVESTMENTS

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

Custodial Credit Risk Related to Deposits

Custodial credit risk is the risk that in the event of bank failure, the Authority's deposits may not be returned. The Authority carries deposits that are insured by FDIC and DIF insurance. Insured bank deposits as of June 30, 2013, were \$599,279. Uninsured bank deposits as of June 30, 2013, were \$-0-.

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

	2013	2012
Federal		
Operating assistance	\$ 1,506,572	\$ 2,311,169
Capital and planning assistance	<u>761,547</u>	<u>100,800</u>
Total federal	<u>2,268,119</u>	<u>2,411,969</u>
Massachusetts		
Operating assistance for current year expenditures	2,124,343	1,822,305
* Operating assistance for prior year expenditures	151,408	151,408
Capital assistance	157,288	63,947
Allowance for uncollectible	<u>(151,408)</u>	<u>(151,408)</u>
Total Massachusetts	<u>2,281,631</u>	<u>1,886,252</u>
Member communities		
Operating assistance for current year expenditures	819,980	799,980
Operating assistance for prior year expenditures	<u>269,943</u>	<u>245,670</u>
Total member communities	<u>1,089,923</u>	<u>1,045,650</u>
Other receivables	<u>1,076,984</u>	<u>981,966</u>
Total receivables	<u>\$ 6,716,657</u>	<u>\$ 6,325,837</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 years ended June 30, 2013 and 2012, 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, 2013 and 2012 was \$737,816 and \$588,756, 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:

	2013			
	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	13,411,905	446,768	---	13,858,673
Revenue equipment	5,225,839	1,023,308	---	6,249,147
Office equipment and furniture	797,536	206,150	---	1,003,686
Service vehicles	221,519	---	---	221,519
Total capital assets, being depreciated	19,656,799	1,676,226	---	21,333,025
Less accumulated depreciation for:				
Buildings	4,063,941	337,214	---	4,401,155
Revenue equipment	1,746,751	601,209	---	2,347,960
Office equipment and furniture	193,172	98,082	---	291,254
Service vehicles	186,368	7,400	---	193,768
Total accumulated depreciation	6,190,232	1,043,905	---	7,234,137
Total capital assets, being depreciated, net	13,466,567	632,321	---	14,098,888
Capital assets, net	\$ 13,528,195	\$ 632,321	\$ ---	\$ 14,160,516

NOTE 5 - (Continued)

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

	2013	2012
1.00% Revenue anticipation note due September 27, 2013	\$ 6,100,000	
1.25% Revenue anticipation note due September 28, 2012		5,900,000
Total	\$ 6,100,000	\$ 5,900,000

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:

	2013				
	Invested in capital assets	Restricted Reserve	Restricted Working Capital	Unrestricted	Total
Net income (loss)				\$ 3,902	\$ 3,902
Reimbursable depreciation	\$ (26,700)			26,700	---
Nonreimbursable depreciation	(1,017,205)				(1,017,205)
Additions					
Capital contributions	1,671,974				1,671,974
Other	4,252			(4,252)	---
Increase in reserve for					
Extraordinary expenses		\$ 3,902		(3,902)	---
Increase in retained working capital					
held by fixed route operator			\$ 149,060		149,060
Increase (decrease) in net position	632,321	3,902	149,060	22,448	807,731
Net position, beginning	13,528,195	156,095	588,756	(420,154)	13,852,892
Net position, ending	<u>\$ 14,160,516</u>	<u>\$ 159,997</u>	<u>\$ 737,816</u>	<u>\$ (397,706)</u>	<u>\$ 14,660,623</u>

	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 in reserve for					
Extraordinary expenses		\$ 11,155		(11,155)	---
Increase 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>

NOTE 8 - TRANSPORTATION CONTRACTS CONSISTED OF THE FOLLOWING AT JUNE 30, 2013:

- A. Fixed route service was provided by Berkshire Transit Management, Inc. to the communities of Adams, Cheshire, Dalton, Great Barrington, Hinsdale, Lanesborough, Lee, Lenox, North Adams, Pittsfield, Stockbridge, and Williamstown. Payments are based upon reimbursement for actual costs incurred plus a fixed management fee of \$129,960.
- B. Taxi companies provide door-to-door transportation service for the elderly and disabled in the Authority's member communities. The Authority sells taxi tickets at a twenty percent discount from the face value to various non-profit agencies, which distribute them to residents of member communities. Payments under these contracts are based upon the face value of tickets returned by the taxi operators.
- C. One cabulance or "chaircar" company provides door-to-door service to approved persons. Customers purchase tickets from the Authority or other approved agencies at a subsidized cost. The tickets are submitted to the Authority for payment at a rate of \$24 per trip for a single rider and \$12 per person for two or more riders.
- 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. Council on Aging (COA) organizations and other private transportation agencies provide paratransit service to qualified persons with disabilities.
- F. Taxi companies and chaircar/ambulatory van companies provide transportation for Department of Medical Assistance (DMA), Department of Developmental Services (DDS), Department of Public Health (DPH), Massachusetts Rehabilitation Commission (MRC), and Massachusetts Commission for the Blind (MCB) eligible recipients. These provider companies submit invoices to the Authority for payment at fees established by agreement with the Authority. The Authority is reimbursed for the provider service costs. In addition, the Department of Human Service Transportation (HST) paid the Authority a fixed management fee of \$266,933 during fiscal year 2013 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 actuarial valuation for fiscal year ended June 30, 2013 was not available for presentation.

The Authority's annual pension cost and net pension obligation for the year ended June 30, 2012 was as follows:

	<u>2012</u>
Net pension obligation, beginning of year	\$ (3,107)
Annual pension cost	(77,750)
Contributions made	41,225
Other adjustments and assumption changes	<u>(21,258)</u>
Net pension obligation, end of year	<u>\$ (60,890)</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)
06/30/11	\$ 40,031	100%	\$ (3,107)
06/30/12	\$ 77,750	53%	\$ (60,890)
06/30/13	Not Available		

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:

	2013		
	Budget	Actual	Variance Favorable (Unfavorable)
Demand response income			
Taxis	\$ 12,000	\$ 8,816	\$ (3,184)
Chaircar	90,000	61,265	(28,735)
ADA	60,000	67,195	7,195
Total income	<u>\$ 162,000</u>	<u>\$ 137,276</u>	<u>\$ (24,724)</u>

	2013		
	Budget	Actual	Variance Favorable (Unfavorable)
Demand response service expenses			
Direct transportation			
Taxis	\$ 12,475	\$ 10,342	\$ 2,133
Chaircar	252,000	158,324	93,676
ADA	440,160	370,089	70,071
Council on Aging	75,060	75,000	60
Salaries, taxes and fringe benefits	64,348	56,823	7,525
Consulting services and other costs	2,000	72,559	(70,559)
Total service expenses	<u>\$ 846,043</u>	<u>\$ 743,137</u>	<u>\$ 102,906</u>

NOTE 11 - (Continued)

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

	2012		
	Budget	Actual	Variance Favorable (Unfavorable)
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)
Consulting services and other costs	1,000	66,788	(65,788)
Total service expenses	<u>\$ 782,429</u>	<u>\$ 837,217</u>	<u>\$ (54,788)</u>

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

	2013		
	Budget	Actual	Variance Favorable (Unfavorable)
Human Service Transportation income			
Department of Public Health	\$ 314,118	\$ 307,787	\$ (6,331)
Department of Developmental Services	2,226,370	2,181,500	(44,870)
Department of Mental Assistance	3,075,746	3,013,758	(61,988)
Massachusetts Rehabilitation Commission	2,562	2,510	(52)
Subtotal	5,618,796	5,505,555	(113,241)
Other fully funded brokerage income	---	725,430	725,430
Total income	<u>\$ 5,618,796</u>	<u>\$ 6,230,985</u>	<u>\$ 612,189</u>

	2013		
	Budget	Actual	Variance Favorable (Unfavorable)
Human Service Transportation service expenses			
Direct transportation			
Department of Public Health	\$ 252,738	\$ 281,113	\$ (28,375)
Department of Developmental Services	2,136,971	2,142,313	(5,342)
Department of Mental Assistance	2,854,656	2,747,496	107,160
Massachusetts Rehabilitation Commission	21,500	2,520	18,980
Salaries, taxes and fringe benefits	177,995	129,350	48,645
Administrative costs	101,336	94,725	6,611
Consulting services and other costs	73,600	30,027	43,573
Subtotal	5,618,796	5,427,544	191,252
Other fully funded brokerage expense	---	725,430	(725,430)
Total service expenses	<u>\$ 5,618,796</u>	<u>\$ 6,152,974</u>	<u>\$ (534,178)</u>

NOTE 12 - (Continued)

	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
Administrative costs	90,276	110,345	(20,069)
Consulting services and other costs	---	80,279	(80,279)
Subtotal	4,190,454	5,156,715	(966,261)
Other fully funded brokerage expense	---	175,510	(175,510)
Total service expenses	<u>\$ 4,190,454</u>	<u>\$ 5,332,225</u>	<u>\$ (1,141,771)</u>

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

	2013		
	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Salaries	\$ 197,810	\$ 275,034	\$ (77,224)
Payroll taxes and fringe benefits	<u>121,220</u>	<u>56,661</u>	<u>64,559</u>
Total	<u>\$ 319,030</u>	<u>\$ 331,695</u>	<u>\$ (12,665)</u>

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

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

	2013		
	Budget	Actual	Variance Favorable (Unfavorable)
Professional and technical services	\$ 150,416	\$ 160,429	\$ (10,013)
Travel and meetings	13,106	19,415	(6,309)
Office supplies	8,380	8,178	202
Utilities	80,250	79,019	1,231
Building repairs and maintenance	44,081	30,729	13,352
Advertising, printing and other administrative expenses	23,366	15,666	7,700
Less administrative costs allocated to Human Service Transportation services	<u>(101,336)</u>	<u>(94,725)</u>	<u>(6,611)</u>
Total	<u>\$ 218,263</u>	<u>\$ 218,711</u>	<u>\$ (448)</u>

	2012		
	Budget	Actual	Variance Favorable (Unfavorable)
Professional and technical services	\$ 98,207	\$ 138,599	\$ (40,392)
Travel and meetings	9,488	14,929	(5,441)
Office supplies	8,016	9,829	(1,813)
Utilities	77,805	87,257	(9,452)
Building repairs and maintenance	44,171	58,426	(14,255)
Advertising, printing and other administrative expenses	18,877	12,031	6,846
Less administrative costs allocated to Human Service Transportation services	<u>(90,726)</u>	<u>(110,345)</u>	<u>19,619</u>
Total	<u>\$ 165,838</u>	<u>\$ 210,726</u>	<u>\$ (44,888)</u>

NOTE 15 - COMMITMENTS AND CONTINGENT LIABILITIES*Fiscal year 2014 budget*

For the fiscal year 2014, the Authority has approved an operating budget of \$11,795,868, which excludes depreciation. This budget includes grant-matching expenditures, which the Authority is required to meet as its share of Federal and State programs.

Federal and State funding

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal and state governments. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. As of the date of the financial statements, the Authority is not aware of any expenditures that may be disallowed by a grantor.

Risk management

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

BERKSHIRE REGIONAL TRANSIT AUTHORITY

Required Supplementary Information - Pension Funding Progress

June 30, 2013

Defined Benefit Pension Plan:

Acturial Valuation Date	(a) Acturial Value of Assets	(b) Acturial Accrued Liability (AAL)	(b - a) Unfunded AAL (UAAL)	(a / b) Funded Ratio	(c) Covered Payroll	[(b - a)/c] UAAL as a % of Covered 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,

	2013	2012
Total operating expenses	\$ 11,975,168	\$ 10,849,529
Interest expense	<u>37,870</u>	<u>60,949</u>
Total eligible expenses	12,013,038	10,910,478
Revenues applied to eligible expenses:		
Fixed route income	792,765	775,523
Demand response income	137,276	146,763
Brokerage service income	6,230,985	5,334,939
Other federal assistance	18,643	40,169
Advertising income	35,000	25,000
Rental income	38,119	38,119
Other income	94,359	25,709
Interest income	<u>3,550</u>	<u>5,563</u>
Total revenues applied to eligible expenses	<u>7,350,697</u>	<u>6,391,785</u>
Net operating expenses eligible under Sections 5307, 5311, 5316 and 5317	4,662,341	4,518,693
Federal participation in eligible expenses	<u>x 50%</u>	<u>x 50%</u>
Maximum federal operating assistance allowed	<u>\$ 2,331,171</u>	<u>\$ 2,259,347</u>
Sections 5307, 5311, 5316 and 5317 operating assistance sought (amount of maximum funding above or less)	<u>\$ 1,506,572</u>	<u>\$ 1,907,563</u>

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

	<u>2013</u>	<u>2012</u>
Operating costs		
Administrative costs	\$ 577,106	\$ 542,162
Purchased services		
Fixed route service	4,501,951	4,137,925
Demand response service	743,137	837,217
Brokerage service	6,152,974	5,332,225
Debt service	37,870	60,949
Total operating costs	<u>12,013,038</u>	<u>10,910,478</u>
Operating assistance and revenues		
Federal operating and administrative assistance	<u>1,525,215</u>	<u>1,947,732</u>
Revenues		
Local revenues		
Fixed route income	792,765	775,523
Demand response income	137,276	146,763
Brokerage service income	6,230,985	5,334,939
Advertising income	35,000	25,000
Rental income	38,119	38,119
Other income	94,359	25,709
Interest income	3,550	5,563
Total local revenues	<u>7,332,054</u>	<u>6,351,616</u>
Total operating assistance and revenues	<u>8,857,269</u>	<u>8,299,348</u>
Net operating deficit	3,155,769	2,611,130
Increase in reserve for extraordinary expenses	3,902	11,155
Net cost of service	3,159,671	2,622,285
Net cost of service funding		
Local assessments	819,980	799,980
State contract assistance	2,339,691	1,822,305
Total funding	<u>3,159,671</u>	<u>2,622,285</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.



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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
 David M. Irwin, Jr., CPA

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of Berkshire Regional Transit Authority, a component unit of the Massachusetts Department of Transportation, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Berkshire Regional Transit Authority's basic financial statements, and have issued our report thereon dated September 4, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Berkshire Regional Transit Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Berkshire Regional Transit Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of Berkshire Regional Transit Authority's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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September 4, 2013