



*CHATHAM AREA TRANSIT
AUTHORITY*

FINANCIAL REPORT

Years Ended June 30, 2010 and 2009

CHATHAM AREA TRANSIT AUTHORITY
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FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Chatham Area Transit Authority
Savannah, Georgia

We have audited the accompanying financial statements of Chatham Area Transit Authority, a component unit of Chatham County, Georgia, as of and for the years ended June 30, 2010 and 2009, which comprise Chatham Area Transit Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of Chatham Area Transit Authority. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America 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 audits 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 significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Chatham Area Transit Authority, as of June 30, 2010 and 2009, and the results of its operations and its cash flows 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 November 9, 2010 on our consideration of Chatham Area Transit Authority's internal control over financial reporting and 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* and should be considered in assessing the results of our audit.

Management's discussion and analysis on pages 3 through 11 and the schedule of funding progress on page 22 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming an opinion on Chatham Area Transit Authority's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Daniel + Duncan LLC

Savannah, Georgia
November 9, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Chatham Area Transit Authority (the "Authority"), we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2010 (FY 2010). This discussion and analysis is designed to assist the reader in focusing on the significant financial issues and activities and to identify any significant changes in financial position. The information discussed here should be considered in conjunction with the basic financial statements as a whole.

FINANCIAL HIGHLIGHTS

At the close of FY 2010, the Authority's total assets exceeded total liabilities by \$21.1 million. Of this amount \$1.5 million was unrestricted and available to support operations. Total net assets increased by approximately \$4.0 million during the current fiscal year. This 23.03% increase in total net assets compared to FY 2009 is due to a \$ 5.0 million increase in capital assets, net of related debt, and \$1.0 million decrease in unrestricted net assets. The increase in capital assets, net of related debt is due to the purchase of revenue and paratransit vehicles.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Authority operates as an enterprise fund under the proprietary fund accounting framework. The accounting and financial reporting practices of enterprise funds are similar to those used for business enterprises and focus on capital maintenance and the flow of economic resources. That is, revenues are matched with expenses and changes in net assets are determined using accrual accounting methods.

Enterprise funds account for operations that provide goods or services to the general public on a continuing basis. Transit districts commonly are reported in enterprise funds, even though their primary source of financing comes from subsidies rather than fare box revenues. Enterprise funds are considered useful in such cases because they focus attention on the cost of providing services, and they serve to highlight the portion of that cost being borne by taxpayers.

The basic financial statements of the Authority are comprised of the following:

- 1) Balance Sheet
- 2) Statement of Revenue, Expenses and Changes in Net Assets
- 3) Statement of Cash Flows, and
- 4) Notes to Financial Statements

MANAGEMENT'S DISCUSSION AND ANALYSIS

Balance Sheet

The balance sheet presents information on all of the Authority's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating. Net assets increase when revenues exceed expenses. An increase to assets without a corresponding increase to liabilities results in increased net assets which indicates an improved financial position.

Statement of Revenues, Expenses and Changes in Net Assets

The statement of revenues, expenses and changes in net assets presents information showing how the Authority's net assets changed during the fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. receivables and earned but unused vacation leave).

Statement of Cash Flows

The statement of cash flows provides relevant information about the Authority's cash receipts and cash payments during the fiscal year. This in turn provides users of the financial statements access to the Authority's ability to generate future net cash flows, its ability to meet its obligations as they come due, and its need for external financing. To do this, the statement of cash flows reports the cash effects during the reported period of the Authority's operations, non-capital financing transactions, capital and related financing transactions, and investing transactions.

Notes to Financial Statements

The notes to the financial statements communicate information essential for fair presentation of the basic financial statements that is not displayed on the face of the financial statements. As such, the notes form an integral part of the basic financial statements.

The basic financial statements and accompanying notes can be found on pages 12 through 21 of this report.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL ANALYSIS

Condensed Balance Sheets			
(in thousands)			
	June 30,		
	2010	2009	2008
Current Assets	\$ 3,880	\$ 5,270	\$ 5,105
Capital Assets	20,049	14,751	15,471
Total Assets	\$ 23,929	\$ 20,021	\$ 20,576
Current Liabilities	\$ 2,655	\$ 2,692	\$ 4,136
Long-term Obligations	130	144	4,004
Total Liabilities	2,785	2,836	8,140
Net Assets:			
Investment in Capital Assets, net	19,635	14,640	10,622
Unrestricted	1,509	2,545	1,814
Total Net Assets	21,144	17,185	12,436
Total Liabilities and Net Assets	\$ 23,929	\$ 20,021	\$ 20,576

As noted earlier, net assets may serve over time as a useful indicator of the Authority's financial position. As the above table indicates, assets exceeded liabilities by \$21.14 million as of June 30, 2010 which reflects an increase of \$3.96 million compared to \$17.18 million as of June 30, 2009.

Transit is a capital-intensive enterprise; 92.86% or \$19.63 million of the Authority's \$21.14 million in net assets at the end of FY 2010 is invested in capital assets (e.g. land, buildings, machinery and equipment), net of related debt. The Authority uses these capital assets to provide services to its customers. The remaining 7.14% or \$1.51 million is available to meet the Authority's ongoing operating and debt obligations.

At the end of FY 2009, 85.21% or \$14.64 million of the Authority's \$17.18 million in net assets was invested in capital assets, net of related debt. The remaining 14.79% or \$2.55 million was available to meet the Authority's ongoing operating and debt obligations.

MANAGEMENT'S DISCUSSION AND ANALYSIS

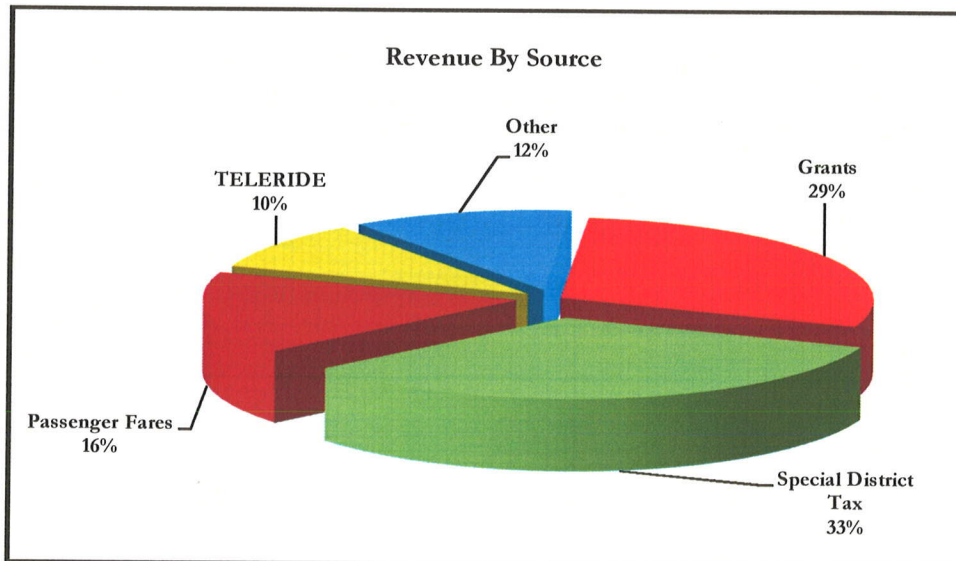
As shown on the following condensed statements of revenues, expenses and changes in net assets, the Authority's net assets increased by \$3.96 million during FY 2010. This increase is due to capital investment grant revenue from U.S. Department of Transportation and the Georgia Department of Transportation.

Comparatively, net assets increased by \$4.75 million during FY 2009. This increase is was due to capital investment grant revenue from the U.S. Department of Transportation and the Georgia Department of Transportation.

Condensed Statements of Revenues, Expenses and Changes in Net Assets			
(in thousands)			
	Years Ended June 30,		
	2010	2009	2008
Revenue			
Operating Revenue	\$ 4,934	\$ 4,569	\$ 4,581
Nonoperating Revenue	11,677	13,068	9,875
Total Revenue	16,611	17,637	14,456
Operating Expenses	18,061	18,149	17,248
Loss before Contributions	(1,450)	(512)	(2,792)
Capital Contributions	5,409	5,261	1,131
Change in Net Assets	3,959	4,749	(1,661)
Net Assets - Beginning	17,185	12,436	14,097
Net Assets - End	<u>\$ 21,144</u>	<u>\$ 17,185</u>	<u>\$ 12,436</u>

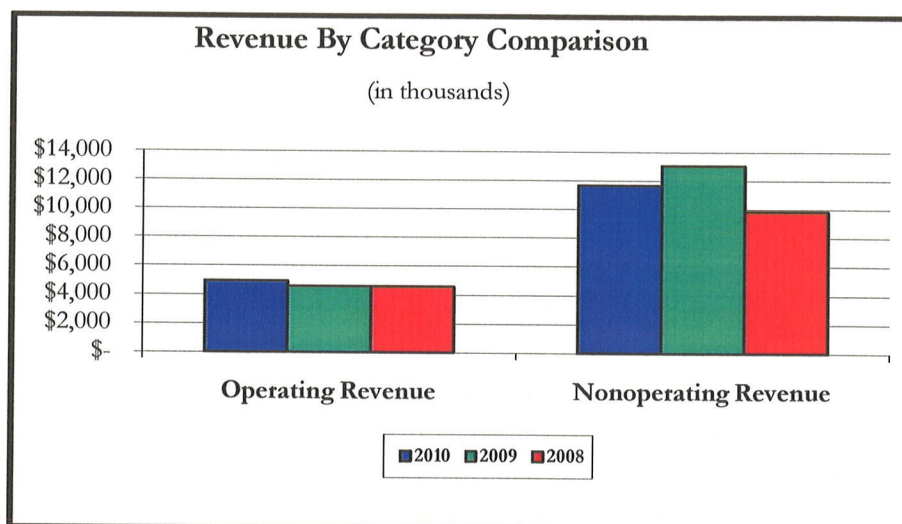
Revenue

The following graph provides a visual presentation of the Authority's revenue by source for FY 2010.



MANAGEMENT'S DISCUSSION AND ANALYSIS

The following bar graph shows the distribution of revenue by category:



Operating Revenue

Operating revenue is composed of passenger fares, vehicle advertising, shuttle revenue and other miscellaneous revenue.

Operating revenue for FY 2010 increased by \$365 thousand over FY 2009. Revenue from the following sources attributed to this decrease:

- ◆ Passenger fares increased by \$246 thousand due to increased ridership.
- ◆ Other operating revenue increased by \$119 thousand. A decrease in shuttle revenue and advertising revenue combined with an increase in marine services revenue accounts for this net increase.

FY 2009 operating revenue decreased by \$12 thousand over FY 2008. Revenue from the following sources attributed to this decrease:

- ◆ Passenger fares decreased by \$115 thousand due to decreased ridership.
- ◆ Other operating revenue increased by \$103 thousand. Shuttle revenue accounts for this increase.

Nonoperating Revenue

Nonoperating revenue is substantially comprised of tax revenue, and federal and state grant revenue.

Nonoperating revenue for FY 2010, net of nonoperating expenses, decreased by \$1.39 million from FY 2009. This net decrease is primarily the result of:

- ◆ Federal and state grant revenue decreased \$3.21 million.
- ◆ Special district tax decreased \$194 thousand.
- ◆ Special purpose local option sales tax increased \$1.16 million.
- ◆ Teleride revenue increased \$281 thousand.

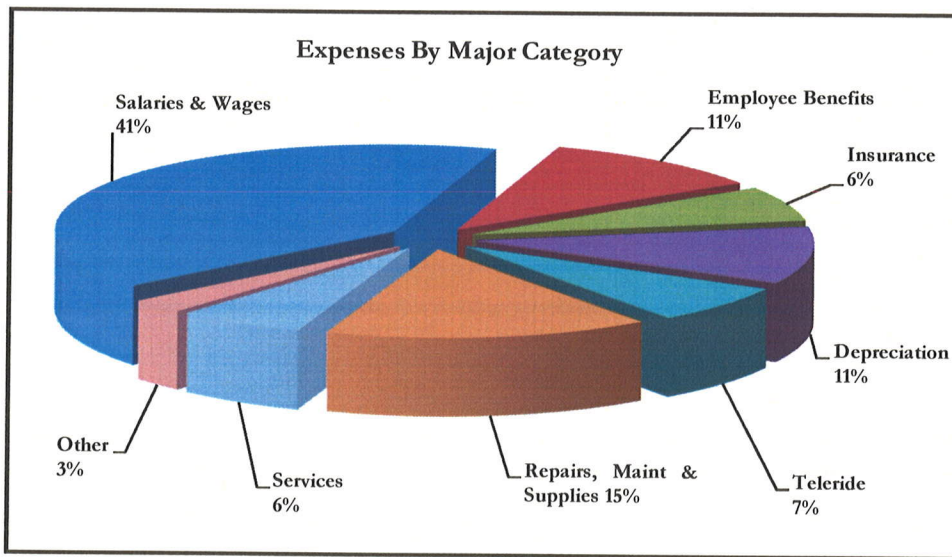
MANAGEMENT'S DISCUSSION AND ANALYSIS

Nonoperating revenue for FY 2009, net of nonoperating expenses, increased by \$3.19 million over FY 2008. This increase is primarily the result of:

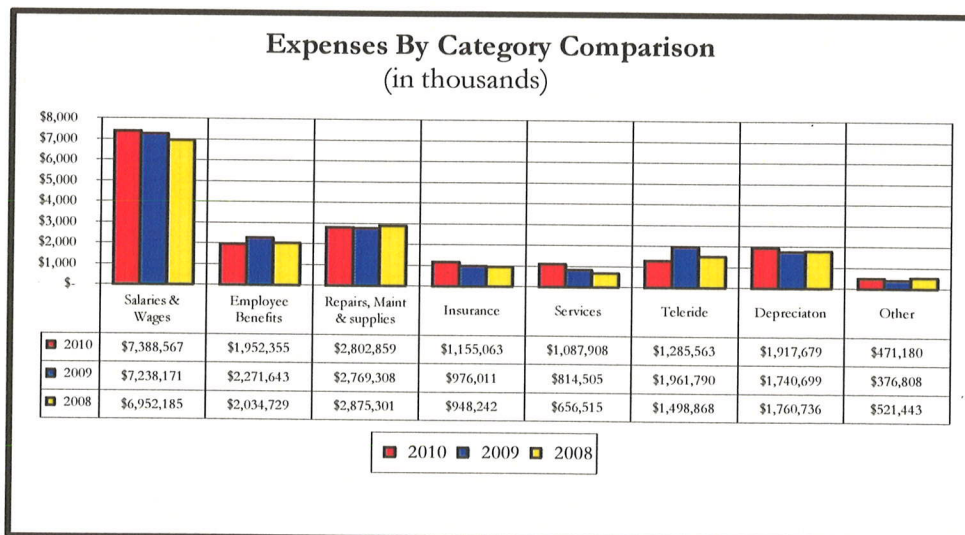
- ◆ Federal grant revenue increased \$3.02 million.
- ◆ Special district tax increased \$320 thousand.
- ◆ Special purpose local option sales tax increased \$43 thousand.
- ◆ Teleride revenue increased \$250 thousand.

Operating Expenses

The following pie chart details the FY 2010 expenses by major category.



The bar graph that follows shows the Authority's operating expenses by category for FY 2010, FY 2009, and FY 2008:



MANAGEMENT'S DISCUSSION AND ANALYSIS

Total operating expenses for FY 2010 decreased by \$88 thousand or a .5% decrease from FY 2009. Total operating expenses for FY 2009 increased \$900 thousand or 5.22% over FY 2008. These changes were primarily the result of the following:

- 1) Salaries and wages for FY 2010 compared to FY 2009 increased by \$150 thousand or 2.1%, primarily due to salary increases.

Salaries and wages for FY 2009 compared to FY 2008 increased by \$286 thousand or 4.1%. Salary increases and overtime drove this change.

- 2) Employee benefits for FY 2010 compared to FY 2009 decreased \$319 thousand or 14.1%. This decrease was due primarily to a reduction in payment of workman's compensation medicals.

Employee benefits for FY 2009 compared to FY 2008 increased \$237 thousand or 11.6%. This was due primarily to an increase in health insurance rates, and payment of workman's compensation medicals.

- 3) The combined materials, supplies and maintenance expenses for FY 2010 compared to FY 2009 increased \$34 thousand or 1.3%. This net increase was due to a combination of a decrease in fuel and lubricant costs and an increase in revenue vehicle maintenance costs.

The combined materials, supplies, repairs and maintenance expenses for FY 2009 compared to FY 2008 decreased \$120 thousand or 4.18% primarily due to the decrease in fuel which decreased by \$244 thousand. Parts expense for the revenue vehicles increased by \$146 thousand which is due to the aging of the fleet.

- 4) Services increased \$273 thousand or 33.57% in FY 2010 compared to FY 2009. This increase is primarily due to \$271 thousand increase in professional services which was due in part to a contract for management services and an increase in legal fees.

Services increased \$158 thousand or 24.06% in FY 2009 compared to FY 2008. This increase is primarily due to \$135 thousand increase in professional services and a \$27 thousand increase in marketing and advertising.

- 5) Insurance expense for FY 2010 compared to FY 2009 increased by \$179 thousand or 18.35%. This increase reflects higher premium costs.

Insurance expense increased by \$28 thousand or 2.9% for FY 2009 compared to FY 2008. This increase reflects higher premium costs and higher payouts.

- 6) Teleride expense decreased \$676 thousand or 34.5% in FY 2010 compared to FY 2009. During the last half of the year, Chatham Area Transit brought the operations of paratransit services in house which removed the contract service fee paid to First Transit and allowed for additional savings in operating costs.

Teleride expense increased \$463 thousand or 30.9% in FY 2009 compared to FY 2008. This increase is due to increases in both cost per hour and hours of service provided and a new provision in the contract with First Transit that requires Chatham Area Transit Authority to cover cost of major repairs to leased vehicles.

MANAGEMENT'S DISCUSSION AND ANALYSIS

- 7) Depreciation expense for FY 2010 compared to FY 2009 increased by \$177 thousand. This increase is due to the purchase of new vehicles which replaced older vehicles in the fleet that were fully depreciated.

Depreciation expense for FY 2009 compared to FY 2008 decreased by \$20 thousand. This decrease was the result of the age of many of the vehicles that are now fully depreciated.

- 8) Other expenses increased \$94 thousand in FY 2010 compared to FY 2009. This net increase is due primarily to \$116 thousand of lease expense associated with a temporary leasing arrangement with Veolia Transportation Services, Inc for ten paratransit buses, combined with increase in utility cost and a decrease in expenditures associated with the transit center study.

Other expenses decreased by \$145 thousand in FY 2009 compared to FY 2008 due to a decrease in funds being spent on the Transfer Center Study.

CAPITAL ASSETS

As the following chart indicates, the Authority's investment in capital assets before depreciation at the end of FY 2010 is \$33.7 million. This was an increase compared to FY 2009 of \$5.2 million. The largest single factor for this increase is the acquisition of vehicles.

Capital Assets by Major Category			
	2010	2009	2008
Land	\$ 1,401,467	\$ 1,401,467	\$ 1,401,467
Buildings & Improvements	8,233,288	8,031,717	7,946,783
Vehicles	22,776,048	17,901,380	18,269,017
Furniture & Equipment	1,104,907	1,045,449	1,163,783
Construction in Progress	144,900	135,000	100,000
	33,660,610	28,515,013	28,881,050
Accumulated Depreciation	(13,611,884)	(13,763,906)	(13,410,023)
	<u>\$ 20,048,726</u>	<u>\$ 14,751,107</u>	<u>\$ 15,471,027</u>

The Authority's investment in capital assets before depreciation at the end of FY 2009 was \$28.5 million. This is a decrease compared to FY 200 of \$366 thousand. The largest single factor for this decrease is the disposition of vehicles.

Additional information regarding capital assets may be found in note 3 to the financial statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS

AUTHORITY DEBT ISSUE

The Authority has a \$1,500,000 line of credit agreement with a bank for working capital needs. The bank made advances on the line of credit in order to provide the Authority with operating funds throughout the year. At the end of FY 2010 the balance of the line of credit was paid off. Interest is payable monthly at LIBOR market index rate plus 1.25%.

During fiscal year 2008, the Authority entered into a lease agreement to finance the acquisition of two shuttle buses. For accounting purposes the lease has been accounted for as a capital lease obligation. This is a four year financing obligation payable in monthly installments of \$4,261.

COMMITMENTS AND CONTINGENCIES

At June 30, 2010, the Authority had outstanding contract commitments of approximately \$5,222,000 related to the design and remodeling of the administrative offices and the purchase of nine hybrid buses. These capital asset projects are to be funded through matching federal and state grants.

Effective July 1, 2010, the Authority's transit system operations will be managed by Veolia Transportation Services, Inc under a delegated management agreement with a five year term. Veolia will manage, operate and maintain the transit system within an annual budget approved by the Authority's Board. This annual budget includes a 5% management fee to Veolia and allows for additional incentives based on increases in farebox revenue and cost reductions.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of Chatham Area Transit Authority's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to: Finance Director, Chatham Area Transit Authority, 900 East Gwinnett Street, Savannah, GA 31401.

CHATHAM AREA TRANSIT AUTHORITY

BALANCE SHEETS

June 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 606,862	\$ 1,200,104
Investments	4,073	4,064
Receivables:		
Accounts	330,717	519,910
Grants	103,963	1,004,968
Special district transit tax	1,781,976	1,510,892
Intergovernmental	775,214	243,131
Inventory	277,505	277,489
Prepaid expenses		509,510
Total current assets	<u>3,880,310</u>	<u>5,270,068</u>
 CAPITAL ASSETS, net	 <u>20,048,726</u>	 <u>14,751,107</u>
Total assets	<u>\$ 23,929,036</u>	<u>\$ 20,021,175</u>
 LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 811,430	\$ 645,333
Current portion of capital lease obligation	50,431	47,778
Intergovernmental payable		7,000
Compensated absences payable	503,500	592,500
Accrued salaries and related liabilities	268,162	236,112
Deferred revenue	62,299	343,738
Other liabilities	959,021	819,157
Total current liabilities	<u>2,654,843</u>	<u>2,691,618</u>
 LONG-TERM LIABILITIES		
Capital lease obligations, net of current portion	12,680	63,110
Other postemployment benefits obligation	118,011	81,457
	<u>130,691</u>	<u>144,567</u>
 NET ASSETS		
Investment in capital assets, net of related debt	19,634,700	14,640,219
Unrestricted	1,508,802	2,544,771
Total net assets	<u>21,143,502</u>	<u>17,184,990</u>
Total liabilities and net assets	<u>\$ 23,929,036</u>	<u>\$ 20,021,175</u>

CHATHAM AREA TRANSIT AUTHORITY
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

Years Ended June 30, 2010 and 2009

	2010	2009
OPERATING REVENUES		
Passenger fares	\$ 3,607,722	\$ 3,361,718
Other	1,326,235	1,207,085
Total operating revenues	4,933,957	4,568,803
OPERATING EXPENSES		
Salaries and wages	7,388,567	7,238,171
Employee benefits	1,952,355	2,271,643
Materials and supplies	2,441,359	2,576,480
Insurance	1,155,063	976,011
Services	1,087,908	814,505
Repair and maintenance	361,500	192,828
Utilities	148,816	131,907
Purchased transportation - Telerride/Paratransit	1,285,563	1,961,790
Depreciation	1,917,679	1,740,699
Equipment lease	116,189	
Transfer center study		41,354
Miscellaneous	206,175	203,547
Total operating expenses	18,061,174	18,148,935
Operating loss	(13,127,217)	(13,580,132)
NONOPERATING REVENUES (EXPENSES)		
Federal grants	995,974	4,208,181
State grants		115,906
Special district transit tax	7,365,560	7,559,483
Special purpose local option sales tax	1,204,481	43,516
Telerride	2,127,444	1,846,289
Interest income	1,416	15,007
Pass through grant - water ferry maintenance facility		(444,356)
Gain (loss) on disposal of capital assets		(25,014)
Interest expense	(18,373)	(250,952)
Total nonoperating revenues (expenses)	11,676,502	13,068,060
Loss before capital contributions	(1,450,715)	(512,072)
CAPITAL CONTRIBUTIONS		
Federal grants	5,365,473	4,100,575
State grants	43,754	1,156,868
Local		3,500
Total capital contributions	5,409,227	5,260,943
Change in net assets	3,958,512	4,748,871
Total net assets - beginning	17,184,990	12,436,119
Total net assets - ending	\$ 21,143,502	\$ 17,184,990

CHATHAM AREA TRANSIT AUTHORITY

STATEMENTS OF CASH FLOWS

Years Ended June 30, 2010 and 2009

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Fares and other service revenues	\$ 5,123,150	\$ 4,398,250
Cash payments for goods and services	(6,338,034)	(6,924,937)
Cash payments to employees	(7,445,517)	(7,168,067)
Cash payments for employee benefits	(1,915,801)	(2,225,409)
Net cash provided (used) in operating activities	(10,576,202)	(11,920,163)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Federal and state grants	1,165,553	5,643,818
Special district transit tax	7,094,476	7,299,391
Teleride	1,646,811	1,646,674
Intergovernmental loan	(7,000)	(18,000)
Pass through grant		(444,356)
Net borrowings under line of credit		(1,000,000)
Interest paid	(15,017)	(11,911)
Net cash provided (used) by non-capital financing activities	9,884,823	13,115,616
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital grants	5,859,214	4,480,409
Special purpose local option sales tax	1,153,031	
Acquisition and construction of capital assets	(6,864,382)	(1,047,467)
Principal payments on long-term debt		(4,692,415)
Principal payments on capital lease obligation	(47,777)	(45,494)
Interest paid	(3,356)	(239,041)
Proceeds from sale of capital assets		1,674
Net cash provided (used) in capital and related financing activities	96,730	(1,542,334)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received on investments	1,407	14,952
Net cash provided (used) in investing activities	1,407	14,952
(Decrease) increase in cash and cash equivalents	(593,242)	(331,929)
Cash and cash equivalents - Beginning of year	1,200,104	1,532,033
Cash and cash equivalents - End of year	\$ 606,862	\$ 1,200,104
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES		
Operating loss	\$ (13,127,217)	\$ (13,580,132)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	1,917,679	1,740,699
Changes in:		
Receivables	189,193	(170,553)
Inventory	(16)	(50,147)
Prepaid expenses	509,510	(316,314)
Accounts payable	(184,819)	193,383
Accrued salaries and compensated absences	(56,950)	70,104
Other postemployment benefits obligation	36,554	46,234
Other liabilities	139,864	146,563
Net cash used in operating activities	\$ (10,576,202)	\$ (11,920,163)

CHATHAM AREA TRANSIT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2010 and 2009

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The reporting entity – Chatham Area Transit Authority (the “Authority”) was created as a corporate body of the State of Georgia in 1986. The Authority is governed by a board of directors which includes nine members of the Board of Commissioners of Chatham County and four citizen appointees.

The Authority is reported as an enterprise fund on the financial statements of Chatham County, Georgia (the “County”). In conformity with GASB No. 14, there is no component unit that meets the criteria for component units requiring presentation in Chatham Area Transit Authority’s financial statements.

Basis of accounting - The Authority accounts for its operations on the flow of economic resources measurement focus and uses the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The Authority applies all applicable Government Accounting Standards Board (GASB) pronouncements and all Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions and Accounting Research Bulletins (ARB) issued on or before November 30, 1989, unless they conflict with or contradict GASB pronouncements.

Use of estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires the Authority to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents - For purposes of the statement of cash flows, the Authority considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Receivables –Accounts receivable and the special district transit tax receivables are shown net of an allowance for uncollectibles. At June 30, 2010 and 2009, the allowance for uncollectibles totaled \$15,741, and \$38,847, respectively.

Inventory - Inventory consists of fuel and spare parts and is stated at the lower of cost (first-in, first-out) or market.

Capital Assets – Capital assets are stated at cost, less accumulated depreciation. Major expenditures for asset acquisitions and those expenditures, which substantially increase useful lives, are capitalized. Expenditures for maintenance, repairs, and minor replacements are expensed as incurred. Depreciation has been provided on a straight-line basis over the estimated useful lives of the respective assets.

The Authority has acquired certain capital assets with funding provided from federal transit capital investment grants. The Authority holds title to these assets. However, the federal government retains an interest in the assets should they no longer be used for public mass transit purposes.

CHATHAM AREA TRANSIT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2010 and 2009

Compensated Absences - Employees of the Authority who are not covered under union contract are allowed to accumulate a maximum of 30 days vacation leave. All accumulated vacation leave vests with these employees and is payable upon termination or retirement.

Union employees are allowed to accumulate a maximum of 50 personal leave days. Accumulated personal leave vests with these employees based on their years of service. Upon termination of service, employees with at least 10 years of service are paid 50% of their accumulated personal leave, whereas employees with less than 10 years are paid 25% of their accumulated personal leave.

Operating Revenues and Expenses - The Authority distinguishes between operating and nonoperating revenues and expenses in its statement of revenues, expenses and changes in net assets. For this purpose, all revenue generated by operations of the transit system including grants for specific transit activities are reported as operating revenues. Operating expenses include all costs of operating the Authority's transit system.

Reclassifications - Certain reclassifications have been made to the prior year financial statements in order for them to be in conformity with the current year presentation.

NOTE 2. DEPOSITS AND INVESTMENTS

Custodial Credit Risk for Deposits - For deposits, custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority does not have a deposit policy for custodial credit risk. As of June 30, 2010 and 2009, the Authority's cash deposits in excess of insured amounts were collateralized by securities held by the Authority's agent in the Authority's name and therefore not exposed to custodial credit risk.

The Authority had the following investments at June 30, 2010 and 2009:

Investment Type	2010		2009	
	Fair Value	Weighted Avg. Maturity (Days)	Fair Value	Weighted Avg. Maturity (Days)
Georgia Fund I	\$ 4,073	46	\$ 4,064	41

Credit Risk - The Authority's investment policy is to apply the prudent-person rule. Investments shall be made with judgment and care, under circumstances prevailing, which persons of prudence, discretion and intelligence exercise, considering the probable safety of their capital as well as probable income to be derived. The policy limits investments to obligations of the U.S. Government, obligations of state and local governments and public authorities, local government investment pools established by the state, commercial paper rated in the highest tier by a nationally recognized rating agency and repurchase agreements. The Georgia Fund I is a money market fund administered by the State of Georgia, Office of Treasury and Fiscal Services. Georgia Fund I is rated AAAM by Standard & Poor's.

CHATHAM AREA TRANSIT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2010 and 2009

NOTE 3. CAPITAL ASSETS

Capital assets are summarized as follows:

	<u>June 30, 2009</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2010</u>
Capital assets, not being depreciated				
Land	\$ 1,401,467	\$	\$	\$ 1,401,467
Construction in progress	135,000	9,900		144,900
Total capital assets, not being depreciated	<u>1,536,467</u>	<u>9,900</u>		<u>1,546,367</u>
Capital Assets, being depreciated				
Buildings and improvements	8,031,717	201,571		8,233,288
Transit vehicles	17,772,949	6,889,025	(2,069,701)	22,592,273
Service vehicles	128,431	55,344		183,775
Shop equipment	438,752			438,752
Furniture and office equipment	606,697	59,458		666,155
Total assets being depreciated	<u>26,978,546</u>	<u>7,205,398</u>	<u>(2,069,701)</u>	<u>32,114,243</u>
Less accumulated depreciation				
Buildings and improvements	3,950,671	336,564		4,287,235
Transit vehicles	8,890,897	1,485,982	(2,069,701)	8,307,178
Service vehicles	94,432	11,917		106,349
Shop equipment	340,688	33,824		374,512
Furniture and office equipment	487,218	49,392		536,610
Total accumulated depreciation	<u>13,763,906</u>	<u>1,917,679</u>	<u>(2,069,701)</u>	<u>13,611,884</u>
Capital assets, net	<u>\$ 14,751,107</u>	<u>\$ 5,297,619</u>	<u>\$</u>	<u>\$ 20,048,726</u>
	<u>June 30, 2008</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2009</u>
Capital assets, not being depreciated				
Land	\$ 1,401,467	\$	\$	\$ 1,401,467
Construction in progress	100,000	35,000		135,000
Total capital assets, not being depreciated	<u>1,501,467</u>	<u>35,000</u>		<u>1,536,467</u>
Capital Assets, being depreciated				
Buildings and improvements	7,946,783	89,686	(4,752)	8,031,717
Transit vehicles	18,109,858	834,321	(1,171,230)	17,772,949
Service vehicles	159,159	15,445	(46,173)	128,431
Shop equipment	428,757	36,067	(26,072)	438,752
Furniture and office equipment	735,026	43,477	(171,806)	606,697
Total assets being depreciated	<u>27,379,583</u>	<u>1,018,996</u>	<u>(1,420,033)</u>	<u>26,978,546</u>
Less accumulated depreciation				
Buildings and improvements	3,634,043	321,380	(4,752)	3,950,671
Transit vehicles	8,744,760	1,290,676	(1,144,539)	8,890,897
Service vehicles	134,070	6,535	(46,173)	94,432
Shop equipment	334,182	32,578	(26,072)	340,688
Furniture and office equipment	562,968	89,529	(165,279)	487,218
Total accumulated depreciation	<u>13,410,023</u>	<u>1,740,698</u>	<u>(1,386,815)</u>	<u>13,763,906</u>
Capital assets, net	<u>\$ 15,471,027</u>	<u>\$ (686,702)</u>	<u>\$ (33,218)</u>	<u>\$ 14,751,107</u>

Capital assets acquired under capital lease obligations total \$185,361 at June 30, 2010 and 2009, and are included as a component of transit vehicles. Related amortization included in accumulated depreciation transit vehicles totaled \$98,859 and \$61,787 at June 30, 2010 and 2009, respectively.

CHATHAM AREA TRANSIT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2010 and 2009

NOTE 4. NOTE PAYABLE

The Authority has a \$1,500,000 line of credit agreement with a bank for working capital. The line of credit expires October 31, 2010, unless extended. The bank made advances on the line of credit in order to provide the Authority with operating funds throughout the year. Interest is payable monthly at LIBOR market index rate plus 2.0%.

Activity under line of credit for the year ended June 30, 2010 was as follows:

Beginning Balance	Advances	Repayments	Ending Balance
\$ -	\$ 3,500,000	\$ 3,500,000	\$ -

NOTE 5. CAPITAL LEASE OBLIGATION

During fiscal year 2008, the Authority entered into a lease agreement to finance the acquisition of two shuttle buses. For accounting purposes the lease has been accounted for as a capital lease obligation and, therefore has been recorded at the present value of the future minimum lease payments as of the inception date.

The future minimum leases payments required under the capital lease obligation and the present value of the net minimum lease payments as of June 30, 2010, were as follows:

	Year Ending June 30,	Amount
	2011	\$ 51,134
	2012	12,784
Total minimum lease payments		63,918
Less: amount representing interest		(807)
Present value of minimum lease payments		63,111
Less: current maturities of capital lease obligation		(50,431)
Long-term capital lease obligation		\$ 12,680

NOTE 6. POSTEMPLOYMENT LIFE INSURANCE AND MEDICAL PLAN

Plan Description - The Post Retirement Life Insurance Plan and Post Retirement Medical Plan (collectively, the "Plan") is a single-employer defined benefit postemployment life and healthcare plan that provides health and life insurance benefits to retired employees of the Authority. The Plan does not issue a stand-alone financial report.

Funding Policy - Plan benefit provisions and contribution requirements are established and may be amended by the Authority, subject to negotiation between the Authority and the Amalgamated Transit Union. Contributions to the Plan are based on a pay-as-you-go basis. For the fiscal years ended June 30, 2010 and 2009, retirees and their dependents receiving

CHATHAM AREA TRANSIT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2010 and 2009

healthcare benefits contributed 100 percent toward their monthly healthcare premiums (\$363 per month for retiree only coverage and \$634 per month for dependent coverage during fiscal year 2010 and 2009). The Plan provides retirees with \$10,000 of life insurance coverage funded 100 percent by the Authority.

Annual OPEB Cost and Net OPEB Obligation – The Authority’s annual other postemployment benefit (OPEB) cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The ARC also includes interest on the unfunded ARC and adjustment to the ARC to prevent double accrual of principal payments on the unfunded actuarial accrued liability. The following table shows the components of the Authority’s annual OPEB cost, the amount actually contributed to the plan, and changes in the Authority’s net OPEB obligation for the years ending June 30, 2010 and 2009.

	June 30,	
	2010	2009
Annual required contribution	\$ 46,329	\$ 49,336
Interest on unfunded ARC	1,955	985
Adjustment to ARC	(2,327)	(1,173)
Annual OPEB cost	45,957	49,148
Contributions made	(9,403)	(8,744)
Increase in net OPEB obligation	36,554	40,404
Net OPEB obligation - beginning of year	81,457	41,053
Net OPEB obligation -end of year	\$ 118,011	\$ 81,457

The Authority’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation was as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2008	\$ 47,695	14%	\$ 41,053
6/30/2009	\$ 49,148	18%	\$ 81,457
6/30/2010	\$ 45,957	20%	\$ 118,011

Funded Status and Funding Progress - As of July 1, 2009, the actuarial accrued liability for benefits was \$775,849 and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of \$775,849. The covered payroll was \$7.2 million and the ratio of the UAAL to the covered payroll was 10.7 percent.

Actuarial valuations of an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The

CHATHAM AREA TRANSIT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2010 and 2009

schedules of funding progress, presented as required supplementary information following the notes to the financial statements, present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions - Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. Additional information as of the latest actuarial valuation follows:

Valuation date	July 1, 2009
Actuarial cost method	Projected unit credit cost method
Amortization method	Level percentage of pay, open
Amortization period	30 years
Actuarial assumptions:	
Investment return	2.40%
Healthcare cost trend rate	
Initial year	7%
Ultimate rate	5%

NOTE 7. RETIREMENT PLAN

The Authority sponsors a defined contribution plan that covers all full-time employees who have met certain age and service requirements. Required employer and employee contributions to the plan are based on an agreement between the Authority and Local 1324 Amalgamated Transit Union. For the fiscal years ended June 30, 2010 and 2009, required employer and employee contributions to the plan was based on an annual rate of \$1,325 and \$700 per employee, respectively.

Employer and employee contributions to the plan are summarized as follows:

	June 30,	
	2010	2009
Employer contributions	\$ 214,593	\$ 222,135
Employee contributions	113,133	115,831
Total contributions to the plan	\$ 327,726	\$ 337,966

NOTE 8. NONSUBSIDIZED EXPENSES

Under the Federal Transit Act, certain expense items are not subject to subsidies. These expense items include, but are not limited to, losses on disposition of assets, interest, depreciation and claims on accidents, which occurred prior to year-end but were not paid at year-end.

CHATHAM AREA TRANSIT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2010 and 2009

NOTE 9. COMMITMENTS AND CONTINGENCIES

The Authority participates in several federal and state assisted grant programs. These programs are subject to compliance audits by the grantors and their representatives. The amount of liability, if any, for reimbursement that could arise as a result of audits by the granting agencies, cannot be determined at this time.

Loss accruals were made for damage claims or suits that were settled subsequent to year-end or settlement is probable and the amount of settlement can be reasonably estimated at the report date based upon representations of legal counsel and the Authority. In the opinion of management, all claims not accrued are adequately covered by insurance, are without merit or would have an insignificant effect on the financial position or results of operations of the Authority, if disposed of unfavorably.

The Authority has an agreement with Chatham County to provide teleride/paratransit passenger services for disabled persons throughout the county. This agreement is subject to renewal annually. The Authority has subcontracted with an outside service to manage the operations of this service and has entered into a lease agreement with the management service to supply teleride/paratransit vehicles.

At June 30, 2010, the Authority had outstanding contract commitments totaling approximately \$5,222,000 related to design and remodeling of the administrative offices and the purchase of nine hybrid buses. These capital asset projects are to be funded through matching federal grants.

NOTE 10. SUBSEQUENT EVENT

Effective July 1, 2010, the Authority entered into a five year agreement with Veolia Transportation Services, Inc. to manage, operate and maintain the Authority's transit system, utilizing equipment and facilities provided by the Authority and employing and furnishing its own personnel. Veolia's management fee under this agreement will be 5% of the annual operating budget submitted by Veolia and approved by the Authority's Board. The fee which is calculated annually will be payable in twelve equal installments. In addition to the annual fee, the agreement also provides for certain incentive fees if Veolia is able to generate operational efficiencies that will reduce cost and increase farebox revenue.



REQUIRED SUPPLEMENTAL INFORMATION

CHATHAM AREA TRANSIT AUTHORITY
SCHEDULE OF FUNDING PROGRESS –
RETIREE HEALTHCARE AND LIFE INSURANCE PLANS

June 30, 2010 and 2009

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
July 1, 2007	\$0	\$ 644,055	\$ 644,055	0%	\$ 6,416,711	10.0%
July 1, 2008	\$0	\$ 663,831	\$ 663,831	0%	\$ 6,952,185	9.5%
July 1, 2009	\$0	\$ 775,849	\$ 775,849	0%	\$ 7,238,171	10.7%



COMPLIANCE SECTION

CHATHAM AREA TRANSIT AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2010

Federal Grantor/ Pass-through Grantor/ Program or Cluster Title	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<u>U.S. Department of Transportation</u>			
Federal Transit Administration:			
Direct Programs:			
Federal Transit Cluster -			
Federal Transit - Formula Grants	20.507	N/A	\$ 207,150
Federal Transit - American Recovery and Reinvestment Act	20.507	N/A	596,887
Federal Transit - Capital Investment Grants	20.500	N/A	<u>5,064,912</u>
Total Federal Transit Cluster			5,868,949
Job Access/Reverse Commute	20.516	N/A	470,964
New Freedom	20.521	N/A	<u>21,534</u>
Total Expenditures of Federal Awards			<u>\$ 6,361,447</u>

See accompanying notes to schedule of expenditures of federal awards.

CHATHAM AREA TRANSIT AUTHORITY

NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2010

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES

The schedule of expenditures of federal awards includes the federal grant activity of Chatham Area Transit Authority and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

**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 Board of Directors
Chatham Area Transit Authority
Savannah, Georgia

We have audited the financial statements of Chatham Area Transit Authority, as of and for the year ended June 30, 2010 and have issued our report thereon dated November 9, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Chatham Area Transit Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Chatham Area Transit Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Chatham Area 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 the Chatham Area 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 Chatham Area Transit Authority in a separate letter dated November 9, 2010.

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

Daniel & Duncan LLC

Savannah, Georgia
November 9, 2010

**REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Directors
Chatham Area Transit Authority
Savannah, Georgia

Compliance

We have audited the compliance of Chatham Area Transit Authority with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2010. Chatham Area Transit Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Chatham Area Transit Authority's management. Our responsibility is to express an opinion on Chatham Area Transit Authority's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Government, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Chatham Area Transit Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Chatham Area Transit Authority's compliance with those requirements.

In our opinion, Chatham Area Transit Authority complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

The management of Chatham Area Transit Authority is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Chatham Area Transit Authority's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Chatham Area Transit Authority's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance 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 compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information of the board of directors, management and federal awarding agencies and pass-through agencies and is not intended to be and should not be used by anyone other than these specified parties.

Daniel & Duncan LLC

Savannah, Georgia
November 9, 2010

CHATHAM AREA TRANSIT AUTHORITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2010

SECTION I. SUMMARY OF AUDIT RESULTS

Financial Statements

- The auditor's report expresses an unqualified opinion on the basic financial statements of Chatham Area Transit Authority.
- No significant deficiencies in internal control over financial reporting are reported in the 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*.
- No instances of noncompliance material to the financial statements of Chatham Area Transit Authority, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.

Federal Awards

- No significant deficiencies relating to the audit of the major federal award programs are reported in the Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133.
- The auditor's report on compliance for the major federal award programs for Chatham Area Transit Authority expresses an unqualified opinion.
- There are no Audit findings that are required to be reported in accordance with section 510(a) of OMB Circular A-133.
- The programs tested as major programs included:

	<u>CFDA No.</u>
U.S. Department of Transportation:	
Federal Transit Administration –	
Federal Transit Cluster -	
Capital Investment Grants	20.500
Formula Grants	20.507
JARC	20.516

- The threshold for distinguishing between Types A and B programs was \$300,000.
- Chatham Area Transit Authority did not qualify as a low-risk auditee.

CHATHAM AREA TRANSIT AUTHORITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2010

SECTION II. FINDINGS - FINANCIAL STATEMENT AUDIT

None

SECTION III. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

None

SECTION IV. STATUS OF PRIOR YEAR AUDIT FINDINGS

Department of Transportation

2009-5 Capital Assistance Grant CFDA 20.500; Grant MTG00-0098-00-002;
Grant period – December 31, 2012

Significant Deficiency: A lack of understanding of the pass-through grant, resulted in the incorrect recording of disbursements of pass-through funds as a capital asset of Chatham Area Transit.

Recommendation: Procedures should be implemented to ensure that grant awards are accounted for properly and in compliance with grant requirements.

Current Status: Recommended procedures have been implemented.