



*CHATHAM AREA TRANSIT
AUTHORITY*

FINANCIAL REPORT

Years Ended June 30, 2011 and 2010

CHATHAM AREA TRANSIT AUTHORITY
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CHATHAM AREA TRANSIT

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Chatham Area Transit Authority
Savannah, Georgia

We have audited the accompanying basic financial statements of Chatham Area Transit Authority, a component unit of Chatham County, Georgia, as of and for the years ended June 30, 2011 and 2010, 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, 2011 and 2010, 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 December 21, 2011 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 inquiries 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 audit was 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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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
December 21, 2011

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, 2011 (FY 2011). 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 2011, the Authority's total assets exceeded total liabilities by \$24.9 million. Of this amount \$1.0 million was unrestricted and available to support operations. Total net assets increased by approximately \$3.8 million during the current fiscal year. This 17.85% increase in total net assets compared to FY 2010 is due to a \$ 4.3 million increase in capital assets, net of related debt, and \$0.5 million decrease in unrestricted net assets. The increase in capital assets, net of related debt is due primarily to the purchase of revenue vehicles funded with U.S. Department of Transportation capital grants.

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

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.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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)			
	Years Ended June 30,		
	2011	2010	2009
Current Assets	\$ 5,153	\$ 3,880	\$ 5,270
Capital Assets	24,128	20,049	14,751
Total Assets	\$ 29,281	\$ 23,929	\$ 20,021
Current Liabilities	\$ 4,239	\$ 2,655	\$ 2,692
Long-term Liabilities	125	130	144
Total Liabilities	4,364	2,785	2,836
Net Assets			
Investment in Capital Assets	23,908	19,635	14,640
Unrestricted	1,009	1,509	2,545
Total Net Assets	24,917	21,144	17,185
Total Liabilities and Net Assets	\$ 29,281	\$ 23,929	\$ 20,021

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 \$24.92 million as of June 30, 2011 which reflects an increase of \$3.77 million compared to \$21.14 million as of June 30, 2010.

Transit is a capital-intensive enterprise; 95.95% or \$23.91 million of the Authority's \$24.92 million in net assets at the end of FY 2011 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 customer. The remaining 4.05% or \$1.09 million is available to meet the Authority's ongoing operating and debt obligations.

At the end of FY 2010, 92.86% or \$19.63 million of the Authority's \$21.14 million in net assets was invested in capital assets, net of related debt. The remaining 7.14% or \$1.51 million is available to meet the Authority's ongoing operating and debt obligations.

MANAGEMENT'S DISCUSSION AND ANALYSIS

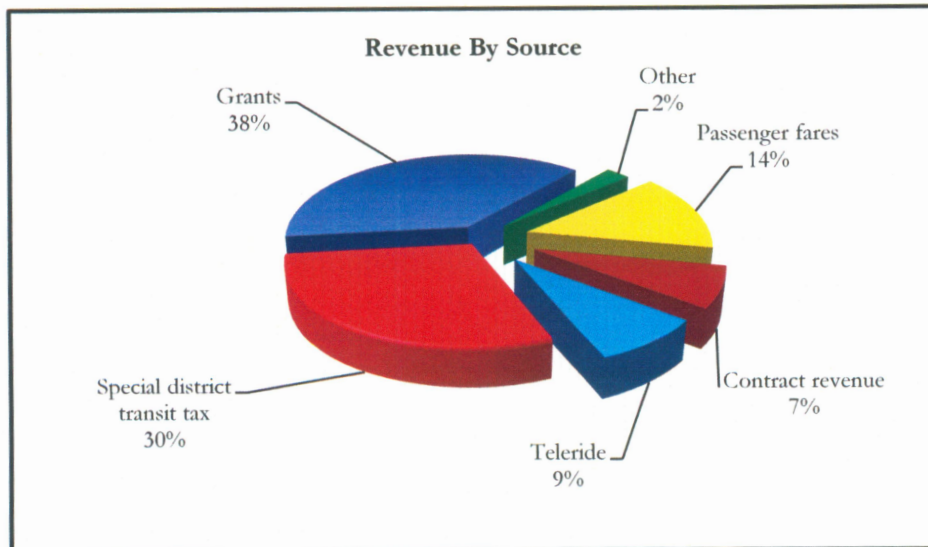
As shown on the following condensed statements of revenues, expenses and changes in net assets, the Authority's net assets increased by \$3.77 million during FY 2011. This increase is due to capital investment grant revenue from U.S. Department of Transportation.

Comparatively, net assets increased by \$3.96 million during FY 2010. This increase was also due to capital investment grant revenue from U.S. Department of Transportation.

Condensed Statements of Revenues, Expenses and Changes in Net Assets			
(in thousands)			
	Years Ended June 30,		
	2011	2010	2009
Revenue			
Operating Revenue	\$ 5,336	\$ 4,934	\$ 4,569
Nonoperating Revenue	11,742	11,677	13,068
Total Revenue	17,078	16,611	17,637
Operating Expenses	19,957	18,061	18,149
Loss before Contributions	(2,879)	(1,450)	(512)
Capital Contributions	6,652	5,409	5,261
Change in Net Assets	3,773	3,959	4,749
Net Assets - Beginning	21,144	17,185	12,436
Net Assets - End	<u>\$ 24,917</u>	<u>\$ 21,144</u>	<u>\$ 17,185</u>

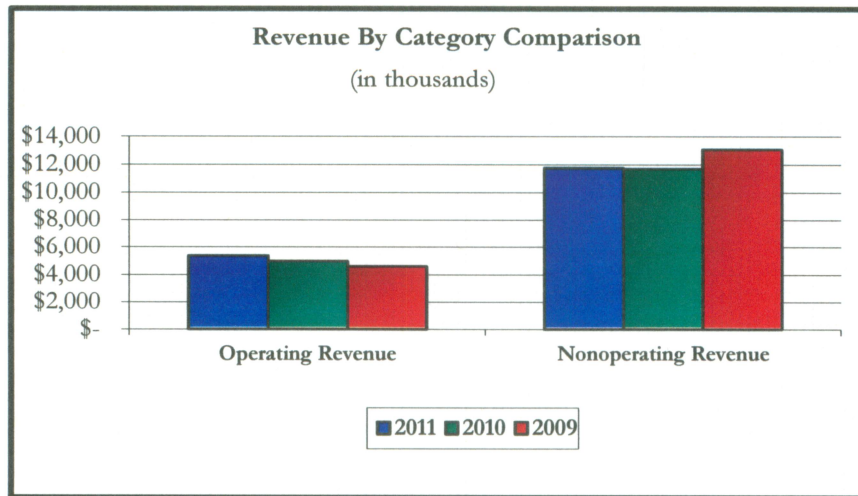
Revenue

The following graph provides a visual presentation of the Authority's revenue by source for FY2011.



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, contract revenue, vehicle advertising and other miscellaneous revenue.

Operating revenue for FY 2011 increased by \$402 thousand over FY 2010. Revenue from the following sources attributed to this increase:

- ◆ Passenger fares increased by \$64 thousand due to increased ridership.
- ◆ Contract revenue increased by \$281 thousand. This increase is the result of increases in Shuttle and Marine Services revenue.
- ◆ Other revenue increased by \$57 thousand. This increase is a result of increasing in advertising revenue and special event revenue.

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

- ◆ Passenger fares increased by \$246 thousand due to increased ridership.
- ◆ Other 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.

Nonoperating Revenue

Nonoperating revenue is substantially comprised of tax revenue, teleride, and revenue from federal and state grants.

Nonoperating revenue for FY 2011, net of nonoperating expenses, increased by \$65 thousand from FY 2010. This increase is primarily the result of:

- ◆ Federal and state grant revenue increased \$1.38 million.
- ◆ Special district tax decreased \$325 thousand.

MANAGEMENT'S DISCUSSION AND ANALYSIS

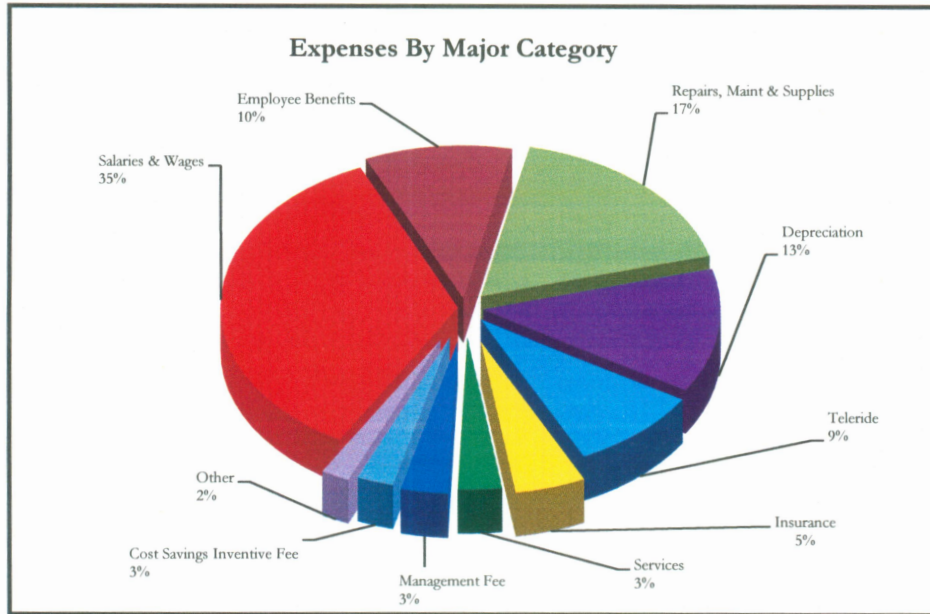
- ◆ Special purpose local option sales tax decreased by \$892 thousand.
- ◆ Teleride revenue decreased \$91 thousand.

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

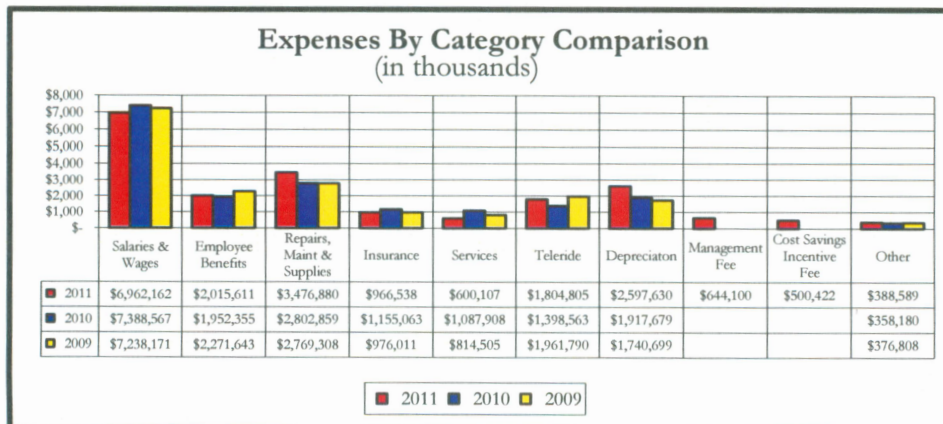
- ◆ Federal and state grant revenue decreased \$3.21 million.
- ◆ Special district tax decreased \$194 thousand.
- ◆ Special purpose local option sales tax increased \$1.16 million.
- ◆ Teleride revenue increased \$281 thousand.

Operating Expenses

The following pie chart details the FY 2011 expenses by major category.



The bar graph that follows shows the Authority's operating expenses by category for FY 2011, FY 2010, and FY 2009:



MANAGEMENT'S DISCUSSION AND ANALYSIS

Total operating expenses for FY 2011 increased by \$1.9 million or a 10.5% increase from FY 2010. Total operating expenses for FY 2010 decreased \$88 thousand or .5% decrease from FY 2009. These changes were primarily the result of the following:

- 1) Salaries and wages for FY 2011 compared to FY 2010 decreased by \$426 thousand or 5.8%, primarily due to policy change in vacation benefit use implemented with the transition of employees under the delegated management contract with Veolia Transportation Services, Inc.

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

- 2) Employee benefits for FY 2011 compared to FY 2010 increased \$63 thousand or 3.2%. This was due primarily to a slight increase in health insurance rates.

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.

- 3) The combined materials, supplies and maintenance expenses for FY2011 compared to FY2010 increased \$674 thousand or 24%. This net increase was primarily due to increases in fuel and lubricant costs and revenue vehicle maintenance costs.

The combined materials, supplies and maintenance expenses for FY 2010 compared FY 2009 increased \$34 thousand or 1.2%. This net increase was due to a combination of a decrease in fuel and lubricant costs and an increase in revenue vehicle maintenance costs.

- 4) Services decreased \$488 thousand or 44.8% in FY2011 compared to FY2010. This decrease is primarily due to the transition to a delegated management contract. Management fees under the delegated management contract amounted to \$644 thousand during FY2011 and are accounted for separately in operating expenses for FY2011.

Services increased \$273 thousand or 33.57% in FY 2010 compared to FY 2009. This increase is primarily due to an interim contract to provide management services and an increase in legal fees.

- 5) Insurance expense for FY 2011 compared to FY 2010 decreased by \$189 thousand or 16.32%. This decrease is the result of the management services contract that provided for lower fixed fleet insurance costs. Insurance expense increased by \$179 thousand or 18.35% for FY 2010 compared to FY 2009. This increase reflects higher premium costs.

- 6) Teleride expense increased \$406 in FY2011 compared to FY2010. An increase in demand for services during the year resulted in a corresponding increase in operating cost.

Teleride expense decreased \$676 thousand or 30.9% in FY 2010 compared to FY 2009. During the last half of the year, Chatham Area Transit brought the operations

MANAGEMENT'S DISCUSSION AND ANALYSIS

of paratransit services in house which removed the contract service fee and allowed for additional savings in operating costs.

- 7) Depreciation expense for FY 2011 compared to FY 2010 increased by \$680 thousand. This increase was due to the addition of nine new vehicles early in the fiscal year and the continued depreciation of newer vehicles purchased in recent fiscal years. 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.
- 8) Other expense increased \$30 thousand in FY2011 compared to FY2010 due mostly to travel and lodging incurred under the delegated management agreement which became effective July 1, 2010. Other expenses increased \$18 thousand in FY 2010 compared to FY 2009 due to increases in cost of utilities.

CAPITAL ASSETS

As the following chart indicates, the Authority's investment in capital assets before depreciation at the end of FY 2011 is \$40.3 million. This was an increase compared to FY 2010 of \$6.68 million. While the largest single factor for this increase is the acquisition of nine new transit vehicles, construction in progress increased \$1.6 million with the construction of a new ferry boat scheduled for completion in the spring of 2012.

Capital Assets by Major Category			
	2011	2010	2009
Land	\$ 1,401,467	\$ 1,401,467	\$ 1,401,467
Buildings & Improvements	8,277,646	8,233,288	8,031,717
Vehicles	27,804,222	22,776,048	17,901,380
Furniture & Equipment	1,107,878	1,104,907	1,045,449
Construction in Progress	1,746,617	144,900	135,000
	40,337,830	33,660,610	28,515,013
Accumulated Depreciation	(16,209,514)	(13,611,884)	(13,763,906)
	<u>\$ 24,128,316</u>	<u>\$ 20,048,726</u>	<u>\$ 14,751,107</u>

At June 30, 2011, the Authority had outstanding contract commitments of approximately \$963,000 related to the construction of a new ferry boat, renovation of the Authority's operation center, and the construction of the Downtown Intermodal Facility. These capital asset projects are to be funded through matching federal and state grants.

Renovation of the operation center located at 900 East Gwinnett Street will begin in fiscal year 2012. The project will include new mechanical components, including fueling station, bus wash, and compressors. Additionally, it will provide office space, a training room, and library to house the Authority's archives. The facility will have LEED Silver Certification with a budget of approximately \$5 million.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Construction of the new Downtown Intermodal Facility is scheduled to begin in FY2012. The project qualifies for the FTA Joint Development Program for inter/intra city transportation and as a result, the facility will house both Authority and Greyhound operations. The location will support fourteen Authority buses, four Greyhound buses, one stop for a trolley and the hub for Authority's new Bike Share Program. The facility will have LEED Gold certification and is budgeted at approximately \$15 million.

Additional information regarding capital assets may be found in note 4 to the financial statements.

AUTHORITY DEBT ISSUE

The Authority has a \$1,700,000 line of credit agreement with a bank for working capital needs. The line of credit expires December 31, 2011, unless extended. 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 2011 the balance of the line of credit was \$1,500,000. Interest is payable monthly at LIBOR market index rate plus 1.5%.

The Authority has 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 through October 2011.

ECONOMIC FACTORS

Effective July 1, 2010, the Authority's transit system operations were transitioned to Veolia Transportation Services, Inc. (Veolia) under a five year delegated management agreement. The agreement provides that Veolia will manage, operate and maintain the transit system utilizing equipment and facilities provided by the Authority, and employing and furnishing its own personnel, within an annual budget approved by the Authority's Board. This annual budget includes a 5% management fee to Veolia and also provides for certain cost saving incentive fees if Veolia is able to generate operational efficiencies that will reduce cost and increase farebox revenue.

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: Chief Financial Officer, Chatham Area Transit Authority, 900 East Gwinnett Street, Savannah, GA 31401.

CHATHAM AREA TRANSIT AUTHORITY

BALANCE SHEETS

June 30, 2011 and 2010

	2011	2010
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 982,500	\$ 606,862
Investments	4,082	4,073
Receivables	4,063,844	2,991,870
Inventory	75,283	277,505
Prepaid expenses	26,802	
Total current assets	5,152,511	3,880,310
CAPITAL ASSETS, net	24,128,316	20,048,726
Total assets	\$ 29,280,827	\$ 23,929,036
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 337,128	\$ 811,431
Note payable - bank	1,500,000	
Due to management company	1,227,520	
Current portion of capital lease obligation	12,933	50,177
Compensated absences payable	172,893	503,500
Accrued salaries and related liabilities	11,781	268,162
Deferred revenue	163,193	62,299
Other liabilities	813,447	959,021
Total current liabilities	4,238,895	2,654,590
LONG-TERM LIABILITIES		
Capital lease obligations, net of current portion		12,933
Other postemployment benefits obligation	124,885	118,011
	124,885	130,944
NET ASSETS		
Investment in capital assets, net of related debt	23,907,845	19,634,700
Unrestricted	1,009,202	1,508,802
Total net assets	24,917,047	21,143,502
Total liabilities and net assets	\$ 29,280,827	\$ 23,929,036

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

Years Ended June 30, 2011 and 2010

	2011	2010
OPERATING REVENUES		
Passenger fares	\$ 3,337,262	\$ 3,273,206
Contract revenue	1,727,132	1,446,529
Other	271,713	214,221
Total operating revenues	5,336,107	4,933,956
OPERATING EXPENSES		
Salaries and wages	6,962,162	7,388,567
Materials and supplies	2,986,151	2,441,359
Depreciation	2,597,630	1,917,679
Employee benefits	2,015,611	1,952,355
Purchased transportation - Teleride/Paratransit	1,804,805	1,398,563
Insurance	966,538	1,155,063
Management fee	644,100	
Services	600,107	1,087,908
Cost savings incentive fee	500,422	
Repair and maintenance	490,729	361,500
Utilities	140,941	148,816
Miscellaneous	247,648	209,363
Total operating expenses	19,956,844	18,061,173
Operating loss	(14,620,737)	(13,127,217)
NONOPERATING REVENUES (EXPENSES)		
Special district transit tax	7,040,098	7,365,560
Federal grants	2,373,347	995,974
Teleride	2,036,042	2,127,444
Special purpose local option sales tax	312,383	1,204,481
Interest income	2,923	1,416
Interest expense	(23,250)	(18,373)
Total nonoperating revenues (expenses)	11,741,543	11,676,502
Loss before capital contributions	(2,879,194)	(1,450,715)
CAPITAL CONTRIBUTIONS		
Federal grants	6,563,196	5,365,473
State grants	71,687	43,754
Local	17,856	
Total capital contributions	6,652,739	5,409,227
Change in net assets	3,773,545	3,958,512
Total net assets - beginning	21,143,502	17,184,990
Total net assets - ending	\$ 24,917,047	\$ 21,143,502

CHATHAM AREA TRANSIT AUTHORITY

STATEMENTS OF CASH FLOWS

Years Ended June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Fares and other service revenues	\$ 5,457,285	\$ 5,123,150
Cash payments for goods and services	<u>(17,156,265)</u>	<u>(15,699,352)</u>
Net cash provided (used) in operating activities	<u>(11,698,980)</u>	<u>(10,576,202)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Federal and state grants	1,210,292	1,165,553
Special district transit tax	7,446,931	7,094,476
Teleride	2,281,127	1,646,811
Intergovernmental loan payment		(7,000)
Net borrowings under line of credit	1,500,000	
Interest paid	<u>(22,123)</u>	<u>(15,017)</u>
Net cash provided (used) by non-capital financing activities	<u>12,416,227</u>	<u>9,884,823</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital grants	5,913,285	5,859,214
Special purpose local option sales tax	351,966	1,153,031
Contributed capital	118,750	
Acquisition and construction of capital assets	<u>(6,677,220)</u>	<u>(6,864,382)</u>
Principal payments on capital lease obligation	<u>(50,177)</u>	<u>(47,777)</u>
Interest paid	<u>(1,127)</u>	<u>(3,356)</u>
Net cash provided (used) in capital and related financing activities	<u>(344,523)</u>	<u>96,730</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received on investments	<u>2,914</u>	<u>1,407</u>
Net cash provided (used) in investing activities	<u>2,914</u>	<u>1,407</u>
Increase (decrease) in cash and cash equivalents	<u>375,638</u>	<u>(593,242)</u>
Cash and cash equivalents - Beginning of year	<u>606,862</u>	<u>1,200,104</u>
Cash and cash equivalents - End of year	<u>\$ 982,500</u>	<u>\$ 606,862</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES		
Operating loss	\$ (14,620,737)	\$ (13,127,217)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	2,597,630	1,917,679
Changes in:		
Accounts receivable	121,178	189,193
Inventory	202,222	(16)
Prepaid expenses	(26,802)	509,510
Accounts payable	(474,303)	(184,819)
Accrued salaries and compensated absences	(586,988)	(56,950)
Other postemployment benefits obligation	6,874	36,554
Due to management company	1,227,520	
Other liabilities	<u>(145,574)</u>	<u>139,864</u>
Net cash used in operating activities	<u>\$ (11,698,980)</u>	<u>\$ (10,576,202)</u>

CHATHAM AREA TRANSIT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2011 and 2010

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 the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The Government Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Authority applies all applicable GASB pronouncements as well as all Financial Accounting Standards Board (FASB) statements and interpretations 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.

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 life of the respective assets as follows:

Asset Type	Estimated Useful Life
Buildings and improvements	10 - 50 years
Transit vehicles	5 - 20 years
Service vehicles	5 years
Shop equipment	3 - 5 years
Furniture and office equipment	3 - 10 years

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.

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.

CHATHAM AREA TRANSIT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2011 and 2010

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.

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, 2011 and 2010, 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, 2011 and 2010:

<u>Investment Type</u>	June 30,			
	2011		2010	
	Fair Value	Weighted Avg. Maturity (Days)	Fair Value	Weighted Avg. Maturity (Days)
Georgia Fund I	\$ 4,082	59	\$ 4,073	46

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.

NOTE 3. RECEIVABLES

Receivables consist of the following:

	June 30,	
	2011	2010
Taxes receivable, net	\$ 1,375,143	\$ 1,781,976
Grants receivable	1,988,616	103,963
Accounts receivable, net	209,539	330,717
Intergovernmental receivable	490,546	775,214
	\$ 4,063,844	\$ 2,991,870

Accounts receivable and the special district transit tax receivables are shown net of an allowance for uncollectibles. At June 30, 2011 and 2010, the allowance for uncollectibles totaled \$43,717 and \$30,741, respectively.

CHATHAM AREA TRANSIT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2011 and 2010

NOTE 4. CAPITAL ASSETS

Capital assets are summarized as follows:

	<u>June 30, 2010</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2011</u>
Capital assets, not being depreciated				
Land	\$ 1,401,467	\$	\$	\$ 1,401,467
Construction in progress	144,900	1,601,717		1,746,617
Total capital assets, not being depreciated	<u>1,546,367</u>	<u>1,601,717</u>		<u>3,148,084</u>
Capital assets, being depreciated				
Buildings and improvements	8,233,288	44,358		8,277,646
Transit vehicles	22,592,273	5,028,174		27,620,447
Service vehicles	183,775			183,775
Shop equipment	438,752			438,752
Furniture and office equipment	666,155	2,971		669,126
	<u>32,114,243</u>	<u>5,075,503</u>		<u>37,189,746</u>
Less accumulated depreciation				
Buildings and improvements	4,287,235	366,771		4,654,006
Transit vehicles	8,307,178	2,146,338		10,453,516
Service vehicles	106,349	20,180		126,529
Shop equipment	374,512	31,950		406,462
Furniture and office equipment	536,610	32,391		569,001
Total accumulated depreciation	<u>13,611,884</u>	<u>2,597,630</u>		<u>16,209,514</u>
Capital assets, net	<u>\$ 20,048,726</u>	<u>\$ 4,079,590</u>	<u>\$</u>	<u>\$ 24,128,316</u>
	<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
	<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>

Capital assets acquired under capital lease obligations total \$185,361 at June 30, 2011 and 2010, and are included as a component of transit vehicles. Related amortization included in accumulated depreciation transit vehicles totaled \$135,931 and \$98,859 at June 30, 2011 and 2010, respectively.

CHATHAM AREA TRANSIT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2011 and 2010

NOTE 5. NOTE PAYABLE

The Authority has a \$1,700,000 line of credit agreement with a bank for working capital. 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 1.5%.

Activity under line of credit for the year ended June 30, 2011 was as follows:

Beginning Balance	Advances	Repayments	Ending Balance
\$	1,500,000	\$	\$ 1,500,000

NOTE 6. 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.

Activity under the capital lease obligation and the present value of the net minimum lease payments as of June 30, 2011, were as follows:

Beginning Balance	Repayments	Ending Balance	Due within One Year
\$ 63,110	\$ 50,177	\$ 12,933	\$ 12,933
Less: amount representing interest			(104)
Present value of minimum lease payments			\$ 12,829

NOTE 7. 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. Retirees and their dependents receiving healthcare benefits contributed 100 percent toward their monthly healthcare premiums (\$473 per month for retiree only coverage and \$946 per month for dependent coverage during fiscal year 2011 and \$386 per month for retiree only coverage and \$865 per month for dependent coverage during fiscal year 2010). The Plan provides retirees with \$10,000 of life insurance coverage funded 100 percent by the Authority.

CHATHAM AREA TRANSIT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2011 and 2010

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, 2011 and 2010.

	June 30,	
	2011	2010
Annual required contribution	\$ 17,435	\$ 46,329
Interest on unfunded ARC	2,832	1,955
Adjustment to ARC	(3,372)	(2,327)
Annual OPEB cost	16,895	45,957
Contributions made	(10,021)	(9,403)
Increase in net OPEB obligation	6,874	36,554
Net OPEB obligation - beginning of year	118,011	81,457
Net OPEB obligation - end of year	\$ 124,885	\$ 118,011

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
6/30/2009	\$ 49,148	18%	\$ 81,457
6/30/2010	\$ 45,957	20%	\$ 118,011
6/30/2011	\$ 16,895	59%	\$ 124,885

Funded Status and Funding Progress - As of July 1, 2011, the actuarial accrued liability for benefits was \$498,195 and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of \$498,195.

Actuarial valuations of an ongoing plan involve 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 schedules of funding progress, presented as required supplementary information following the notes to the financial statements, present multiyear trend information about whether the

CHATHAM AREA TRANSIT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2011 and 2010

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, 2011
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 8. MANAGEMENT AGREEMENTS

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 is 5% of the annual operating budget submitted by Veolia and approved by the Authority's Board. In addition to the annual fee, the agreement also provides for certain cost saving incentive fees if Veolia is able to generate operational efficiencies that will reduce cost and increase farebox revenue.

The following table presents Veolia Transportation Services, Inc. current year operating costs included in the accompanying statements of revenues, expenses, and changes in net assets along with comparison to their annual operating budget as approved by the Authority's Board.

	<u>Actual</u>	<u>Budget</u>	<u>Over (under) Budget</u>
Salaries	\$ 6,915,948	\$ 7,094,614	\$ (178,666)
Benefits	2,003,008	2,518,324	(515,316)
Materials and supplies	897,714	887,849	9,865
Insurance	997,904	1,008,683	(10,779)
Services	276,064	219,073	56,991
Repair and maintenance	302,179	128,500	173,679
Utilities	139,974	132,396	7,578
Miscellaneous	180,998	227,462	(46,464)
Interest	23,690	21,000	2,690
Management fee	644,100	644,100	
Cost savings incentive fee	500,422		500,422
	<u>\$ 12,882,001</u>	<u>\$ 12,882,001</u>	<u>\$</u>

CHATHAM AREA TRANSIT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2011 and 2010

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 Veolia Transportation Services, Inc. to manage the operations of this service.

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.

At June 30, 2011, the Authority had outstanding contract commitments totaling approximately \$963,000 related to design and remodeling of the administrative offices, construction of a new ferry boat and construction of a new transit center. These capital asset projects are to be funded through matching federal grants.

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

June 30, 2011

Actuarial Valuation Date	Actuarial Value of Assets	Accrued Liability (AAL)	Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	Percentage of Covered Payroll
July 1, 2009	\$0	\$ 775,849	\$ 775,849	0%	\$ 7,238,171	11%
July 1, 2010	\$0	512,597	512,597	0%	\$ 7,388,567	7%
July 1, 2011	\$0	498,195	498,195	0%	365,492	136%



CHATHAM AREA TRANSIT

COMPLIANCE SECTION

CHATHAM AREA TRANSIT AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2011

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:			
Federal Transit Cluster -			
Direct Programs:			
Federal Transit - Capital Investment Grants	20.500	N/A	\$ 1,483,853
Federal Transit - ARRA	20.507	N/A	3,864,962
Federal Transit - Formula Grants	20.507	N/A	2,208,896
Pass-through Program From:			
Georgia Department of Transportation			
Federal Transit - Capital Investment Grants	20.500	MSL00-0000-00(836)	<u>142,846</u>
Total Federal Transit Cluster			7,700,557
Pass-through Program From:			
Georgia Department of Transportation			
Highway Planning & Construction- ARRA	20.205	GA-04-0017	<u>913,134</u>
Direct Program:			
Job Access/Reverse Commute	20.516	N/A	<u>322,852</u>
Total Expenditures of Federal Awards			<u>\$ 8,936,543</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, 2011

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 basic financial statements of Chatham Area Transit Authority, a component unit of Chatham County, Georgia, as of and for the year ended June 30, 2011 and have issued our report thereon dated December 21, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered 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. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs as item 2011-1 that we considered to be a significant deficiency in internal control over financial reporting. A significant deficiency is a deficiency, or 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.

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*.

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
December 21, 2011

**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, 2011. 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, 2011.

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
December 21, 2011

CHATHAM AREA TRANSIT AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2011

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.
- One significant deficiency in internal control over financial reporting is 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
Highway Planning & Construction	20.505

- 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, 2011

SECTION II. FINDINGS - FINANCIAL STATEMENT AUDIT

2011-1 Grant Cost Reimbursement Rate

Condition: Management has continued to request reimbursement under the Job Access/Reverse Commute Grant through-out current fiscal year 2011 using prior year cost per hour as its cost reimbursement rate.

Criteria: A current cost reimbursement rate should be used when requesting reimbursement under the grant.

Cause: There were no internal controls in place to ensure reimbursement requests were submitted using a current cost reimbursement rate.

Effect: Incorrect reimbursement under the grant agreement.

Recommendation: Procedures should be implemented to ensure request for reimbursement under the grant are submitted using current reimbursement rates.

Views of Responsible Officials and Planned Corrective Actions: Management agrees with this finding and will implement procedures to ensure the reimbursement rates used to request reimbursement under the Job Access/Reverse Commute (JARC) Grant are based on current cost. Actual FY 2011 cost will be used to calculate an accurate annual reimburse rate and an adjustment to reimbursement received will be made. Going forward, finance staff will recalculate the reimbursement rate quarterly. Any required adjustment will be reflected in the reimbursement request completed the following month and the cost reimbursement rate will be updated accordingly.

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

None

SECTION IV. STATUS OF PRIOR YEAR AUDIT FINDINGS

The prior year Schedule of Findings and Questioned Costs disclosed no findings relative to federal awards.