



*CHATHAM AREA TRANSIT  
AUTHORITY  
FINANCIAL AND COMPLIANCE  
REPORTS*

*Year Ended June 30, 2018*

**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

### Report on the Financial Statements

We have audited the accompanying financial statements of Chatham Area Transit Authority (the "Authority"), a component unit of Chatham County, Georgia as of and for the years ended June 30, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our 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 audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### 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, 2018 and 2017, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Emphasis of Matter**

As discussed in Note 1, the Authority implemented Governmental Accounting Standards (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. As a result, the Authority reported a restatement for a change in accounting principle. Our auditor's opinion was not modified with respect to the restatement.

**Other Matters***Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 11 and certain other post-employment benefits information on pages 26 through 28, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2018 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Chatham Area Transit Authority's internal control over financial reporting and compliance.

*Daniel & Duncan LLC*

Savannah, Georgia  
October 30, 2018

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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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, 2018 (FY 2018). 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

- The Authority's total assets exceeded total liabilities by \$42 million at the close of the current fiscal year.
- The Authority's total net position decreased by approximately \$500 thousand during the current fiscal year.
- Total net capital assets were \$48.6 million at June 30, 2018, an increase of 9% over the balance at June 30, 2017 of \$44.5 million.

### 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 position 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) Statement of Net Position
- 2) Statement of Revenues, Expenses and Changes in Net position
- 3) Statement of Cash Flows, and
- 4) Notes to the Financial Statements

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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### **Statement of Net Position**

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

### **Statement of Revenues, Expenses and Changes in Net Position**

The statement of revenues, expenses and changes in net position presents information showing how the Authority's net position changed during the fiscal year. All changes in net position 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 the 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 25 of this report.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### FINANCIAL ANALYSIS

<b>Condensed Balance Sheets</b>			
(in thousands)			
	Years Ended June 30,		
	2018	2017	2016
Current Assets	\$ 6,387	\$ 5,749	\$ 6,731
Capital Assets	48,566	44,486	44,754
Total Assets	<u>54,953</u>	<u>50,235</u>	<u>51,485</u>
Deferred Outflows of Resources	30		
Total Assets and Deferred Outflow of Resources	<u>\$ 54,983</u>	<u>\$ 50,235</u>	<u>\$ 51,485</u>
Current Liabilities	\$ 11,754	\$ 5,882	\$ 7,163
Long-term Liabilities	908	1,597	2,496
Total Liabilities	<u>12,662</u>	<u>7,479</u>	<u>9,659</u>
Deferred Inflows of Resources	47		
Net Position			
Investment in Capital Assets	40,996	43,767	44,261
Unrestricted	1,278	(1,011)	(2,435)
Total Net Position	<u>42,274</u>	<u>42,756</u>	<u>41,826</u>
Total Liabilities and Net Position	<u>\$ 54,983</u>	<u>\$ 50,235</u>	<u>\$ 51,485</u>

The changes in total net position over time serve as a useful indicator of the Authority's financial position. As the above table indicated, assets exceeded liabilities by \$42.3 million at June 30, 2018, which reflects a decrease of \$482 thousand compared to \$42.8 million at June 30, 2017. This decrease is primarily due to operating cost exceeding revenue and capital contributions.

Comparatively, net position increased by \$930 thousand during FY 2017. This increase was primarily due to operating and non-operating revenue in combination with capital contributions exceeding operating costs.

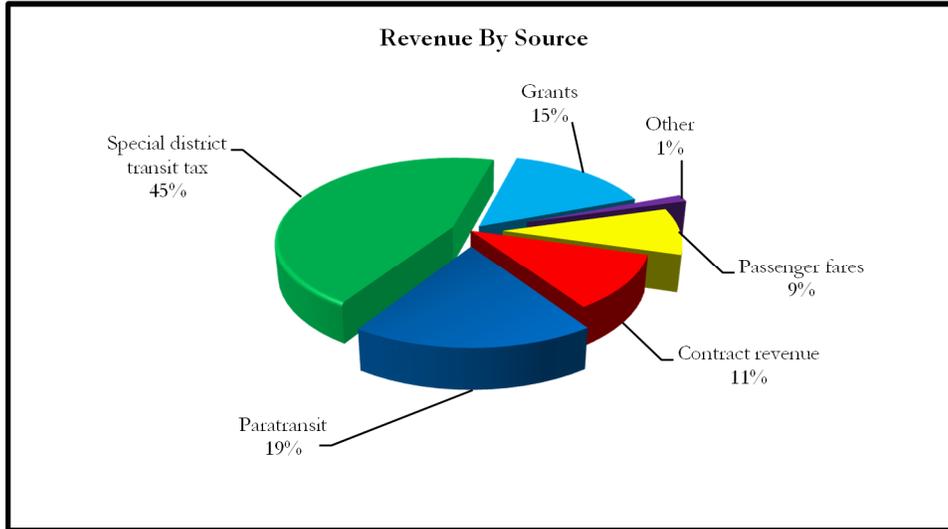
The following table reflects a condensed summary of revenues, expenses, and changes in net position for the years ended June 30, 2018, 2017 and 2016:

<b>Condensed Statements of Revenues, Expenses and Changes in Net Position</b>			
(in thousands)			
	Years Ended June 30,		
	2018	2017	2016
Revenue			
Operating Revenue	\$ 10,378	\$ 9,167	\$ 7,778
Nonoperating Revenue	15,118	13,742	12,570
Total Revenue	25,496	22,909	20,348
Operating Expenses	26,459	25,149	24,620
Loss before Contributions	(963)	(2,240)	(4,272)
Capital Contributions	947	3,170	1,132
Change in Net Position	<u>(16)</u>	<u>930</u>	<u>(3,140)</u>
Net Position - Beginning	42,756	41,826	44,966
Implement GASB 75	(466)		
Net Position - Beginning of Year, Restated	42,290	41,826	44,966
Net Position - End	<u>\$ 42,274</u>	<u>\$ 42,756</u>	<u>\$ 41,826</u>

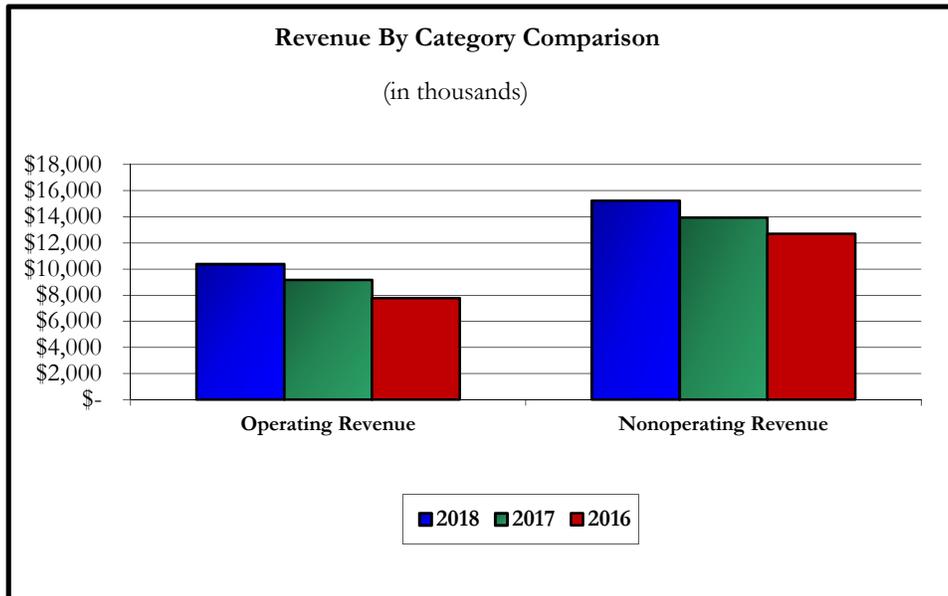
# MANAGEMENT'S DISCUSSION AND ANALYSIS

## Revenue

The following graph provides a visual presentation of the Authority's revenue by source for FY 2018:



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



## MANAGEMENT'S DISCUSSION AND ANALYSIS

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### Operating Revenue

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

Operating revenue for FY 2018 increased by \$1.2 million compared to FY 2017. Revenue from the following sources attributed to this increase:

- ◆ Passenger fares decreased by \$154 thousand due to an overall decrease in ridership and increased usage of pass media which provide a lower per trip fare.
- ◆ Paratransit revenue increased by \$669 thousand. This increase is the result of an increase in paratransit services and the recording of the fuel cost as revenue in FY 2018.
- ◆ Contract revenue increased by \$709 thousand. This increase is the result of expanded agency shuttle service.
- ◆ Other revenue decreased by \$12 thousand. This decrease is a result of a decrease in total advertising revenue and a decrease in recovery of bad debt.

Operating revenue for FY 2017 increased by \$1.4 million compared to FY 2016. Revenue from the following sources attributed to this increase:

- ◆ Passenger fares decreased by \$146 thousand due to an overall decrease in ridership and increased usage of pass media which provide a lower per trip fare.
- ◆ Paratransit revenue increased by \$1.2 million. This increase is the result of a deficit payment for FY 2017 from Chatham County.
- ◆ Contract revenue increased by \$503 thousand. This increase is the result of an increase in revenue from ferry service and additional revenue from the City for the Liberty Shuttle and the Senior Circulator Shuttle.
- ◆ Other revenue decreased by \$152 thousand. This decrease is a result of a decrease in total advertising revenue and a decrease in the recovery of bad debt.

### Nonoperating Revenue

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

Nonoperating revenue for FY 2018, net of nonoperating expenses, increased by \$1.3 million from FY 2017. This increase is primarily the result of:

- ◆ Federal grant revenue decreased \$495 thousand.
- ◆ Special district tax increased \$2.4 million.
- ◆ Special purpose local option sales tax decreased by \$481 thousand.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

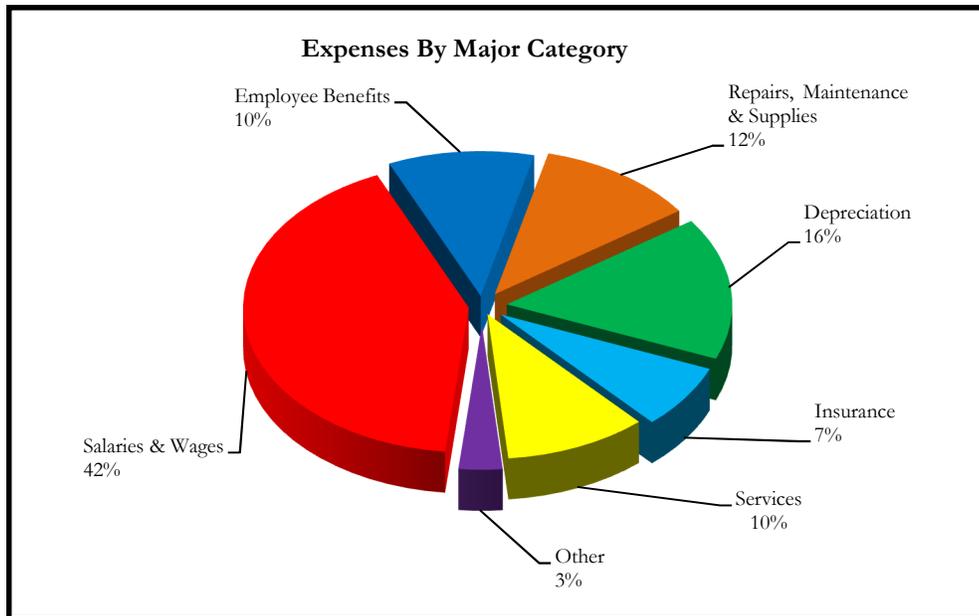
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Nonoperating revenue for FY 2017, net of nonoperating expenses, increased by \$1.2 million from FY 2016. This increase is primarily the result of:

- ◆ Federal grant revenue increased \$897 thousand.
- ◆ Special district tax increased \$376 thousand.
- ◆ Special purpose local option sales tax decreased by \$120 thousand.

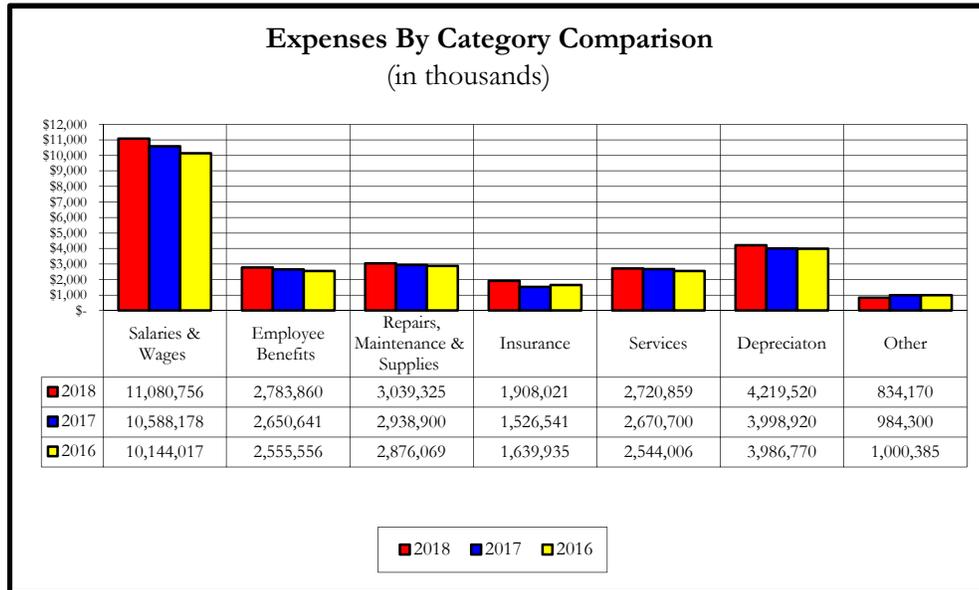
### Operating Expenses

The following pie chart provides a visual presentation of the Authority's expenses by major category for FY 2018:



## MANAGEMENT'S DISCUSSION AND ANALYSIS

The bar graph that follows shows the Authority's operating expenses by category for FY 2018, FY 2017, and FY 2016:



Total operating expenses for FY 2018 increased by \$1.3 million or a 5.2% increase from FY 2017. Total operating expenses for FY 2017 increased \$473 thousand or a 2.1% increase from FY 2016. These changes were primarily the result of the following:

- 1) Salaries and wages for FY 2018 compared to FY 2017 increased \$493 thousand or 4.6% due primarily to operator wage increases and the hiring of additional employees in the Service Delivery Units.

Salaries and wages for FY 2017 compared to FY 2016 increased \$444 thousand or 4.4% due primarily to wage increases, the hiring of additional employees in the Service Delivery and Executive Units, and additional hours due to Hurricane Matthew.

- 2) Employee benefits for FY 2018 compared to FY 2017 increased \$133 thousand or 5.0% due primarily to increase in salaries and wages.

Employee benefits for FY 2017 compared to FY 2016 increased \$95 thousand or 3.7% due primarily to increase in salaries and wages.

- 3) The combined materials, supplies and maintenance expenses for FY 2018 compared to FY 2017 increased \$100 thousand or 3.4%. This net increase was primarily due to increases in vehicle fuel costs.

The combined materials, supplies and maintenance expenses for FY 2017 compared to FY 2016 increased \$63 thousand or 2.2%. This net increase was primarily due to increases in vehicle fuel costs.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

- 4) Services for FY 2018 compared to FY 2017 increased \$50 thousand or 1.9%. This increase is primarily due to the purchase of services associated with paratransit service delivery.

Services for FY 2017 compared to FY 2016 increased \$127 thousand or 5.0%. This increase is primarily due to the purchase of services associated with paratransit, with a decrease in routine maintenance from the cancellation of the Landscape Solutions service contract.

- 5) Insurance expense for FY 2018 compared to FY 2017 increased by \$381 thousand or 25.0%. This increase is the result of higher claims paid expense related to fleet and worker's compensation claim reserves combined with a decrease in recoveries through subrogation.

Insurance expense for FY 2017 compared to FY 2016 decreased by \$113 thousand or 6.9%. This decrease is the result of worker's compensation claim reserves combined with a decrease in recoveries through subrogation. This decrease is offset by an increase in the fleet insurance premiums.

- 6) Depreciation expense for FY 2018 compared to FY 2017 increased by \$221 thousand or 5.5% due to depreciable asset additions.

Depreciation expense for FY 2017 compared to FY 2016 increased by \$12 thousand or 0.3% due to depreciable asset additions.

### CAPITAL ASSETS

As the following chart indicates, the Authority had \$48.6 million (net of depreciation) invested in capital assets at June 30, 2018. This amount represents a net increase of \$4.1 million compared to FY 2017, which is primarily due to the purchase of our transit buses. Major acquisitions during FY 2018 included the 16 transit buses at a total cost of \$7.3 million, replacement of the City Hall floating dock at a cost of \$385 thousand and purchased new radios for the fleet at a cost of \$219 thousand.

<b>Capital Assets by Major Category</b>			
	<u>2018</u>	<u>2017</u>	<u>2016</u>
Land	\$ 6,175,878	\$ 6,175,878	\$ 6,175,878
Buildings & Improvements	29,914,942	29,908,592	29,521,404
Vehicles	42,041,965	36,828,089	34,149,012
Furniture & Equipment	4,941,751	4,913,847	4,820,589
Construction in Progress	900,230	551,751	383,266
	<u>83,974,766</u>	<u>78,378,157</u>	<u>75,050,149</u>
Accumulated Depreciation	<u>(35,408,197)</u>	<u>(33,892,181)</u>	<u>(30,295,905)</u>
	<u><u>\$ 48,566,569</u></u>	<u><u>\$ 44,485,976</u></u>	<u><u>\$ 44,754,244</u></u>

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

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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### **AUTHORITY DEBT**

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. Interest is payable monthly at LIBOR market index rate plus 1.50%. At June 30, 2018, the outstanding balance on the line of credit was \$0.

In December, 2014, the Authority refinanced \$5,000,000 of its outstanding line or credit with a five-year term loan. Annual principal payments of \$1,000,000 are due each January through 2019 and interest is payable monthly at a fixed rate of 1.95%.

### **ECONOMIC FACTORS**

The Authority's board of directors and management considered many factors when setting the fiscal year 2018 budget. These factors include the expected decrease in fixed route ridership and an increase in costs related to paratransit and contract services, fuel, labor and employee benefits. Also considered were the anticipated capital grant funding needed for new buses, the ferry boat rehabilitation projects and our paratransit vehicles. Capital projects are being funded with assistance from federal and state grants with matching funds provided by local option sales tax.

### **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**

**STATEMENTS OF NET POSITION**

June 30, 2018 and 2017

	2018	2017
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 1,485,297	\$ 741,781
Investments	4,195	4,139
Receivables	4,141,964	4,230,373
Inventory	332,598	330,962
Prepaid expenses	422,606	441,889
Total current assets	6,386,660	5,749,144
Capital assets, net	48,566,569	44,485,976
Total assets	54,953,229	50,235,120
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred outflows related to OPEB	29,926	
Total assets and deferred outflows of resources	\$ 54,983,155	\$ 50,235,120
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	\$ 8,110,365	\$ 1,705,093
Note payable - bank		1,500,000
Current portion of long-term debt	1,000,000	1,000,000
Accrued salaries and withheld taxes	384,186	317,108
Other accrued expenses	937,566	732,752
Advances and deposits	32,880	32,880
Compensated absences	350,882	225,752
Unearned revenue	599,815	85,877
Other liabilities	337,874	282,325
Total current liabilities	11,753,568	5,881,787
Noncurrent liabilities:		
Long-term debt, net of current portion		1,000,000
Compensated absences, net of current portion	60,000	235,400
OPEB liability	848,356	361,746
Total noncurrent liabilities	908,356	1,597,146
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred inflows related to OPEB	47,165	
<b>NET POSITION</b>		
Investment in capital assets, net of related debt	40,995,515	43,767,075
Unrestricted	1,278,551	(1,010,888)
Total net position	42,274,066	42,756,187
Total liabilities, deferred inflows of resources and net position	\$ 54,983,155	\$ 50,235,120

**CHATHAM AREA TRANSIT AUTHORITY**  
**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
Years Ended June 30, 2018 and 2017

	2018	2017
<b>OPERATING REVENUES</b>		
Passenger fares	\$ 2,406,338	\$ 2,560,826
Paratransit	4,937,868	4,269,242
Contract revenue	2,902,076	2,193,531
Other	131,938	143,612
Total operating revenues	<u>10,378,220</u>	<u>9,167,211</u>
<b>OPERATING EXPENSES</b>		
Salaries and wages	11,080,756	10,588,178
Employee benefits	2,783,860	2,650,641
Materials and supplies	2,643,686	2,464,555
Depreciation	4,219,520	3,998,920
Insurance	1,908,021	1,526,541
Services	2,720,859	2,670,700
Repair and maintenance	395,639	474,345
Utilities	276,823	299,351
Miscellaneous	429,981	476,311
Total operating expenses	<u>26,459,145</u>	<u>25,149,542</u>
Operating loss	<u>(16,080,925)</u>	<u>(15,982,331)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Special district transit tax	11,940,676	9,550,650
Federal grants	3,192,522	3,687,182
State grants		15,962
Special purpose local option sales tax	72,872	553,453
Rental income	30,926	33,737
Insurance proceeds		110,244
Interest income	59	35
Interest expense	(71,817)	(81,657)
Gain on disposition of capital assets	8,208	
Other expenses	(55,549)	(126,981)
Total nonoperating revenues (expenses)	<u>15,117,897</u>	<u>13,742,625</u>
Loss before capital contributions	<u>(963,028)</u>	<u>(2,239,706)</u>
Capital contributions:		
Federal grants	830,697	2,947,433
Local	116,384	222,704
Total capital contributions	<u>947,081</u>	<u>3,170,137</u>
Change in net assets	(15,947)	930,431
Net position - beginning of year	42,756,187	41,825,756
Cumulative effect to implement GASB 75	(466,174)	
Net position - beginning of year, as restated	<u>42,290,013</u>	<u>41,825,756</u>
Net position - end of year	<u>\$ 42,274,066</u>	<u>\$ 42,756,187</u>

**CHATHAM AREA TRANSIT AUTHORITY**

**STATEMENTS OF CASH FLOWS**

Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Fares and other service revenues	\$ 11,838,990	\$ 8,757,450
Cash payments to employees	(11,064,011)	(10,413,108)
Cash payment for employee benefits	(2,746,122)	(4,025,792)
Cash payments for goods and services	<u>(8,599,428)</u>	<u>(8,511,087)</u>
Net cash provided (used) in operating activities	<u>(10,570,571)</u>	<u>(14,192,537)</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>		
Federal and state grants	1,540,330	5,204,017
Special district transit tax	11,746,274	9,558,147
Rent receipts	30,926	33,737
Insurance settlement proceeds - Hurricane Matthew		110,244
Repayment of debt	(2,500,000)	(1,000,000)
Interest paid	<u>(71,817)</u>	<u>(81,657)</u>
Net cash provided (used) by non-capital financing activities	<u>10,745,713</u>	<u>13,824,488</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Federal and state grants	1,553,914	2,387,762
Special purpose local option sales tax	407,541	915,922
Contributed capital	46,669	290,822
Proceeds from sale of capital assets	8,700	
Payments for acquisition and construction of capital assets	<u>(1,448,453)</u>	<u>(3,504,826)</u>
Net cash provided (used) in capital and related financing activities	<u>568,371</u>	<u>89,680</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received	<u>3</u>	<u>12</u>
Net cash provided (used) in investing activities	<u>3</u>	<u>12</u>
Increase (decrease) in cash and cash equivalents	<u>743,516</u>	<u>(278,357)</u>
Cash and cash equivalents - Beginning of year	<u>741,781</u>	<u>1,020,138</u>
Cash and cash equivalents - End of year	<u>\$ 1,485,297</u>	<u>\$ 741,781</u>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES</b>		
Operating loss	\$ (16,080,925)	\$ (15,982,331)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	4,219,520	3,998,920
Cumulative effect to implement GASB 75	(466,174)	
Changes in:		
Receivables	946,832	(409,761)
Inventory	(1,636)	(78,873)
Prepaid expenses	19,283	(102,712)
Deferred outflows related to OPEB	(29,926)	
Accounts payable	(446,880)	(263,840)
Accrued salaries and withheld taxes	67,078	(1,308,136)
Other accrued expenses	204,814	(154,736)
Unearned revenue	513,938	877
OPEB liability	486,610	42,830
Deferred inflows related to OPEB	47,165	
Compensated absences	<u>(50,270)</u>	<u>65,225</u>
Net cash used in operating activities	<u>\$ (10,570,571)</u>	<u>\$ (14,192,537)</u>
<b>NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Capital assets financed through accounts payable	<u>\$ 7,571,053</u>	<u>\$ 718,901</u>

# CHATHAM AREA TRANSIT AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

June 30, 2018 and 2017

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### 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 nine member board of directors of which seven are appointed by the Chatham County Board of Commissioners and consist of three members of the Board of Commissioners of Chatham County and four residents of Chatham County with one having a disability. The remaining two are appointed by the Board of Aldermen and the mayor of the City of Savannah and consists of one member of the Board of Aldermen of the City of Savannah and one resident of the City of Savannah.

In accordance with Section 2100 of the Codification of Governmental Accounting and Financial Reporting Standards, the Authority is a component unit of Chatham County, Georgia (the “County”) and its financial statements are incorporated into the comprehensive annual financial report of the County.

***Basis of accounting*** - The Authority accounts for its operations on the flow of economic resources measurement focus and the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

***Revenue/Expense Recognition*** - Operating revenues consist primarily of passenger fares and paratransit revenue received from Chatham County pursuant to an agreement with the County to provide paratransit service required by the Americans with Disability Act of 1990. The Authority also recognizes operating revenue for other contracted services. Operating expenses include the costs of operating the Authority, including depreciation on capital assets. Capital contributions include grant revenue and other contributions related to capital asset acquisitions or construction. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

***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 are valued at the lower of cost (average cost method) or net realizable value.

***Compensated Absences*** - Employees of the Authority who are not covered under union contract are allowed to accumulate a maximum of 30 days of 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.

CHATHAM AREA TRANSIT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2018 and 2017

Capital Assets – Capital assets are stated at cost, less accumulated depreciation. Expenditures and capital asset contributions for additions and improvements with a value in excess of \$1,000 and a useful life of more than one year are capitalized. Expenditures for maintenance, repairs, and minor replacements are expensed to operations 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.

Deferred Outflows/Inflows of Resources - Deferred outflows of resources represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense) until then. Deferred inflows of resources represent an acquisition of net position that applies to a futures period and so will not be recognized as an inflow of resources (revenue) until that time.

Net Position – Net position is categorized as follows:

- **Invested in Capital Assets** – Consists of capital assets, net of accumulated depreciation, and reduced by the outstanding balances of debt attributed to the acquisition, construction, or improvement of those assets.
- **Restricted Net Position** – This amount is subject to constraints imposed by external parties, including creditors, grantors, and laws and regulations of other governments, or law through constitutional provisions or enabling legislation.
- **Unrestricted Net Position** – This amount does not meet the definition of “restricted net position” or “invested in capital assets”.

New Accounting Pronouncements – Effective July 1, 2017, the Authority implemented Governmental Accounting Standards Board (GASB) Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, which replaces the requirements of GASB Statement No. 45, Accounting and Financial Reporting by Employers and Agent Multiple-Employer Plans. Specifically, Statement No. 75 recognizes the long-term obligation for health and life insurance benefits offered to retirees. The Authority determined that is was not practical to restate all periods presented and has recorded the cumulative effect of implementing this change by restating its net position for fiscal year ending June 30, 2017.

**CHATHAM AREA TRANSIT AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2018 and 2017

In August 2015, the Governmental Accounting Standards Board (GASB) issued Statement No. 77, *Tax Abatement Disclosures*. This statement defines a tax rebatement and requires disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues. The Authority implemented the provisions of this statement effective for fiscal year ended June 30, 2017.

**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, 2018 and 2017, 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, 2018 and 2017:

Investment Type	June 30,			
	2018		2017	
	Fair Value	Weighted Avg. Maturity Days	Fair Value	Weighted Avg. Maturity Days
Georgia Fund I	\$ 4,195	10	\$ 4,139	26

***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 AA+ by Standard & Poor's.

**NOTE 3. RECEIVABLES**

Receivables consist of the following:

	June 30,	
	2018	2017
Taxes receivable, net	\$ 1,382,316	\$ 1,187,914
Grants receivable	2,010,053	1,081,078
Accounts receivable, net	223,854	374,834
Intergovernmental receivable	525,741	1,586,547
	\$ 4,141,964	\$ 4,230,373

Taxes receivable and accounts receivable are shown net of an allowance for uncollectible accounts totaling \$63,000 at June 30, 2018 and 2017.

**CHATHAM AREA TRANSIT AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2018 and 2017

**NOTE 4. CAPITAL ASSETS**

Capital assets are summarized as follows:

	June 30, 2017	Increases	Disposals	Transfers	June 30, 2018
Capital assets, not being depreciated					
Land	\$ 6,175,878	\$	\$	\$	\$ 6,175,878
Construction in progress	551,751	580,393		(231,915)	900,229
Total capital assets, not being depreciated	6,727,629	580,393		(231,915)	7,076,107
Capital assets, being depreciated					
Buildings and improvements	29,908,592	7,835	(1,484)		29,914,943
Transit vehicles	36,401,698	7,629,220	(2,602,138)	231,915	41,660,695
Service vehicles	426,391		(45,121)		381,270
Shop equipment	364,763		(52,303)		312,460
Furniture and office equipment	4,549,084	83,157	(2,950)		4,629,291
Total capital assets, being depreciated	71,650,528	7,720,212	(2,703,996)	231,915	76,898,659
Less accumulated depreciation					
Buildings and improvements	7,021,134	880,115	(1,484)		7,899,765
Transit vehicles	23,903,512	2,580,037	(2,602,138)		23,881,411
Service vehicles	299,821	48,906	(45,121)		303,606
Shop equipment	306,687	23,627	(52,303)		278,011
Furniture and office equipment	2,361,027	686,835	(2,458)		3,045,404
Total accumulated depreciation	33,892,181	4,219,520	(2,703,504)		35,408,197
Capital assets, net	\$ 44,485,976	\$ 4,081,085	\$ (492)	\$	\$ 48,566,569
	June 30, 2016	Increases	Disposals	Transfers	June 30, 2017
Capital assets, not being depreciated					
Land	\$ 6,175,878	\$	\$	\$	\$ 6,175,878
Construction in progress	383,266	277,072		(108,587)	551,751
Total capital assets, not being depreciated	6,559,144	277,072			6,727,629
Capital assets, being depreciated					
Buildings and improvements	29,521,404	387,188			29,908,592
Transit vehicles	33,712,051	2,974,630	(393,570)	108,587	36,401,698
Service vehicles	436,961		(10,570)		426,391
Shop equipment	364,763				364,763
Furniture and office equipment	4,455,826	93,258			4,549,084
Total capital assets, being depreciated	68,491,005	3,455,076	(404,140)		71,650,528
Less accumulated depreciation					
Buildings and improvements	6,124,981	896,153			7,021,134
Transit vehicles	21,964,496	2,332,586	(393,570)		23,903,512
Service vehicles	256,833	52,062	(9,074)		299,821
Shop equipment	282,000	24,687			306,687
Furniture and office equipment	1,667,595	693,432			2,361,027
Total accumulated depreciation	30,295,905	3,998,920	(402,644)		33,892,181
Capital assets, net	\$ 44,754,244	\$ (266,772)	\$ (1,496)	\$	\$ 44,485,976

**CHATHAM AREA TRANSIT AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2018 and 2017

**NOTE 5. NOTE PAYABLE**

The Authority has a \$1,500,000 line of credit with a bank for working capital with a maturity date of April 30, 2019. 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 1.50%.

Activity under line of credit for the year ended June 30, 2018 was as follows:

Beginning Balance	Advances	Reductions	Ending Balance
\$ 1,500,000	\$ 1,500,000	\$ (3,000,000)	\$ _____

**NOTE 6. LONG-TERM DEBT**

Long-term debt at June 30, 2018 and 2017 consist of the following:

\$5,000,000 bank term loan payable in annual principal installment of \$1,000,000 beginning January 31, 2015 with the final principal installment due January 31, 2019. Interest payable monthly at a fixed rate of 1.95%.

Long-term debt activity for the years ended June 30, 2018 and 2017 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
June 30, 2018	\$ 2,000,000	\$ _____	\$ (1,000,000)	\$ 1,000,000	\$ 1,000,000
June 30, 2017	\$ 3,000,000	\$ _____	\$ (1,000,000)	\$ 2,000,000	\$ 1,000,000

**NOTE 7. COMPENSATED ABSENCES**

Changes in compensated absences for the years ended June 30, 2018 and 2017 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
June 30, 2018	\$ 461,152	\$ _____	\$ (50,270)	\$ 410,882	\$ 350,882
June 30, 2017	\$ 395,927	\$ 65,225	\$ _____	\$ 461,152	\$ 225,752

# CHATHAM AREA TRANSIT AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

June 30, 2018 and 2017

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### NOTE 8. DEFERRED COMPENSATION PLAN

The Authority offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan is administrated by ICMA Retirement Corporation. The plan permits employees to defer a portion of their salaries until termination, retirement, death, or financial hardship. All assets and income of the plan are held in trust for the exclusive benefit of the participants and their beneficiaries.

### NOTE 9. RETIREMENT PLANS

#### *Union Employees' Retirement Plan*

Effective November 1, 2017, the Authority converted its 401(a) money purchase plan to a 401(a) profit sharing plan in order to allow plan participants to place their elective deferrals in the Authority's 457 deferred compensation plan instead of the Authority's 401(a) plan. All union employees, who have met certain age and service requirements as set forth in the agreement between the Authority and Local 1324 Amalgamated Transit Union are eligible to participate. The plan provides for a fixed employer matching contribution equal to two dollars for every one dollar of elective employee deferral up to a maximum annual employer contribution of \$1,500. Employee contributions to the plan for the years ended June 30, 2018 and 2017 totaled \$60,634 and \$171,537, respectively. The Authority recognized pension expense for the years ended June 30, 2018 and 2017 of \$166,730 and \$154,396, respectively. For the years ended June 30, 2018 and 2017, forfeitures reduced the Authority's pension expense by \$7,860 and \$8,048, respectively.

#### *Non-union Employees Retirement Plan*

Effective November 1, 2017, the Authority converted its 401(a) money purchase plan to a 401(a) profit sharing plan in order to allow plan participants to place their elective deferrals in the Authority's 457 deferred compensation plan instead of the Authority's 401(a) plan. All non-union employees, who have met certain age and service requirements are eligible to participate. The plan provides for a 50% employer match for every dollar of elective employee deferral up to a maximum of 6% of compensation. Employee contributions to the plan for the years ended June 30, 2018 and 2017 totaled \$28,136 and \$77,281, respectively. The Authority recognized pension expense for the years ended June 30, 2018 and 2017 of \$75,351 and \$54,817, respectively. For the years ended June 30, 2018 and 2017, forfeitures reduced the Authority's pension expense by \$5,617 and \$1,532, respectively.

### NOTE 10. 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 who have met the minimum age and years of service requirements. The authority to establish and amend the benefits and financing is accomplished through contractual agreement with union employees and through adopted personnel policies for non-union employees. The Authority does not issue a stand-alone financial report for the plan.

# CHATHAM AREA TRANSIT AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

June 30, 2018 and 2017

**Funding Policy** – 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. The Plan provides retirees with \$10,000 of life insurance coverage funded 100 percent by the Authority. The Authority contributed costs of postemployment life insurance benefits totaling \$25,738 and \$23,264 in fiscal year 2018 and 2017, respectively.

### **Employees Covered**

As of the June 30, 2016 actuarial valuation, the following employees were covered by the benefit terms:

#### **Employees Covered**

Inactive employees or beneficiaries currently receiving benefit payments	43
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	207
Total	<u>250</u>

### **Total OPEB Liability**

The Authority's total OPEB liability was measured as of June 30, 2017 and was determined by an actuarial valuation dated June 30, 2016 that was rolled forward to determine the June 30, 2017 total liability, based on the following actuarial methods and assumptions and inputs, applied to all periods in the measurement, unless otherwise specified:

#### **Assumptions**

Inflation	2.75%
Salary increases	3.25%
Discount rate	3.56% per annum
Healthcare cost trend rates	7.75% for 2016 decreasing to an ultimate rate of 5.00% by 2022

The discount rate used was based on the June average of the Bond Buyer General Obligation 20-year municipal bond index published weekly by The Bond Buyer.

Mortality rates were based on the RP-2000 mortality tables, projected to 2025 with projection scale BB, with adjustments for experience.

### **Changes in total OPEB Liability**

Balance at June 30, 2016	\$ 858,928
Service cost	45,651
Interest	25,506
Difference between expected and actual experience	5,696
Changes in assumptions	(64,161)
Benefit payments and implicit subsidy credit	<u>(23,264)</u>
Net changes	<u>(10,572)</u>
Balance at June 30, 2017	<u>\$ 848,356</u>

**CHATHAM AREA TRANSIT AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2018 and 2017

***Sensitivity of the total OPEB liability to changes in the discount rate***

	<u>Discount Rate</u>		
	1% Decrease	Current	1% Increase
	2.56%	3.56%	4.56%
Total OPEB liability	<u>\$ 970,591</u>	<u>\$ 848,356</u>	<u>\$ 748,026</u>

***Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates***

	<u>Healthcare Cost Trend Rate</u>		
	1% Decrease	Current	1% Increase
	5.50%	6.50%	7.50%
Total OPEB liability	<u>\$ 828,823</u>	<u>\$ 848,356</u>	<u>\$ 870,724</u>

***OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related***

For the year ended June 30, 2018, the Authority recognized OPEB expense of \$63,413. At June 30, 2018, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 4,188	\$
Changes in assumptions and other inputs		(47,165)
Contributions subsequent to the measurement date of June 30, 2017	25,738	
	<u>\$ 29,926</u>	<u>\$ (47,165)</u>

The amount of \$25,738 reported as deferred outflows of resources related to OPEB resulting from the Authority's benefit payments subsequent to the measurement date will be recognized as a reduction of total OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ended June 30,</u>		
2019	\$	(7,744)
2020	\$	(7,744)
2021	\$	(7,744)
2022	\$	(7,744)
2023	\$	(7,744)
Thereafter	\$	(4,257)

**CHATHAM AREA TRANSIT AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2018 and 2017

**Annual OPEB Cost and Net OPEB Obligation** – The Authority’s fiscal year 2017 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.

A schedule of the components of the Authority’s annual OPEB cost is presented below:

Annual required contribution	\$	65,121
Interest on unfunded ARC		12,757
Adjustment to ARC		<u>(11,784)</u>
Annual OPEB cost		66,094
Contributions made		<u>(23,264)</u>
Increase in net OPEB obligation		42,830
Net OPEB obligation - beginning of year		<u>318,916</u>
Net OPEB obligation - end of year	\$	<u><u>361,746</u></u>

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
6/30/2017	\$ 66,094	35%	\$ 361,746
6/30/2016	\$ 65,967	37%	\$ 318,916
6/30/2015	\$ 109,784	36%	\$ 277,454

**Funded Status and Funding Progress** - As of July 1, 2016, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$725,521 and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of \$725,521.

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 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.

**CHATHAM AREA TRANSIT AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2018 and 2017

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The actuarial methods and assumptions used in the calculation of the annual required contribution (ARC) to the plan for the year ended June 30, 2017 are as follows:

Valuation date	July 1, 2016
Actuarial cost method	Projected unit credit
Amortization method	Level percentage of pay, open
Amortization period	30 years
Actuarial assumptions:	
Investment return*	4.00%
Pre-medicare trend rate	7.75% - 5.00%
Year of ultimate trend rate	2022

\*Includes inflation at 3.25%

**NOTE 11. TAX ABATEMENTS**

The Savannah Economic Development Authority (SEDA) provides property tax abatements to attract new businesses to Chatham County, Georgia and to incentivize existing businesses to retain or expand operations in the County. SEDA is authorized to enter into tax abatement agreements as a state constitutional authority and by state law. SEDA determines eligibility, length of agreement, as well as abatement percentage based on a projects' commitment of the dollar amount of investment and the number of qualifying jobs to be created and/or maintained. Property under abatement is titled in the name of SEDA (a tax-exempt entity) and a lease agreement is executed to obligate the abatement recipient to pay the non-abated tax as a lease payment or payment in lieu of tax. SEDA retains the payments to expend for public purposes of promoting trade, commerce, industry, and employment opportunities in the County. SEDA follows the State of Georgia's performance guidelines for recipients that fail to meet its commitments and the property may be placed back on the tax digest with no further abatement. Under agreements entered into by SEDA, the Authority's property tax revenues for June 30, 2018 and 2017 were reduced by \$290,038 and \$288,864, respectively.

**NOTE 12. 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, 2018, the Authority had outstanding contract commitments totaling approximately \$1.8 million relating to a ferry dock replacement project, a bus replacement project and a system redesign project. Funding will be provided by federal, state and local sources.

# CHATHAM AREA TRANSIT AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

June 30, 2018 and 2017

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### **NOTE 13. SUBSEQUENT EVENT**

Effective August 1, 2018, the Authority entered into a lease agreement with the State Road and Tollway Authority (SRTA). The agreement which is part of a state transit awards program to improve Georgia's public transportation system provided the Authority with \$7,279,488 for the purchase of sixteen transit buses. The lease agreement is accounted for as a sale-leaseback with title to the buses held by SRTA during the term of the lease.



CHATHAM AREA TRANSIT

REQUIRED SUPPLEMENTAL INFORMATION

**CHATHAM AREA TRANSIT AUTHORITY**  
**SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY**  
**AND RELATED RATIOS**

<b>Measurement Date</b>	<u><b>June 30, 2017</b></u>
<b>Total OPEB Liability</b>	
Service cost	\$ 45,651
Interest	25,506
Difference between expected and actual experience	5,696
Changes in assumptions or other inputs	(64,161)
Benefit payments and implicit subsidy credit	<u>(23,264)</u>
Net change in total OPEB liability	(10,572)
Total OPEB liability - Beginning	<u>858,928</u>
Total OPEB liability - Ending	<u><u>\$ 848,356</u></u>
Covered-employee payroll	\$ 8,685,576
Total OPEB liability as a percentage of covered-employee payroll	9.77%

**Changes in Assumptions**

The health care cost trend rate was changes from 7.75% to 7.00% for the measurement period ended June 30, 2017.

Historical information is required only for measurement periods for which GASB No. 75 is applicable. Future years' information will be presented up to 10 years as information becomes available.

**CHATHAM AREA TRANSIT AUTHORITY**  
**SCHEDULE OF CONTRIBUTIONS TO OPEB**

	Fiscal Year Ended June 30,				
	2018	2017	2016	2015	2014
Authority's required contribution	\$ 25,738	\$ 23,264	\$ 24,505	\$ 39,593	\$ 38,707
Authority's contributions in relation to the required contribution	<u>25,738</u>	<u>23,264</u>	<u>24,505</u>	<u>39,593</u>	<u>38,707</u>
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Authority's covered-employee payroll	\$ 11,084,945	\$ 10,878,817	\$ 10,055,301	\$ 9,736,679	\$ 9,457,045
Contributions as a percentage of covered-employee payroll	0.23%	0.21%	0.24%	0.41%	0.41%

This schedule is intended to present 10 years of data. Additional years will be displayed as they become available.

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

June 30, 2017

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Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
July 1, 2013	\$0	\$ 1,213,275	\$ 1,213,275	0%	\$ 8,125,443	15%
July 1, 2014	\$0	\$ 1,276,761	\$ 1,276,761	0%	\$ 8,971,621	14%
July 1, 2016	\$0	\$ 725,521	\$ 725,521	0%	\$ 8,685,576	8%



CHATHAM AREA TRANSIT

COMPLIANCE SECTION

**CHATHAM AREA TRANSIT AUTHORITY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

Year Ended June 30, 2018

Federal Grantor/ Pass-through Grantor/ Program or Cluster Title	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>U.S. Department of Transportation</b>			
<b>Federal Transit Administration:</b>			
<b>Direct Awards</b>			
Federal Transit Cluster -			
Federal Transit - Capital Investment Grants	20.500	N/A	\$ 11,706
Federal Transit - Formula Grants	20.507	N/A	3,346,012
Federal Transit - State of Good Repair Grants Program	20.525	N/A	417,524
Federal Transit - Bus and Bus Facilities Formula Program	20.526	N/A	<u>143,685</u>
Total Federal Transit Cluster			3,918,927
New Freedom Program	20.521	N/A	<u>104,292</u>
Total expenditures of federal awards			<u>\$ 4,023,219</u>

**CHATHAM AREA TRANSIT AUTHORITY**

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

Year Ended June 30, 2018

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**NOTE 1. BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (SEFA) includes the federal award activity of Chatham Area Transit Authority under programs of the federal government for the year ended June 30, 2018. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the SEFA presents only a selected portion of the operations of Chatham Area Transit Authority, it is not intended to and does not present the net position, changes in net position, or cash flows of Chatham Area Transit Authority.

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the SEFA are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles contained in the Uniform Guidance or OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**NOTE 3. INDIRECT COSTS**

The Authority does not use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Chatham Area Transit Authority (the "Authority"), a component unit of Chatham County, Georgia, as of and for the year ended June 30, 2018 and the related notes to the financial statements, which collectively comprise Authority's basic financial statements and have issued our report thereon dated October 30, 2018.

***Internal Control over Financial Reporting***

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

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

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

***Compliance and Other Matters***

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

***Purpose of this Report***

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

*Daniel & Duncan LLC*

Savannah, Georgia  
October 30, 2018

## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

### **Report on Compliance for Each Major Federal Program**

We have audited Chatham Area Transit Authority's (the "Authority") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended June 30, 2018. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

### ***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the Authority's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 the 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the Authority's compliance.

### ***Opinion on Each Major Federal Program***

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

## **Report on Internal Control Over Compliance**

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 the 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. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Daniel & Duncan LLC*

Savannah, Georgia  
October 30, 2018

**CHATHAM AREA TRANSIT AUTHORITY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

Year Ended June 30, 2018

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Section I. SUMMARY OF AUDIT RESULTS

Financial Statements

- The auditor's report expresses an unmodified opinion on whether the financial statements of Chatham Area Transit Authority were prepared in accordance with GAAP.
- No significant deficiencies relating to the audit of the financial statements of Chatham Area Transit Authority are reported in the Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Governmental Auditing Standards*.
- No instances of noncompliance material to the financial statements of Chatham Area Transit Authority were disclosed during the audit.

Federal Awards

- No significant deficiencies relating to the audit of the major federal award programs are reported in the Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance.
- The auditor's report on compliance for the major federal award programs for Chatham Area Transit Authority expresses an unmodified opinion.
- There are no audit findings that are required to be reported in accordance with 2 CFR section 200.516(a).
- The programs tested as major programs included:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
20.500, 20.507, 20.525, 20.526	Federal Transit Cluster
- The threshold for distinguishing between Types A and B programs was \$750,000.
- Chatham Area Transit Authority was determined to be a low-risk auditee.

Section II. FINDINGS - FINANCIAL STATEMENT AUDIT

None

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

None