

CHATHAM AREA TRANSIT AUTHORITY
(A COMPONENT UNIT OF CHATHAM COUNTY, GEORGIA)

STATEMENTS OF NET POSITION
JUNE 30, 2020 AND 2019

	2020	2019
ASSETS		
Current assets		
Cash and cash equivalents	\$ 3,217,114	\$ 2,945,104
Receivables	12,216,704	2,841,597
Prepaid expenses	129,618	185,637
Inventory	416,558	390,279
Total current assets	15,979,994	6,362,617
Non-current assets		
Capital assets		
Nondepreciable	6,384,064	6,324,564
Depreciable, net of accumulated depreciation	39,114,856	43,166,291
Total non-current assets	45,498,920	49,490,855
Total assets	61,478,914	55,853,472
DEFERRED OUTFLOWS OF RESOURCES		
OPEB	101,176	56,711
LIABILITIES		
Current liabilities		
Accounts payable	559,193	470,066
Accrued expenses	1,276,092	1,461,146
Compensated absences	266,780	318,136
Unearned revenue	3,070	256,893
Notes payable - line of credit	1,500,000	-
Other liabilities	-	60,893
Total current liabilities	3,605,135	2,567,134
Non-current liabilities		
Compensated absences, net of current portion	155,000	32,500
Total OPEB liability	897,568	808,269
Total non-current liabilities	1,052,568	840,769
Total liabilities	4,657,703	3,407,903
DEFERRED INFLOWS OF RESOURCES		
OPEB	124,735	124,735
NET POSITION		
Net investment in capital assets	45,498,920	49,490,855
Unrestricted	11,298,732	2,886,690
Total net position	\$ 56,797,652	\$ 52,377,545

The accompanying notes are an integral part of these financial statements.

CHATHAM AREA TRANSIT AUTHORITY
(A COMPONENT UNIT OF CHATHAM COUNTY, GEORGIA)

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE FISCAL YEARS ENDED JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
Operating revenues		
Passenger fares	\$ 1,630,871	\$ 2,420,098
Paratransit	5,034,017	5,013,962
Contract revenue	2,771,433	3,455,995
Other	1,553	39,911
Total operating revenues	<u>9,437,874</u>	<u>10,929,966</u>
Operating expenses		
Salaries and wages	13,778,582	12,239,679
Employee benefits	3,207,492	2,979,817
Materials and supplies	2,881,246	3,188,521
Depreciation	5,252,026	4,777,307
Insurance	1,842,258	1,972,470
Services	1,704,473	2,452,288
Repair and maintenance	469,266	511,045
Utilities	303,759	288,987
Miscellaneous	581,214	600,038
Total operating expenses	<u>30,020,316</u>	<u>29,010,152</u>
Operating loss	<u>(20,582,442)</u>	<u>(18,080,186)</u>
Non-operating revenues (expenses)		
Special district transit tax	12,011,792	11,553,731
Federal grants	11,783,459	3,780,549
Special purpose local option sales tax	18,314	813,931
Rental income	33,737	33,737
Interest income	13,987	12,508
Interest expense	(32,591)	(41,556)
Gain on disposal of capital assets	1,090	63,143
Total non-operating revenues, net	<u>23,829,788</u>	<u>16,216,043</u>
Income (loss) before capital contributions	<u>3,247,346</u>	<u>(1,864,143)</u>
Capital contributions		
Federal grants	135,001	2,416,763
State grants	-	8,415,854
Local	1,037,760	1,135,005
Total capital contributions	<u>1,172,761</u>	<u>11,967,622</u>
Change in net position	4,420,107	10,103,479
Net position, beginning of year	<u>52,377,545</u>	<u>42,274,066</u>
Net position, end of year	<u>\$ 56,797,652</u>	<u>\$ 52,377,545</u>

The accompanying notes are an integral part of these financial statements.

CHATHAM AREA TRANSIT AUTHORITY
(A COMPONENT UNIT OF CHATHAM COUNTY, GEORGIA)

STATEMENTS OF CASH FLOWS
FOR THE FISCAL YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Fares and other service revenues	\$ 9,475,834	\$ 10,444,639
Payments to employees	(17,369,866)	(15,279,602)
Payments for goods and services	(7,663,349)	(8,767,950)
Net cash used in operating activities	(15,557,381)	(13,602,913)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Federal and state grants	2,370,392	4,965,970
Special district transit tax	12,011,792	11,353,221
Proceeds from note payable	3,000,000	-
Rent receipts	33,737	30,926
Repayment of debt	(1,500,000)	(1,000,000)
Interest paid	(32,591)	(41,556)
Net cash provided by non-capital financing activities	15,883,330	15,308,561
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Federal and state grants	135,001	10,969,799
Special purpose local option sales tax	18,314	813,931
Acquisition of capital assets	(1,260,091)	(13,251,702)
Capital contributions	1,037,760	1,169,805
Proceeds from disposal of capital assets	1,090	35,623
Net cash used in capital and related financing activities	(67,926)	(262,544)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest earnings received	13,987	12,508
Net cash provided by investing activities	13,987	12,508
Increase in cash and cash equivalents	272,010	1,455,612
Cash and cash equivalents:		
Beginning of year	2,945,104	1,489,492
End of year	\$ 3,217,114	\$ 2,945,104
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	\$ (20,582,442)	\$ (18,080,186)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation expense	5,252,026	4,777,307
Changes in assets and liabilities:		
(Increase) decrease in receivables	37,960	(227,405)
Decrease in prepaid expenses	56,019	236,969
Increase in inventory	(26,279)	(57,681)
Increase in deferred outflows of resources - OPEB	(44,465)	(26,785)
Increase (decrease) in accounts payable	89,127	(95,550)
Increase (decrease) in accrued expenses	(245,947)	139,394
Increase (decrease) in compensated absences	71,144	(60,246)
Decrease in unearned revenue	(253,823)	(246,213)
Increase (decrease) in deferred inflows of resources - OPEB	-	77,570
Increase (decrease) in OPEB liability	89,299	(40,087)
Net cash used in operating activities	\$ (15,557,381)	\$ (13,602,913)
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital assets financed through accounts payable	\$ -	\$ 26,304

The accompanying notes are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

CHATHAM AREA TRANSIT AUTHORITY
(A Component Unit of Chatham County, Georgia)

NOTES TO FINANCIAL STATEMENTS
FISCAL YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The 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 Governmental Accounting 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.

Fund Accounting

The Authority uses one fund (proprietary fund type – enterprise fund) to report its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions and activities.

Enterprise funds are used to account for those operations that are financed and operated in a manner similar to a private business or where the board has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability.

Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Proprietary funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. With this measurement focus, all assets, deferred outflows, liabilities, and deferred inflows associated with the operation of these funds are included in the statement of net position. Net position is segregated into net investment in capital assets, restricted and unrestricted net position components. Proprietary fund operating statements present increases (revenues) and decreases (expenses) in total net position. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus and Basis of Accounting (Continued)

The principal operating revenues of the Authority are passenger fares and paratransit revenue received from Chatham County (the "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 for the Authority 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.

Those revenues susceptible to accrual are intergovernmental and interest revenue. Passenger fares and other revenues are not susceptible to accrual because, generally, they are not measurable until received in cash. Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, and then unrestricted resources as they are needed.

Management Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

Cash and Investments

Cash includes amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the Authority. The Authority considers amounts held in Georgia Fund 1, a local government investment pool managed as a stable net asset fund by the Georgia Office of the State Treasurer cash equivalents for financial statement presentation.

Accounts Receivable

All receivables have been reduced to their estimated net realizable value. Allowances for doubtful accounts are maintained based on historical results adjusted to reflect current conditions.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventories

Inventory consists of fuel and spare parts and are valued at the lower of cost (average cost method) or net realizable value.

Prepays

Payments made to vendors for services that will benefit periods beyond June 30, 2020, are recorded as prepaid expenses. The consumption method is used by recording an asset for the prepaid amount and by recording the expense in the year in which services are consumed.

Capital Assets

Capital assets are stated at cost, less accumulated depreciation. Donated capital assets are recorded at their estimated fair market value at the date of donation. Expenditures 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:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	10 – 50 years
Transit vehicles	5 – 20 years
Service vehicles	4 – 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.

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.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Compensated Absences (Continued)

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 ten years of service are paid 50% of their accumulated personal leave, whereas employees with less than ten years are paid 25% of their accumulated personal leave.

Risk Management

The Authority is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; and error or omissions. The Authority purchases commercial insurance for these types of risk. Insurance coverage by major categories of risk has not changed significantly from the prior year.

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. There are three items related to the Authority's other post-employment benefits liability, which qualify for reporting in this category and are combined in the Statement of Net Position under the heading "OPEB". The first item, experience differences, results from periodic studies by the actuary of the OPEB plan, which adjust the OPEB liability for actual experience for certain trend information that was previously assumed, for example the assumed dates of retirement of plan members. These experience differences are recorded as deferred outflows of resources and are amortized into OPEB expense over the expected remaining service lives of the plan members. The second item, changes in actuarial assumptions, is recorded as a deferred outflow of resources and is amortized into OPEB expense over the expected remaining service lives of plan members. Additionally, any contributions made by the Authority to the OPEB plan before year-end but subsequent to the measurement date of the Authority's OPEB liability are reported as deferred outflows of resources.

Deferred inflows of resources represent an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. There are two items related to the Authority's other post-employment benefits liability, which qualify for reporting in this category and are combined in the Statement of Net Position under the heading "OPEB". The first item, experience differences, results from periodic studies by the actuary of the OPEB plan, which adjust the OPEB liability for actual experience for certain trend information that was previously assumed. The second item, changes in actuarial assumptions, is recorded as a deferred inflow of resources and is amortized into OPEB expense over the expected remaining service lives of plan members.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position Classification

Net position is classified and displayed in three components within the Statement of Net Position. These three classifications are as follows:

- a) Net investment in capital assets consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.
- b) Restricted net position consists of net position with constraints placed on the use either by:
 - 1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or
 - 2) law through constitutional provisions or enabling legislation.
- c) Unrestricted net position consists of all other net position that does not meet the definition of “restricted” or “net investment in capital assets.”

Capital Contributions

Capital contributions consist of capital grants or contributions typically from other governments.

Reclassifications

Certain reclassifications have been made to the 2019 financial statements to conform to the 2020 presentation. These reclassifications had no effect on previously reported net position or changes in net position.

NOTE 2. DEPOSITS AND INVESTMENTS

Custodial Credit Risk – 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. As of June 30, 2020 and 2019, the Authority’s cash deposits in excess of insured amounts were collateralized through the State of Georgia Secure Deposit Program (“SDP”), a multi-bank pledging pool which requires participating banks holding deposits of public funds to pledge collateral at varying rates depending on the tier assigned by the state. Therefore, the Authority’s cash deposits in excess of insured amounts were not exposed to custodial credit risk.

Cash and cash equivalents included \$15,559 and \$851,702 invested in Georgia Fund 1 at June 30, 2020 and 2019, respectively.

NOTES TO FINANCIAL STATEMENTS

NOTE 2. DEPOSITS AND INVESTMENTS (CONTINUED)

The Georgia Fund 1 reported the following information regarding credit and interest rate risk:

June 30,			
2020		2019	
Credit Rating	Weighted Avg. Maturity Days	Credit Rating	Weighted Avg. Maturity Days
AAAf	38 days	AAAf	39 days

Georgia Fund 1, created by the Official Code of Georgia Annotated (“O.C.G.A.”) §36-83-8, is a stable net asset value investment pool which follows Standard & Poor’s criteria for AAAf rated money market funds. The pool is not registered with the SEC as an investment company. The pool’s primary objectives are safety of capital, investment income, liquidity and diversification while maintaining principal (\$1.00 per share value). The asset value is calculated weekly to ensure stability. The pool distributes earnings (net of management fees) on a monthly basis and determines participants’ shares sold and redeemed based on \$1.00 per share. The pool also adjusts the value of its investments to fair value as of year-end and the Authority’s investment in Georgia Fund 1 is reported at fair value. The pool is regulated by the Georgia Office of State Treasurer.

Fair Value Measurements. The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. Georgia Fund 1 is an investment pool, which does not meet the criteria of GASB Statement No. 79 and is thus valued at fair value in accordance with GASB Statement No. 31. The investments in insurance contracts are valued at cash value in accordance with GASB Statement No. 72. As a result, the Authority does not disclose investment in Georgia Fund 1 or the insurance contracts within the fair value hierarchy.

NOTES TO FINANCIAL STATEMENTS

NOTE 3. RECEIVABLES

Receivables consist of the following:

	June 30,	
	2020	2019
Taxes receivable, net	\$ 1,859,346	\$ 1,582,826
Grants receivable	9,715,211	313,760
Intergovernmental receivable	393,978	388,367
Accounts receivable, net	248,169	556,644
	\$ 12,216,704	\$ 2,841,597

Taxes receivable and accounts receivable are shown net of an allowance for uncollectible accounts totaling \$38,000 and \$63,000 at June 30, 2020 and 2019, respectively.

NOTE 4. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2020, is as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Capital assets, not being depreciated					
Land	\$ 6,175,879	\$ -	\$ -	\$ -	\$ 6,175,879
Construction in progress	148,685	59,500	-	-	208,185
Total capital assets, being depreciated	6,324,564	59,500	-	-	6,384,064
Capital assets, being depreciated					
Building and improvements	30,505,211	122,025	-	-	30,627,236
Transit vehicles	42,109,591	1,001,560	(399,309)	-	42,711,842
Service vehicles	396,956	-	(15,554)	-	381,402
Shop equipment	295,430	-	-	-	295,430
Furniture and office equipment	4,694,033	77,006	-	-	4,771,039
Total capital assets, being depreciated	78,001,221	1,200,591	(414,863)	-	78,786,949
Less accumulated depreciation	(34,834,930)	(5,252,026)	414,863	-	(39,672,093)
Total capital assets, net	\$ 49,490,855	\$ (3,991,935)	\$ -	\$ -	\$ 45,498,920

NOTES TO FINANCIAL STATEMENTS

NOTE 4. CAPITAL ASSETS (CONTINUED)

Capital asset activity for the fiscal year ended June 30, 2019, is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balance</u>
Capital assets, not being depreciated					
Land	\$ 6,175,879	\$ -	\$ -	\$ -	\$ 6,175,879
Construction in progress	900,229	-	(128,516)	(623,028)	148,685
Total capital assets, being depreciated	<u>7,076,108</u>	<u>-</u>	<u>(128,516)</u>	<u>(623,028)</u>	<u>6,324,564</u>
Capital assets, being depreciated					
Building and improvements	29,914,942	653,536	(107,702)	44,435	30,505,211
Transit vehicles	41,660,695	5,021,466	(5,161,403)	588,833	42,109,591
Service vehicles	381,270	93,452	(77,766)	-	396,956
Shop equipment	312,461	5,035	-	(22,066)	295,430
Furniture and office equipment	4,629,292	61,980	(9,065)	11,826	4,694,033
Total capital assets, being depreciated	<u>76,898,660</u>	<u>5,835,469</u>	<u>(5,355,936)</u>	<u>623,028</u>	<u>78,001,221</u>
Less accumulated depreciation	<u>(35,408,199)</u>	<u>(4,777,307)</u>	<u>5,350,576</u>	<u>-</u>	<u>(34,834,930)</u>
Total capital assets, net	<u>\$ 48,566,569</u>	<u>\$ 1,058,162</u>	<u>\$ (133,876)</u>	<u>\$ -</u>	<u>\$ 49,490,855</u>

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, 2021. 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, 2020 was as follows:

<u>Beginning Balance</u>	<u>Advances</u>	<u>Reductions</u>	<u>Ending Balance</u>
\$ -	\$ 3,000,000	\$ (1,500,000)	\$ 1,500,000

Activity under line of credit for the year ended June 30, 2019 was as follows:

<u>Beginning Balance</u>	<u>Advances</u>	<u>Reductions</u>	<u>Ending Balance</u>
\$ -	\$ 3,000,000	\$ (3,000,000)	\$ -

NOTES TO FINANCIAL STATEMENTS

NOTE 6. LONG-TERM DEBT

The Authority had a \$5,000,000 bank term loan payable in annual principal installments of \$1,000,000 beginning January 31, 2015 with the final principal installment due January 31, 2019. Interest is at a fixed rate of 1.95%. The balance was paid off in full as of June 30, 2019. There were no loan payables as of June 30, 2020.

NOTE 7. COMPENSATED ABSENCES

Changes in compensated absences for the year ended June 30, 2020 was as follows:

<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
\$ 350,636	\$ 466,895	\$ (395,751)	\$ 421,780	\$ 266,780

Changes in compensated absences for the year ended June 30, 2019 was as follows:

<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
\$ 410,882	\$ -	\$ (60,246)	\$ 350,636	\$ 318,136

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.

NOTES TO FINANCIAL STATEMENTS

NOTE 9. EMPLOYEE RETIREMENT PLANS

Union Employees' Retirement Plan

Effective November 1, 2017, the Authority converted its 401(a) money purchase plan to a 401(k) 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. The Authority recognized pension expense for the years ended June 30, 2020 and 2019, of \$131,531 and \$175,722, respectively. For the years ended June 30, 2020 and 2019, forfeitures reduced the Authority's pension expense by \$22,601 and \$11,058, respectively.

Non-union Employees' Retirement Plan

Effective November 1, 2017, the Authority converted its 401(a) money purchase plan to a 401(k) 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. The Authority recognized pension expense for the years ended June 30, 2020 and 2019 of \$56,963 and \$73,494, respectively. For the years ended June 30, 2020 and 2019, forfeitures reduced the Authority's pension expense by \$2,868 and \$2,646, respectively.

NOTE 10. POST-EMPLOYMENT 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 post-employment 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 establishes and amends the benefits and financing through contractual agreements with union employees and through adopted personnel policies for non-union employees. The Authority does not issue a standalone financial report for the plan.

NOTES TO FINANCIAL STATEMENTS

NOTE 10. POST-EMPLOYMENT LIFE INSURANCE AND MEDICAL PLAN (CONTINUED)

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 fully funded by the Authority. The Authority contributed costs of postemployment life insurance benefits totaling \$27,703 and \$25,778 in the fiscal year 2020 and 2019, respectively.

Employees Covered

As of the June 30, 2018 actuarial valuation, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	48
Active employees	<u>219</u>
Total	<u><u>267</u></u>

Total OPEB Liability

The Authority's total OPEB liability of \$897,568 was measured as of June 30, 2019 and was determined by an actuarial valuation as of that date, based on the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.75%
Real wage growth	0.50%
Wage inflation	3.25%
Salary increases	3.25% – 7.00%
Discount rate	3.50%
Healthcare cost trend rates	7.25% for 2018 decreasing to an ultimate rate of 4.75% by 2028

The discount rate used was based on the June average of the Bond Buyer 20-year General Obligation Bond Index published weekly by The Bond Buyer, and the Municipal Bond Index Rate as of the measurement date as the discount rate used to measure the total OPEB liability.

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

NOTES TO FINANCIAL STATEMENTS

NOTE 10. POST-EMPLOYMENT LIFE INSURANCE AND MEDICAL PLAN (CONTINUED)

Total OPEB Liability (Continued)

The demographic actuarial assumptions for retirement and withdrawal in the June 30, 2018 valuation were based on those used by the prior actuary for the June 30, 2014 valuation. Rates of disability incidence and salary increases used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2009 – June 30, 2014, adopted by the Employees' Retirement System of Georgia.

The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2018 valuation were based on a review of recent plan experience performed concurrently with the June 30, 2018 valuation.

Changes in Total OPEB Liability

	2020	2019
Beginning balances	\$ 808,269	\$ 848,356
Service cost	38,539	41,993
Interest	30,723	29,641
Differences between expected and actual experience	6,650	(117,536)
Changes in assumptions	42,465	37,553
Benefit payments and implicit subsidy credit	(29,078)	(31,738)
Net changes	89,299	(40,087)
Ending balances	\$ 897,568	\$ 808,269

There were no changes to benefit terms during either measurement period. Changes in assumptions and other inputs reflect a change in the discount rate from 3.56% as of June 30, 2017 to 3.87% as of June 30, 2018 and to 3.50% as of June 30, 2019.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

For the fiscal year ended June 30, 2020:

	Discount Rate		
	1% Decrease (2.50%)	Current (3.50%)	1% Increase (4.50%)
Total OPEB liability	\$ 1,029,703	\$ 897,568	\$ 789,555

NOTES TO FINANCIAL STATEMENTS

NOTE 10. POST-EMPLOYMENT LIFE INSURANCE AND MEDICAL PLAN (CONTINUED)

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate (Continued)

For the fiscal year ended June 30, 2019:

	Discount Rate		
	1% Decrease (2.87%)	Current (3.87%)	1% Increase (4.87%)
Total OPEB liability	\$ 925,966	\$ 808,269	\$ 711,744

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

For the fiscal year ended June 30, 2020:

	Healthcare Cost Trend Rate		
	1% Decrease	Current	1% Increase
Total OPEB liability	\$ 883,778	\$ 897,568	\$ 913,380

For the fiscal year ended June 30, 2019:

	Healthcare Cost Trend Rate		
	1% Decrease	Current	1% Increase
Total OPEB liability	\$ 796,962	\$ 808,269	\$ 821,113

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

For the year ended June 30, 2020 and 2019, the Authority recognized OPEB expense of \$57,386 and \$56,183, respectively. At June 30, 2020, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 9,194	\$ (86,068)
Changes of assumptions	64,279	(38,667)
Contributions subsequent to the measurement date	27,703	-
Total	\$ 101,176	\$ (124,735)

NOTES TO FINANCIAL STATEMENTS

NOTE 10. POST-EMPLOYMENT LIFE INSURANCE AND MEDICAL PLAN (CONTINUED)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources (Continued)

The amount of \$27,703 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, 2021.

At June 30, 2019, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 3,434	\$ (86,068)
Changes of assumptions	27,499	(38,667)
Contributions subsequent to the measurement date	25,778	-
Total	\$ 56,711	\$ (124,735)

The amount of \$25,778 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, 2020.

For the year ended June 30, 2020, other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ending June 30,		
2021	\$	(11,876)
2022		(11,876)
2023		(11,876)
2024		(11,876)
2025		(8,389)
Thereafter		4,631

NOTES TO FINANCIAL STATEMENTS

NOTE 10. POST-EMPLOYMENT LIFE INSURANCE AND MEDICAL PLAN (CONTINUED)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources (Continued)

For 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:

Year ending June 30,		
2020	\$	(18,451)
2021		(18,451)
2022		(18,451)
2023		(18,451)
Thereafter		(19,998)

NOTE 11. 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, 2020, the Authority had outstanding contract commitments totaling approximately \$5.5 million relating to bus replacement projects. Funding will be provided by federal, state and local sources. At June 30, 2019, the Authority had outstanding contract commitments totaling approximately \$6.4 million relating to bus and trolley replacement projects. Funding will be provided by federal, state and local sources.

NOTES TO FINANCIAL STATEMENTS

NOTE 12. TAX ABATEMENTS

The Savannah Economic Development Authority (“SEDA”) provides property tax abatements to attract new businesses to the County, 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, 2020 and 2019 were reduced by \$347,852 and \$329,485, respectively.

REQUIRED SUPPLEMENTARY INFORMATION

CHATHAM AREA TRANSIT AUTHORITY
(A COMPONENT UNIT OF CHATHAM COUNTY, GEORGIA)

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
FOR THE FISCAL YEARS ENDED JUNE 30,

Measurement Date	2019	2018	2017
Total OPEB liability			
Service cost	\$ 38,539	\$ 41,993	\$ 45,651
Interest	30,723	29,641	25,506
Differences between expected and actual experience	6,650	(117,536)	5,696
Changes in assumptions	42,465	37,553	(64,161)
Benefit payments and implicit subsidy credit	(29,078)	(31,738)	(23,264)
Net change in total OPEB liability	89,299	(40,087)	(10,572)
Total OPEB liability - beginning	808,269	848,356	858,928
Total OPEB liability - ending	\$ 897,568	\$ 808,269	\$ 848,356
Covered payroll	\$ 10,461,027	\$ 9,768,616	\$ 8,685,576
Total OPEB liability as a percentage of covered-employee payroll	8.58%	8.27%	9.77%

Note to the Schedule:

The schedule will present 10 years of information once it is accumulated.

Changes in Assumptions:

The discount rate changed from 3.87% as of June 30, 2018 to 3.50% as of June 30, 2019. In addition, changes of assumptions were made during the 2017 and 2018 measurement periods to update healthcare costs and trends.

**CHATHAM AREA TRANSIT AUTHORITY
(A COMPONENT UNIT OF CHATHAM COUNTY, GEORGIA)**

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS TO OPEB
FOR THE FISCAL YEAR ENDED JUNE 30,**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Authority's required contribution	\$ 27,703	\$ 29,078	\$ 31,738	\$ 23,264
Authority's contributions in relation to the required contribution	<u>27,703</u>	<u>29,078</u>	<u>31,738</u>	<u>23,264</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 11,745,204	\$ 10,461,027	\$ 9,768,616	\$ 8,685,576
Contributions as a percentage of covered payroll	0.24%	0.28%	0.32%	0.27%

Notes to the Schedule:

The schedule will present 10 years of information once it is accumulated.

COMPLIANCE SECTION



**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 of the
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 the Chatham Area Transit Authority (the "Authority") as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated October 6, 2020. The financial statements of the Authority as of and for the year ended June 30, 2019, were audited by other auditors, whose report dated November 15, 2019 expressed an unmodified opinion on those statements.

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. 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.

A handwritten signature in cursive script that reads "Mauldin & Jenkins, LLC".

Savannah, Georgia
October 6, 2020



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

To the Board of Directors of the
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, 2020. The Authority's major federal program is identified in the summary of audit results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Authority's major federal program 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 the 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 compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2020.

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 the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the 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.

Mauldin & Jenkins, LLC

Savannah, Georgia
October 6, 2020

**CHATHAM AREA TRANSIT AUTHORITY
(A COMPONENT UNIT OF CHATHAM COUNTY, GEORGIA)**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEARS ENDED JUNE 30, 2020 AND 2019**

<u>Federal Grantor</u>	<u>Federal CFDA Number</u>	<u>Agency Grant Number</u>	<u>Expenditures</u>
U.S. Department of Transportation:			
Direct Assistance			
Federal Transit Cluster			
Federal Transit - Formula Grants	20.507	GA-2016-011-00 & GA-2019-007-00	\$ 2,145,146
CARES Act Operating Assistance Preventive Maintenance and Capital	20.507	GA-2020-026-00	9,711,567
Passenger Ferry Grant Program	20.507	GA-2017-038-00	47,600
Federal Transit - Bus and Bus Facilities Formula Program	20.500	GA-04-0043-00	<u>14,147</u>
Total Federal Transit Cluster			<u>11,918,460</u>
Total Federal Expenditures			<u>\$ 11,918,460</u>

CHATHAM AREA TRANSIT AUTHORITY
(A Component Unit of Chatham County, Georgia)

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FISCAL YEAR ENDED JUNE 30, 2020

NOTE 1. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards ("SEFA") includes the federal award activity of Chatham Area Transit Authority (the "Authority") under programs of the federal government for the year ended June 30, 2020. 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 the Authority, it is not intended to and does not present the net position, changes in net position, or cash flows of the Authority.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the SEFA are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3. INDIRECT COST RATE

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

NOTE 4. NON-CASH ASSISTANCE

No federal awards were expended in the form of non-cash assistance during the fiscal year ended June 30, 2020.

NOTE 5. SUBRECIPIENTS

The Authority did not pass funding through to subrecipients during the fiscal year ended June 30, 2020.

CHATHAM AREA TRANSIT AUTHORITY
(A Component Unit of Chatham County, Georgia)

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

SECTION I
SUMMARY OF AUDIT RESULTS

Financial Statements

Type of auditor's report issued Unmodified

Internal control over financial reporting:
Material weaknesses identified? ___ Yes X No

Significant deficiencies identified not considered
to be material weaknesses? ___ Yes X None Reported

Noncompliance material to financial statements noted? ___ Yes X No

Federal Awards

Internal control over financial reporting:
Material weaknesses identified? ___ Yes X No

Significant deficiencies identified not considered
to be material weaknesses? ___ Yes X None Reported

Type of auditor's report issued on compliance for
major programs Unmodified

Any audit findings disclosed that are required to
be reported in accordance with the Uniform Guidance? ___ Yes X No

Identification of major programs:

CFDA Number
20.500 and 20.507

Name of Federal Program or Cluster
U.S. Department of Transportation
Federal Transit Cluster
Federal Transit – Formula Grants

Dollar threshold used to distinguish between
Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? X Yes ___ No

CHATHAM AREA TRANSIT AUTHORITY
(A Component Unit of Chatham County, Georgia)

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

SECTION II
FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

None reported.

SECTION III
FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

SECTION IV
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS

None reported.