

NANTUCKET REGIONAL TRANSIT AUTHORITY
(a component Unit of the Commonwealth of Massachusetts)

Auditors' Report as Required by OMB Circular A-133 and
Government Auditing Standards and Related Information

Year Ended June 30, 2011

NANTUCKET REGIONAL TRANSIT AUTHORITY
(a Component Unit of the Commonwealth of Massachusetts)

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Bruce D. Norling, CPA, P.C.

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE AND THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS IN ACCORDANCE WITH OMB CIRCULAR A-133

The Advisory Board
Nantucket Regional Transit Authority

Compliance

We have audited Nantucket Regional Transit Authority's (the Authority) compliance with the types of compliance requirements described in the *OMB Circular A-133 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, 2011. The Authority's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Authority's management. Our responsibility is to express an opinion on the Authority's compliance based on our audit.

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 OMB Circular A133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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. Our audit does not provide a legal determination on the Authority's compliance with those requirements.

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 each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Authority's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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.

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

Schedule of Expenditures of Federal Awards

We have audited the basic financial statements of the Authority as of and for the year ended June 30, 2011, and have issued our report thereon dated August 16, 2011, which contained unqualified opinions on those financial statements. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

This report is intended solely for the information and use of the Advisory Board, management, Federal and Commonwealth awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Bruce D. Norling, CPA, P.C.

August 16, 2011

NANTUCKET REGIONAL TRANSIT AUTHORITY
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Schedule of Expenditures of Federal Awards

For the year ended June 30, 2011

	<u>Type Program</u>	<u>Federal CFDA Number</u>	<u>Agency or Pass-through Number</u>	<u>Total Federal Awards Expended</u>
Federal Agency				
U.S. Department of Transportation				
Federal Agency Subdivision				
Federal Transit Administration				
Pass Through Programs				
Commonwealth of Massachusetts is the Pass Through Entity				
Formula Grants for Other Than Urbanized Areas	A	20.509	FTA	\$ 521,391
ARRA-Formula Grants for Other Than Urbanized Areas	A	20.509	FTA	898,301
Total - Formula Grants for Other Than Urbanized Areas				* 1,419,692
New Freedom Program	B	20.521	FTA	46,062
Total Federal Expenditures				<u>\$ 1,465,754</u>

* Denotes major program

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

1) Definition of Reporting Entity

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Nantucket Regional Transit Authority (the Authority). The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

2) Summary of Significant Accounting Policies

(a) Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual method of accounting, which is described in note 2 to the financial statements.

(b) Contract Services

The Authority contracts with third parties to provide fixed route and demand response transportation services. The costs associated with these contracts that are funded with federal assistance are presented in the Schedule of Expenditures of Federal Awards as disbursements. The Authority maintains a system to monitor the use of these funds by the contractors to assure compliance with applicable federal regulations.

(c) The Authority identified the larger Federal Programs (Type A programs) as those programs that exceed \$300,000. All other programs are labeled as Type B programs.

Bruce D. Norling, CPA, P.C.

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

The Advisory Board
Nantucket Regional Transit Authority

We have audited the financial statements of the Nantucket Regional Transit Authority (the Authority), as of and for the year ended June 30, 2011, and have issued our report thereon dated August 16, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

This report is intended solely for the information and use of the Advisory Board, management, federal awarding agencies and the Commonwealth of Massachusetts and is not intended to be and should not be used by anyone other than these specified parties.

Bruce D. Norling, CPA, P.C.

August 16, 2011

NANTUCKET REGIONAL TRANSIT AUTHORITY
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Summary Schedule of Prior Year Findings
Year Ended June 30, 2011

DEPARTMENT OF TRANSPORTATION (Federal Transit Administration)

All prior year OMB Circular A-133 findings have been resolved.

NANTUCKET REGIONAL TRANSIT AUTHORITY
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Schedule of Findings and Questioned Costs
Year Ended June 30, 2011

A. SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses an unqualified opinion on the basic financial statements of Nantucket Regional Transit Authority (the Authority).
2. No significant deficiencies relating to the audit of the financial statements are reported in the Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the basic financial statements of the Authority were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award programs are reported in the Independent Auditors' Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133.
5. The auditors' report on compliance for the major federal award programs for the Authority expresses an unqualified opinion on all major federal programs.
6. Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in Part C of this Schedule.
7. The Federal Transit Administration programs tested as major programs consisted of Formula Grants for Other Than Urbanized Areas (CFDA No. 20.509) and ARRA - Formula Grants for Other Than Urbanized Areas (CFDA No. 20.509).
8. The threshold for distinguishing Type A and B programs was \$300,000. Type A programs are those that exceed \$300,000.
9. The Authority did not qualify as a low-risk auditee.

B. FINDINGS - FINANCIAL STATEMENTS AUDIT - NONE

C. FINDINGS - MAJOR FEDERAL AWARDS PROGRAMS – NONE

Bruce D. Norling, CPA, P.C.

MANAGEMENT LETTER

To the Advisory Board and Management of
Nantucket Regional Transit Authority

In planning and performing our audit of the financial statements of Nantucket Regional Transit Authority (NRTA) for the year ended June 30, 2011, in accordance with auditing standards generally accepted in the United States of America, we considered NRTA's internal control over financial reporting (internal control) as a basis for designing our auditing procedures 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 organization's internal control. Accordingly, we do not express an opinion on the effectiveness of NRTA'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 combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls.

During the course of our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. In fact, we feel the Authority has an efficient system for recording and summarizing accounting transactions in compliance with GASB, GAAP, FTA, OMB and MassDOT requirements. Further, we want to compliment the Authority in designing and implementing a capital asset system and documenting its policies and procedures via the development of an accounting manual and a procurement manual.

This communication is intended solely for the information and use of the management, the Advisory Board, others within the organization, federal awarding agencies and the Commonwealth of Massachusetts and is not intended to be and should not be used by anyone other than these specified parties.

Bruce D. Norling, CPA, P.C.

August 16, 2011