

**WACCAMAW REGIONAL
TRANSPORTATION AUTHORITY
D/B/A THE COAST RTA
CONWAY, SOUTH CAROLINA**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

**AS OF AND FOR THE YEARS ENDED
JUNE 30, 2013 AND 2012**

**WACCAMAW REGIONAL
TRANSPORTATION AUTHORITY
D/B/A THE COAST RTA
CONWAY, SOUTH CAROLINA**

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INDEPENDENT AUDITORS' REPORT

Waccamaw Regional Transportation Authority
d/b/a The Coast RTA
Conway, South Carolina

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Waccamaw Regional Transportation Authority (the Coast RTA), Conway, South Carolina, as of and for the years ended June 30, 2013 and 2012, and the related notes to the financial statements, which collectively comprise Coast RTA'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 audit. 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. 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 the business-type activities of Waccamaw Regional Transportation Authority, Conway, South Carolina, as of June 30, 2013 and 2012, and the changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Uncertainties Regarding Violations of Grant Agreements

As described in Note 18 to the financial statements, the Coast RTA did not fully satisfy the requirements of a federal highway grant, which stipulated a definite time period to install the remaining 58 bus shelters acquired with federal funds. The possible outcome of this matter, which has been reported to the Federal Transit Administration and the South Carolina Department of Transportation officials, cannot be presently determined. Accordingly, no provision for any liability that may result from the outcome of this matter has been made in the financial statements for possible federal or state claims for refunds of those grant funds. In addition, no reduction has been made to the carrying value of the uninstalled 58 bus shelters totaling \$248,562 at June 30, 2013. The cost of these shelters is included in the account "construction in progress" on the statements of net position at June 30, 2013 and 2012.

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 4 through 11 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 Coast RTA's basic financial statements. The accompanying schedules of expenditures of state awards with budgetary comparisons on pages 33 to 36 are presented for purposes of additional analysis as required by the South Carolina Department of Transportation, and are not a required part of the basic financial statements. The schedule of expenditures of federal awards on page 31 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 also not a required part of the basic financial statements.

Other Matters (Continued)


Other Information (Continued)

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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.

We have applied certain limited procedures to the schedules of expenditures of state awards with budgetary comparisons 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 5, 2014, on our consideration of the Coast RTA'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 the Coast RTA's internal control over financial reporting and compliance.


Columbia, South Carolina
February 5, 2014

WACCAMAW REGIONAL TRANSPORTATION AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

AS OF AND FOR THE YEAR ENDED JUNE 30, 2013

(UNAUDITED)

This section of the Waccamaw Regional Transportation Authority's (the Coast RTA) annual financial report presents a discussion and analysis of the Coast RTA's financial performance during the fiscal year ended June 30, 2013, with selective comparison to the financial performance for the fiscal year ended June 30, 2012. Please read it in conjunction with the Coast RTA's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The 2013 change in net position was \$74,831 and represents an increase of 2.9% over 2012.
- The Coast RTA expended \$587,727 in capital grant funds for the purchase of capital assets and payment on existing debt obligations. Of the total spent in 2013, \$234,314 was for the annual scheduled payment on the capital lease obligation for eight vehicles purchased in 2002, \$68,961 was for the purchase of ten used vehicles from Greater Richmond RTA, \$130,395 for electronic fare boxes, \$71,716 for security cameras and destination signs, \$19,569 for vehicle rehabilitation, \$177,399 for building renovations, and \$37,983 for other capital items such as computer related equipment.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of the annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements with corresponding note disclosures and other supplementary information.

The financial statements provide both long-term and short-term information about the Coast RTA's overall financial status. The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information and other supplementary information that further explains and supports the information in the financial statements.

The Coast RTA's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units on an accrual basis. Under this basis, revenues are recognized in the period in which they are earned, expenses are recognized in the period in which they are incurred, and depreciation of assets is recognized in the statement of revenues, expenses, and changes in net position. All assets and liabilities associated with the operation of the Coast RTA are included in the statement of net position.

The statement of net position shows the Coast RTA's net position as the difference between the Coast RTA's assets and liabilities. This is one way to measure the Coast RTA's financial health or position. The statement of revenue, expenses and changes in net position shows how the net position has changed from the previous year. The statement of cash flows shows how the cash and cash equivalents have changed during the current year.

FINANCIAL ANALYSIS OF THE RTA

Net Position

Net position represents the difference between total assets and total liabilities. As shown in Table 1, the Coast RTA's total net position at June 30, 2013, totaled \$2,663,990 a 2.9% increase over June 30, 2012. Net position increased by:

	Table 1 Net Position		Total Percent Change
	2013	2012	
Current Assets	\$ 970,446	\$ 989,944	-2.0%
Capital Assets, Net	3,165,889	3,618,591	-12.5%
Total Assets	4,136,335	4,608,535	-10.2%
Current Liabilities	1,052,556	1,102,744	-4.6%
Non-Current Liabilities	419,789	916,632	-54.2%
Total Liabilities	1,472,345	2,019,376	-27.1%
Net Investment in Capital Assets	2,812,625	3,035,571	-7.3%
Unrestricted (Deficit)	(148,635)	(446,412)	-66.7%
Net Position	2,663,990	2,589,159	2.9%

Current assets decreased \$19,498 or 2.0% from the prior year as a result of decreased outstanding accounts receivable countered by an increase in inventory.

Net capital assets decreased by \$452,702 or 12.5% as a result of a reduction in fleet and offset by a decrease in accumulated depreciation due to meeting vehicle useful life as well as disposing of six Blue Bird buses, which had been out of service for an extended period of time.

Current liabilities decreased by \$50,188 or 4.6% from the prior year primarily due to a reduction of accrued and withheld State retirement contributions, accrued interest payable and current payables for operating expenses, offset by an increase in accrued payroll and compensated absences.

Non-current liabilities decreased by \$496,843 or 54.2% due to the reduction of the obligation payable to the Federal Transportation Authority (FTA) and the South Carolina Department of Transportation (SCDOT). In addition, reductions of the line of credit obligation to the Conway National Bank and the capital lease obligation to Orix Public Finance LLC contributed to an overall reduction of noncurrent liabilities at June 30, 2013.

Net position increased by \$74,831 or 2.9% due to a \$547,031 or 27.1% reduction in total liabilities which was the result of a reduction of the debt owed to FTA, SCDOT, the bank and the capital lease financing company and an decrease in total assets due to capital acquisitions and outstanding year end receivables as explained above.

Changes in Net Position

The increase in net position at June 30, 2013 was \$74,831, compared to a \$354,706 increase for the period ended June 30, 2012 (See Table 2).

The Coast RTA's total operating revenues, which includes cash fares, and local contract revenue, increased by 4.1% to \$1,220,562 in 2013, while total operating expenses increased by 7.6% to \$4,992,528 in 2013 (See Tables 2 and 3).

Table 2
Change in Net Position

	2013	2012	Total Percent Change
Operating Revenues	<u>\$ 1,220,562</u>	<u>\$ 1,172,187</u>	4.1%
Operating Expenses	<u>4,992,528</u>	<u>4,640,639</u>	7.6%
Depreciation	<u>698,114</u>	<u>1,392,870</u>	-49.9%
Operating Income (Loss)	<u>(4,470,080)</u>	<u>(4,861,322)</u>	-8.0%
Non-Operating Revenues/Expenses	<u>4,544,911</u>	<u>5,216,028</u>	-12.9%
Change in Net Position	74,831	354,706	-78.9%
Net Position, Beginning of Year	<u>2,589,159</u>	<u>2,234,453</u>	15.9%
Net Position, End of Year	<u><u>2,663,990</u></u>	<u><u>2,589,159</u></u>	2.9%

Operating revenues increased by \$48,375 or 4.1% due to a decrease of service contracts of \$10,972, made up of a decrease in Medicaid Revenues of \$89,240 and offset by an increase in local contributions of \$78,268 for more services provided at Coastal Carolina University. There were also increases in passenger fares of \$23,277, advertising revenues of \$22,457 and non-transit revenue of \$13,613.

Operating expenses without the provision for depreciation increased by 7.6% or \$351,889. The principal category for the current year increase was in salaries, wages, and fringe benefits of \$478,032 due to additional positions created for more accountability and route creation, plus better benefits offered to employees such as a full year of the South Carolina Retirement program, as well as an increase in unemployment rates driven by the job market, and increased health insurance costs while liability insurance of \$2,807 increased minimally due to purchasing ten (10) used buses from Greater Richmond Transit Authority. Decreases in operating expenses include fuel and oil of \$14,130, due to lowered fuel prices, starting the airport service later than expected, reducing para transit services; custodial services of \$5,205 by reducing two part time positions to one full time position; legal and professional fees by \$9,832 due to existing staff absorbing previously outsourced IT services; utilities and telephone by \$10,385 due to cancellation of GPS service on the driver's radios; and other operating expenses such as advertising and marketing by \$9,832 due to route brochure delays; travel and training of \$27,368 due to receiving RTAP reimbursements from SCODT as well as reducing travel company-wide; interest by \$13,745 due to paying off the Conway National Bank line of credit and non-capital equipment purchased with grant funds by \$40,861 due to deferment of capital projects.

Changes in Net Position (Continued)

Other operating expenses are further countered by an increase to office and other expenses due to a claim for flood damages and aggressive airport marketing of \$12,651. An additional decrease of \$694,756 in depreciation expense is primarily attributable to the overall 2012 adjustment in depreciation for all vehicles by recording the higher of miles incurred or years operated. Comparative presentations are as follows:

Table 3
Operating Expenses

	2013	2012	Total Percent Change
Salaries, Wages & Fringe Benefits	\$3,508,404	\$3,030,372	15.8%
Fuel & Maintenance	1,035,122	1,064,573	-2.8%
Professional Services	31,316	41,271	-24.1%
Utilities and Telephone	69,228	79,613	-13.0%
Insurance	187,158	184,351	1.5%
Lease Expense	11,070	11,073	0.0%
Other Operating Expenses	<u>150,230</u>	<u>229,386</u>	-34.5%
Operating Expenses Before Provisions	4,992,528	4,640,639	7.6%
Provision for Depreciation	<u>698,114</u>	<u>1,392,870</u>	-49.9%
Total Operating Expenses	<u><u>5,690,642</u></u>	<u><u>6,033,509</u></u>	-5.7%

Analysis of Significant Budget Variations

The Board of Directors of the Coast RTA approves the operating budget for the current year. The Board throughout the year can amend this budget. The operating and capital budgets were amended during the year ended June 30, 2013.

Table 4
Schedule of Expenses and Revenues and Changes in Net Position -
Budget and Actual - Budgetary Basis
For the Year Ended June 30, 2013

	Final Budget	Actual - Budgetary Basis	Variance Favorable (Unfavorable)
Operating Expenses:			
Salaries, Wages & Fringe Benefits	\$ 3,441,329	\$ 3,508,404	\$ (67,075)
Fuel & Maintenance	1,165,375	1,035,122	130,253
Professional Services	35,800	31,316	4,484
Utilities and Telephone	89,000	69,228	19,772
Insurance	190,775	187,158	3,617
Lease Expense	11,000	11,070	(70)
Other Operating Expenses	<u>180,479</u>	<u>150,230</u>	<u>30,249</u>
Total Operating Expenses	<u>5,113,758</u>	<u>4,992,528</u>	<u>121,230</u>
Operating Revenues:			
Cash Fares/Auxiliary	575,705	543,610	(32,095)
Service Contracts	615,546	626,511	10,965
Other Operating Revenues	<u>32,500</u>	<u>50,441</u>	<u>17,941</u>
Total Operating Revenues	<u>1,223,751</u>	<u>1,220,562</u>	<u>(3,189)</u>

**Schedule of Expenses and Revenues and Changes in Net Position -
Budget and Actual - Budgetary Basis
For the Year Ended June 30, 2013
(Continued)**

	Final Budget	Actual - Budgetary Basis	Variance Favorable (Unfavorable)
Operating Expenses in Excess of Operating Revenues	\$ (3,890,007)	\$ (3,771,966)	\$ 118,041
Audit Disallowance Payback	218,877	218,877	-
Operating and Administration Grants	4,004,157	3,906,153	(98,004)
Change in Net Position Budgetary Basis	333,027	353,064	20,037

EXPENSES

Salaries & fringe benefits compared unfavorably to the budget by \$67,075 as a result of the para transit salaries significantly over budget early in the fiscal year due to expanded trips, increased premiums for health insurance, and increased premiums for workers compensation insurance.

Fuel & maintenance expense compared favorably to the budget \$130,253 as a result of decreasing fuel prices, starting the airport shuttle later than planned, reducing para transit services, operating winter service on all routes, which reduced the amount of miles and hours the buses operated. Also, vehicle and equipment repair costs were less due to reducing fleet of the oldest vehicles and delaying some repairs to FY 2014 due to unfilled maintenance positions. Custodial services also reduced two part-time positions into one full time position. The cost savings were offset by operations supplies due to higher than expected cost of air conditioning servicing and contract maintenance due to outsourcing maintenance repairs resulting from unfilled maintenance positions.

Utilities and telephone compared favorably to the budget by \$19,772 as a result of inactivating the GPS service, which was under-utilized, and changing phone service due to capital purchase of new phone system.

Other operating expenses compared favorably to the budget by \$30,249. This includes costs such as office supplies, postage, and dues and subscriptions, which were reduced as a result of economic conditions; advertising and marketing due to delaying route brochures; capital purchases less than \$5,000 due to delaying capital purchases to FY 2014 for the renovation project.

REVENUES

Total operating revenues for the year ended June 30, 2013 compared favorably to budgeted revenues. The majority of the operating revenues comes from passenger fares and fixed service contracts. The Coast RTA has a contract with Coastal Carolina University (CCU) to provide transportation service. Total revenues reported under the CCU contract were \$615,546, plus additional services of \$10,965, which accounted for the increase in contract revenues compared to the previous reporting period.

Operating grant revenues were lower than budgeted revenues by \$98,004 due to lower actual operating expenses for the year ended June 30, 2013. Operating grants are received from federal, state and local governments. The actual 2013 grant revenues were \$392,145 more than the 2012 grant revenues.

CAPITAL ASSETS

As of June 30, 2013, the Coast RTA had invested \$8,154,708 in capital assets, including land, buildings, vehicles, communication equipment as well as other equipment. Net of accumulated depreciation, the Coast RTA's capital assets at June 30, 2013, totaled \$3,165,889 (See Table 5). This amount represents a net decrease (including additions and disposals), net of depreciation, of \$452,702 or 12.5% less than the June 30, 2012 balance of \$3,618,591.

Table 5
Capital Assets by Funding Source

Funding Source	2013	2012	Total Percent Change
Federal, State and Local The Coast RTA	<u>\$ 8,154,708</u>	<u>\$ 9,971,376</u>	-18.2%
Total Capital Assets	8,154,708	9,971,376	-18.2%
Accumulated Depreciation	<u>4,988,819</u>	<u>6,352,785</u>	-21.5%
Total Capital Assets, Net	<u>3,165,889</u>	<u>3,618,591</u>	-12.5%

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The 2014 original budget was approved at the Coast RTA Board of Director's meeting on June 26, 2013. The 2014 revised budget was approved at the Coast RTA Board of Director's meeting on September 25, 2013.

The total operating expenses projected for 2014 are \$4,640,251, which reflects a decrease of 7.1% compared to 2013 actual expenses. The projected decrease to expenses is due primarily to projected decreases in salaries, wages, and benefits, and fuel from decreased service.

Economic factors that are surrounding the areas that the Coast RTA is servicing are the downturn of the economy, which is impacting local, grant funding, maintaining an adequate bus fleet and securing dedicated local funding.

The total projected operating revenues for 2014 are \$679,200, which reflects a 44.3% decrease compared to 2013 actual revenue. The decrease is due to not renewing the contract with Coastal Carolina University, which produced \$626,511 in revenues for 2013.

The ongoing projects of the Coast RTA are renovation and restoration of the bus facility, installing bus shelters and signage where needed, continuing to replace vehicles that have reached their estimated useful life and replacing outdated equipment in the maintenance facility.

CONTACTING THE COAST RTA'S FINANCIAL MANAGEMENT

This financial report is designed to provide our patrons and other interested parties with a general overview of the Coast RTA's finances and to demonstrate the Coast RTA's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Waccamaw Regional Transportation Authority's Finance Division, 1418 Third Avenue, Conway, SC 29526.

FINANCIAL STATEMENTS

WACCAMAW REGIONAL TRANSPORTATION AUTHORITY, D/B/A THE COAST RTA
STATEMENTS OF NET POSITION
JUNE 30, 2013 AND 2012

	Assets	2013	2012
Current Assets			
Cash and Cash Equivalents		\$ 326,763	\$ 329,604
Accounts Receivable - Ridership and Other Services		22,731	80,123
Accounts Receivable - Federal and State Grants		446,375	426,721
Accounts Receivable - Employees		5,820	6,910
Inventory		120,520	98,508
Deposit on Capital Purchases		-	8,199
Prepaid Expenses		48,237	39,879
		<u>970,446</u>	<u>989,944</u>
Total Current Assets		<u>970,446</u>	<u>989,944</u>
Capital Assets			
Land		140,000	140,000
Buildings		942,397	883,172
Bus Shelters		110,299	110,299
Vehicles		5,401,806	7,529,150
Communication Equipment		93,056	21,340
Maintenance Equipment		134,897	139,555
Furniture, Fixtures and Equipment		982,302	899,298
Construction in Progress		349,951	248,562
Accumulated Depreciation		<u>(4,988,819)</u>	<u>(6,352,785)</u>
Total Capital Assets, Net		<u>3,165,889</u>	<u>3,618,591</u>
Total Assets		<u>4,136,335</u>	<u>4,608,535</u>
Liabilities			
Current Liabilities			
Accounts Payable		136,938	189,077
Accrued Payroll and Withholdings		182,203	164,756
Accrued and Withheld State Retirement Contributions		38,568	81,395
Accrued Compensated Absences		85,771	52,990
Accrued Interest Payable		5,500	10,691
Deferred Revenue		15,423	20,385
Note Payable - The Conway National Bank		-	19,769
Debt Obligation Payable to Federal Transit Administration		183,953	183,953
Debt Obligation Payable to SC Department of Transportation		61,988	61,549
Capital Lease Obligations		251,113	238,656
Revolving Loan Agreement Due to SC Department of Transportation		60,000	60,000
Due to Federal Transit Administration		31,099	19,523
		<u>1,052,556</u>	<u>1,102,744</u>
Total Current Liabilities		<u>1,052,556</u>	<u>1,102,744</u>
Non-Current Liabilities			
Accrued Compensated Absences, Net of Current Portion		43,553	43,343
Capital Lease Obligations, Net of Current Portion		102,151	353,264
Debt Obligation Payable to Federal Transit Administration, Net of Current Portion		-	183,952
Debt Obligation Payable to SC Department of Transportation, Net of Current Portion		274,085	336,073
		<u>419,789</u>	<u>916,632</u>
Total Non-Current Liabilities		<u>419,789</u>	<u>916,632</u>
Total Liabilities		<u>1,472,345</u>	<u>2,019,376</u>
Net Position			
Net Investment in Capital Assets		2,812,625	3,035,571
Unrestricted (Deficit)		<u>(148,635)</u>	<u>(446,412)</u>
Total Net Position		<u>2,663,990</u>	<u>2,589,159</u>

The Accompanying Notes are an Integral Part of These Financial Statements

WACCAMAW REGIONAL TRANSPORTATION AUTHORITY, D/B/A THE COAST RTA
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

	2013	2012
Operating Revenues		
Passenger Fares	\$ 543,610	\$ 520,333
Private Source and Service Contracts	626,511	637,483
Bus Advertising Revenues	35,507	13,050
Other Non-Transit Revenues	14,934	1,321
	<u>1,220,562</u>	<u>1,172,187</u>
Operating Expenses		
Salaries, Wages and Fringe Benefits	3,508,404	3,030,372
Fuel and Oil	733,832	747,962
Repairs and Maintenance	292,855	302,971
Custodial Services	8,435	13,640
Legal and Professional Fees	31,316	41,271
Utilities and Telephone	69,228	79,613
Liability Insurance	187,158	184,351
Property and Office Equipment Leases	11,070	11,073
Advertising and Marketing	23,799	33,631
Training and Travel	31,807	59,175
Interest	20,607	34,352
Office and Other Expenses	47,199	34,549
Non-Capital Equipment Purchased with Grant Funds	26,818	67,679
	<u>4,992,528</u>	<u>4,640,639</u>
Subtotal	4,992,528	4,640,639
Depreciation Expense	698,114	1,392,870
	<u>5,690,642</u>	<u>6,033,509</u>
Total Operating Expenses	5,690,642	6,033,509
Operating Expenses in Excess of Operating Revenues	<u>(4,470,080)</u>	<u>(4,861,322)</u>
Grant and Other Revenues		
Federal Grants - Operating	1,970,410	1,028,853
State Grants - Operating	356,743	957,255
Local Grants - Operating	1,579,000	1,527,900
Federal Grants - Capital	587,727	1,225,905
State Grants - Capital	-	420,296
Reduction of Debt Obligation by SC Department of Transportation	34,924	34,924
Reduction of Debt Obligation by Federal Transportation Authority	183,953	183,953
Repayment Obligation Due to Early Disposal of Buses	-	(161,944)
Loss on Disposal of Capital Assets, Net of Insurance Proceeds	(167,846)	(1,114)
	<u>4,544,911</u>	<u>5,216,028</u>
Total Grant and Other Revenues	4,544,911	5,216,028
Change in Net Position	74,831	354,706
Net Position - Beginning of Year	<u>2,589,159</u>	<u>2,234,453</u>
Net Position - End of Year	<u>2,663,990</u>	<u>2,589,159</u>

The Accompanying Notes are an Integral Part of These Financial Statements

WACCAMAW REGIONAL TRANSPORTATION AUTHORITY, D/B/A THE COAST RTA
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

	2013	2012
Cash Flows from Operating Activities		
Cash Received from Customers	\$ 543,610	\$ 520,333
Cash Received from Private Source and Service Contracts	683,903	591,808
Cash Received from Non-Transit Revenue	18,867	15,371
Cash Payments to Employees and for Fringe Benefits	(3,499,702)	(2,880,912)
Cash Payments for Fuel and Maintenance	(1,010,449)	(990,603)
Cash Payments for Insurance	(195,516)	(170,708)
Cash Payments for Utilities	(69,228)	(79,613)
Cash Payments for Professional Fees	(31,316)	(41,271)
Cash Payments for Property and Office Equipment Leases	(11,070)	(11,073)
Cash Payments for Interest on Capital Debt	(25,798)	(39,249)
Cash Payments for Other Operating Expenses	(163,645)	(48,350)
Cash Payments for Non-Capital Equipment Purchased with Grant Funds	<u>(26,818)</u>	<u>(67,679)</u>
Net Cash Used in Operating Activities	<u>(3,787,162)</u>	<u>(3,201,946)</u>
Cash Flows from Non-Capital Financing Activities		
Proceeds from Operating Grants	<u>3,779,293</u>	<u>3,479,462</u>
Net Cash Provided by Non-Capital Financing Activities	<u>3,779,293</u>	<u>3,479,462</u>
Cash Flows from Capital and Related Financing Activities		
Proceeds from Capital Grants	694,937	1,540,908
Reductions of Long Term Note Payable	(37,238)	(58,163)
Reductions of Capital Lease Obligations	(238,656)	(226,901)
Deposit on Capital Purchases	8,199	(8,199)
Proceeds from the Disposal of Capital Assets	56,991	-
Cash Payments for Purchases of Capital Assets	<u>(479,205)</u>	<u>(1,413,334)</u>
Net Cash Provided by (Used in) Capital and Related Financing Activities	<u>5,028</u>	<u>(165,689)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(2,841)	111,827
Cash and Cash Equivalents - Beginning of Year	<u>329,604</u>	<u>217,777</u>
Cash and Cash Equivalents - End of Year	<u><u>326,763</u></u>	<u><u>329,604</u></u>

The Accompanying Notes are an Integral Part of These Financial Statements

WACCAMAW REGIONAL TRANSPORTATION AUTHORITY, D/B/A THE COAST RTA
STATEMENTS OF CASH FLOWS (Continued)
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

	2013	2012
Reconciliation of Operating Loss to Net Cash Used in Operating Activities		
Operating Expenses in Excess of Operating Revenues	\$ (4,470,080)	\$ (4,861,322)
Adjustments to Reconcile Operating Expenses in Excess of Operating Revenues to Net Cash Used in Operating Activities		
Depreciation Expense	698,114	1,392,870
Decrease (Increase) in Accounts Receivable	58,482	(51,758)
Decrease (Increase) in Inventory	(22,012)	30,577
Decrease (Increase) in Prepaid Expenses	(8,358)	13,643
Increase (Decrease) in Accounts Payable	(52,139)	92,645
Increase (Decrease) in Accrued Liabilities and Withholdings	13,797	161,014
Increase (Decrease) in Deferred Revenue	(4,966)	20,385
	<u>(3,787,162)</u>	<u>(3,201,946)</u>
Net Cash Used in Operating Activities	<u>(3,787,162)</u>	<u>(3,201,946)</u>

The Accompanying Notes are an Integral Part of These Financial Statements

**WACCAMAW REGIONAL TRANSPORTATION AUTHORITY
D/B/A THE COAST RTA**

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Operations and Description of the Authority

Waccamaw Regional Transportation Authority (the Coast RTA) is an independent special political subdivision of the State of South Carolina organized under Section 58-25 of the Code of Laws of South Carolina. The governing body of the Coast RTA consists of a nine-member board of directors. It provides substantially all the mass transportation services to the general public primarily within Horry and Georgetown Counties.

B. Basis of Accounting

The Coast RTA records its financial transactions using the accrual basis of accounting in its proprietary fund, which includes all business-type activities of the Coast RTA. Revenues are recognized when they are earned and expenses are recognized when they are incurred. The primary operating revenues of the Coast RTA consist of passenger fares and transportation services provided under contract. Operating expenses include the cost of operating the mass transit system, administrative expenses and depreciation of purchased or donated capital assets. All other revenues and expenses are reported as non-operating revenues and expenses.

C. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America, 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 reporting period. Actual results could differ from those estimates.

D. Inventories

Inventories, consisting primarily of replacement parts for transit equipment and fuel, are stated at the lower of cost or market, with cost being determined using the first-in, first out method.

E. Accounts Receivable and Revenue Recognition

Passenger fares and service contract revenues are recorded when the services are provided. Management considers all recorded accounts and grants receivable fully collectible. Write-offs of recorded accounts receivable balances have historically been insignificant.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Capital Assets

Capital assets purchased with federal, state or local funds are recorded at cost. Donated capital assets are recorded at the fair value when received, with fair value being determined based on the estimated remaining useful life of the asset received. Expenditures that add to the value and life of the asset benefitted are capitalized. The costs of normal maintenance and repairs are charged to operations as incurred. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets, as follows:

Classification	Estimated Useful Lives
Vehicles	3-12 Years
Furniture, Fixtures and Equipment	3-5 Years
Communication Equipment	3-5 Years
Maintenance Equipment	3-5 Years
Buildings	10-30 Years

When property and equipment is retired, the asset and related accumulated depreciation accounts are adjusted accordingly, and any gain or loss is included as non-operating revenue or loss. Sales of assets acquired with federal funds, may require the Coast RTA to repay the funding source a percentage of the proceeds received if a current per-unit fair market value of \$5,000 or more, the vehicles for 14 passengers and smaller with less than 150,000 miles, vehicles for 27-28 passengers with less than 250,000 miles, and vehicles for 31-41 passengers with less than 500,000 miles are sold. Vehicles purchased with federal funds have no liens and the Coast RTA holds the titles for these vehicles. Vehicles purchased with state funds have liens to ensure repayment and the state holds the title for these vehicles.

G. Statement of Cash Flows

For the purpose of the statement of cash flows, the Coast RTA considers all temporary cash investments with original maturities of three months or less to be cash equivalents.

H. Financial Instruments and Fair Value

The carrying amounts for cash in the demand account, accounts and grants receivable, and accounts payable approximate fair value because of the short maturities of those instruments. The carrying amounts of long – term debt, including the two lease obligations, are determined based on quoted market prices for the same or similar issues or on the current rates offered to the Coast RTA for debt of the same remaining maturities. None of these financial instruments are held for trading purposes.

NOTE 2 CUSTODIAL CREDIT RISK – DEPOSITS

For deposits, custodial credit risk is the risk that in the event of bank failure, the Coast RTA's deposits may not be returned to it. For funds on deposit in demand accounts greater than the FDIC insurance, the Coast RTA has a policy of requiring banks to pledge collateral securities to be held by the Coast RTA's agent in the Coast RTA's name. As of June 30, 2013, the Coast RTA's cash held in the demand deposit checking account at a local financial institution was FDIC insured or collateralized by United States treasury securities.

NOTE 3 BUDGET AND BUDGETARY BASIS OF ACCOUNTING

The Coast RTA prepares an annual budget prior to the commencement of each fiscal year. The budget is prepared on a basis consistent with United States generally accepted accounting principles, except for the exclusion of certain income and expenses. Amounts excluded include provision for depreciation expense and capital grants. Amendments to the original budget require Board approval.

NOTE 4 EMPLOYEE BENEFIT PLANS

The Coast RTA terminated both the 403(b) Pension Plan and the Simplified Employee Pension (SEP) Plan in August of 2005. The Authority has no liability for funding either Retirement Plan since the date of termination. During a prior South Carolina Department of Transportation/Mass Transit audit, it was determined that the Coast RTA was in violation of the nondiscrimination requirements of its employee benefit plans for fiscal years 2002 through 2005. Violation of the nondiscrimination requirements creates a potential contingent liability since both current and former eligible employees excluded from this benefit may have a legal claim. The Coast RTA has contacted an attorney to assist in the settlement of this matter. The accompanying financial statements do not contain a provision for a potential liability, if any, which may result.

On January 25, 2012, the Board of Directors voted unanimously in favor of the Coast RTA to enter into the South Carolina State Retirement System for full time, permanent employees, effective April 1, 2012. The Retirement Plan is a cost-sharing, multiple-employer, defined benefit pension plan. The Plan is administered by the Retirement Division of the State Budget and Control Board. The South Carolina Retirement System offers retirement and disability benefits, cost of living adjustments on an ad-hoc basis, life insurance benefits and survivor benefits. The Plan's provisions are established under Title 9 of the SC Code of Laws. Any amendments would necessitate an amendment to the law. A Comprehensive Annual Financial Report containing financial statements and required supplementary information for the South Carolina Retirement System is issued and publicly available by writing the South Carolina Retirement System, PO Box 11960, Columbia, SC 29211-1960. Employees and employers are required to contribute to the Plan under authority of Title 9 of the SC Code of Laws. All employers contribute at the actuarially required contribution rates. The Coast RTA has no fiduciary responsibility or further responsibility for the retirement plan beyond its current contributions. In addition to the contributory rates below, the Coast RTA, as a participating employer with the South Carolina Retirement System, contributes .15% of payroll to provide a group life insurance benefit for its participants.

The total required contributions for the plan and the percentage of that amount contributed for each of the two (2) years ended June 30, 2013 and 2012 are as follows:

	Amount	Percentage Contributed
<u>Year Ended June 30, 2013</u>		
Employer	\$ 230,962	10.385%
Employees	154,438	7.0%
<u>Year Ended June 30, 2012</u>		
Employer	\$ 48,401	9.385%
Employees	32,994	6.5%

At June 30, 2013, the Coast RTA does not provide employees with any post-employment benefits other than those provided through the State retirement system.

NOTE 5 REVOLVING FUND PAYABLE

The Coast RTA has a \$60,000 revolving fund loan agreement (revolving fund) with the South Carolina Department of Transportation, Division of Mass Transit (SCDOT). The revolving fund is designed to ease cash flows resulting from the time lag between the cost of transportation and the payments received from sponsoring human service and transportation agencies. The Coast RTA is allowed to draw money from the fund sufficient to cover valid transportation costs incurred, which will be reimbursed by the State or local human service agencies. When payment from the State or human service agency is received, it is deposited in a separate revolving fund bank account for future use. The Coast RTA is not required to pay interest on the amounts drawn and all amounts drawn are payable to SCDOT upon termination of the agreement. The total available amount of the revolving fund was received in prior years. The balance due to SCDOT at June 30, 2013 and 2012 equals the total amount available under the agreement.

NOTE 6 LEASE COMMITMENTS

The Coast RTA purchased various buses and trolleys during 2002 through a capital lease arrangement with ORIX Public Finance, LLC. The agreement requires annual payments of principal and interest totaling \$234,313 on or before February 1 of each year through 2014.

The Coast RTA has a capital lease financing arrangement with SC Department of Health and Human Services (DHHS) requiring principal only lease payments of \$2,500 per month until paid in full for vehicle equipment purchased in previous years.

The Coast RTA has a lease agreement with Tereck Office Solutions for three photocopiers with annual payments of \$27,096.

The Coast RTA also has a lease agreement with JJC Conway Shopping Center, Inc. to lease a vehicle parking lot adjacent to the administration building for \$853 per month during 2013 for a total of \$10,236. This agreement is renewed annually between the Coast RTA and JJC Conway Shopping Center, Inc. The renewed lease agreement effective for 2014 increases the monthly rentals by 3% to \$878 per month for a total of \$10,536.

The change in capital vehicle lease payable obligation for the years ended June 30, 2013 and 2012 are as follows:

	Balance at July 1, 2012	Additions	Reductions	Balance at June 30, 2013
Capital Lease Obligation Payable	<u>\$ 591,920</u>	<u>\$ -</u>	<u>\$ (238,656)</u>	<u>\$ 353,264</u>

	Balance at July 1, 2011	Additions	Reductions	Balance at June 30, 2012
Capital Lease Obligation Payable	<u>\$ 818,821</u>	<u>\$ -</u>	<u>\$ (226,901)</u>	<u>\$ 591,920</u>

NOTE 6 LEASE COMMITMENTS (Continued)

Annual payments required in accordance with capital lease repayment terms for these vehicles are as follows:

Fiscal years ending June 30:	
2014	\$ 264,313
2015	30,000
2016	30,000
2017	30,000
2018	<u>12,151</u>
Total annual payments	366,464
Less amounts representing interest	<u>(13,200)</u>
Total minimum payments	353,264
Less current portion	<u>(251,113)</u>
Long-term portion	<u>102,151</u>

The cost and related accumulated depreciation of buses and vans subject to the lease obligation indebtedness, at June 30, 2013, is as follows:

Vehicles, at Cost	\$ 944,000
Less Accumulated Depreciation	<u>(876,806)</u>
Total	<u>67,194</u>

NOTE 7 FINANCIAL COMMITMENTS

In May 2013, the Coast RTA entered into a contract with Stantec for \$246,137 to perform an Intermodal Feasibility Study in order to recommend potential site locations for a future Intermodal Facility. No services had been provided as of June 30, 2013.

In June 2013, the Coast RTA entered into a contract with Hanco of SC, Inc. for \$392,816 to perform renovations at the administrative and maintenance facility. No services had been provided as of June 30, 2013.

NOTE 8 CAPITAL ASSETS

The Coast RTA receives capital grant contract funds from federal and state agencies including the Federal Transit Administration (FTA) and the State of South Carolina Department of Transportation, Division of Mass Transit (SCDOT). Under these capital contracts, the Coast RTA has acquired buses and vans.

NOTE 8 CAPITAL ASSETS (Continued)

The following summarizes the changes in capital assets of the Coast RTA during the year ended June 30, 2013:

Account	Beginning Cost	Additions	Deletions	Ending Cost	Prior Accum. Depr.	Current Depr.	Deletions	Ending Accum. Depr.
Land	\$ 140,000	\$ -	\$ -	\$ 140,000	\$ -	\$ -	\$ -	\$ -
Buildings	883,172	59,225	-	942,397	601,348	40,078	-	641,426
Bus Shelters	110,299	-	-	110,299	107,194	3,105	-	110,299
Vehicles	7,529,150	88,530	(2,215,874)	5,401,806	5,206,999	546,680	(1,982,850)	3,770,829
Communication Equipment	21,340	71,716	-	93,056	6,004	13,850	-	19,854
Maintenance Equipment	139,555	-	(4,658)	134,897	93,041	7,223	(4,658)	95,606
Furniture, Fixtures and Equipment	899,298	158,346	(75,342)	982,302	338,199	87,178	(74,572)	350,805
Const. in Progress	248,562	101,389	-	349,951	-	-	-	-
Totals	9,971,376	479,206	(2,295,874)	8,154,708	6,352,785	698,114	(2,062,080)	4,988,819
Less Accumulated Depreciation	(6,352,785)			(4,988,819)				
Net Carrying Value	3,618,591			3,165,889				

As of June 30, 2013, construction in progress contained items not in service. This consists primarily of approximately 58 bus shelters with accessories purchased with Federal highway grant funds prior to June 30, 2013 in the amount of \$248,562. Current year additions to construction in progress included costs for building renovation design plans of \$101,389. The costs of these assets carried forward to future periods do not include any costs that will likely be incurred to install these capital assets and place them in service. Other capital asset additions during the year ended June 30, 2013, included ten used buses, security cameras and destination signs, vehicle rehabilitation, building rehabilitation, and electronic fare boxes.

The following summarizes the changes in capital assets of the Coast RTA during the year ended June 30, 2012:

Account	Beginning Cost	Additions	Deletions	Ending Cost	Prior Accum. Depr.	Current Depr.	Deletions	Ending Accum. Depr.
Land	\$ 140,000	\$ -	\$ -	\$ 140,000	\$ -	\$ -	\$ -	\$ -
Buildings	715,136	168,036	-	883,172	558,201	43,147	-	601,348
Bus Shelters	110,299	-	-	110,299	86,616	20,578	-	107,194
Vehicles	6,336,278	1,192,872	-	7,529,150	3,970,571	1,236,428	-	5,206,999
Communication Equipment	17,206	16,263	(12,129)	21,340	15,091	3,042	(12,129)	6,004
Maintenance Equipment	141,955	-	(2,400)	139,555	85,617	8,710	(1,286)	93,041
Furniture, Fixtures and Equipment	863,135	36,163	-	899,298	257,234	80,965	-	338,199
Const. in Progress	248,562	-	-	248,562	-	-	-	-
Totals	8,572,571	1,413,334	(14,529)	9,971,376	4,973,330	1,392,870	(13,415)	6,352,785
Less Accumulated Depreciation	(4,973,330)			(6,352,785)				
Net Carrying Value	3,599,241			3,618,591				

NOTE 9 CHANGES IN ESTIMATED USEFUL LIVES OF BUSES AND VANS

In fiscal year 2012 the Coast RTA made a change in accounting estimate with respect to the depreciation of the vehicles in the fleet. The Coast RTA reviewed the accumulated depreciation of all vehicles in the fleet calculated using the straight-line depreciation method and determined adjustments to the remaining book value should be made based on the actual mileage incurred on these vehicles in accordance with FTA Circular 5010.1D and the state management plan as useful life of assets can be calculated based on years of service or mileage incurred. The Coast RTA compared the calculated remaining book value based on straight-line depreciation and then the remaining value based on mileage for each vehicle. The Coast RTA recorded adjustments to vehicles which had higher calculated book balances from straight-line depreciation as compared to remaining useful life calculated based on mileage to more accurately reflect the true remaining useful life and value of the fleet. As a result, the Coast RTA recognized \$163,515 in additional depreciation expense during fiscal year 2013 (\$259,178 in 2012). The Coast RTA completes this analysis of the fleet bi-annually and makes adjustments as deemed necessary by management.

NOTE 10 COMPENSATED ABSENCES

It is the Coast RTA's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. A liability is not recorded at year end for unpaid accumulated sick leave since it is the Coast RTA's policy to record the cost of sick leave only when it is paid due to employee absences. No sick leave benefits are paid at the time employees terminate employment with Coast RTA. Vacation pay is accrued when earned and any employee leave not taken at the end of the fiscal year is reported as a current or noncurrent liability. The current liability portion reflects management's estimate of annual leave expected to be taken by employees based on past leave experience and knowledge obtained prior to the end of the reporting period. Employees are entitled to accumulate and carry forward two (2) weeks of paid vacation after one year of full time employment with the Authority.

NOTE 11 NOTE PAYABLE – CONWAY NATIONAL BANK

Prior to August 4, 2010, the Coast RTA established a revolving line of credit agreement with Conway National Bank in the amount of \$250,050, to provide working capital funds as needed. The revolving line of credit agreement was secured by title to property located at 1418 Third Avenue, Conway, SC 29526. The repayment terms of the revolving line of credit agreement included interest calculated at the Bank's prime rate plus one percent (4.25%) on the outstanding principal balance. On August 4, 2010, the maturity date, the revolving line of credit agreement was converted into a non-secured term loan and at the same time, the mortgage lien on the property was released by Conway National Bank. The unpaid principal at the time of conversion was \$125,000. The terms of the note payable agreement, provide for twenty three (23) monthly principal and interest payments of \$5,000 beginning September 4, 2010, through August 4, 2012, with a balloon payment of \$10,345 due on or before September 4, 2012. On October 2, 2012, Coast RTA paid Conway National Bank in full.

NOTE 12 OBLIGATION PAYABLE - FEDERAL TRANSIT ADMINISTRATION (FTA)

The Coast RTA entered into an agreement with The Federal Transit Administration (FTA) on September 21, 2009, and with the South Carolina Department of Transportation (SCDOT) on September 30, 2009, to reduce the debt obligation owed by the Authority from \$2,965,811 to a combined obligation of \$765,811. The reduction of \$2,230,000 in total debt owed to FTA was reported as revenue in the statement of revenues, expenses and changes in net position for the year ended June 30, 2010. The combined obligation owed at June 30, 2013, of \$183,953, will be reduced in future periods from a reduction of 5307 Program (direct funding) and 5311 Program (pass-through SCDOT funding) grant funds that will not be received by the Coast RTA.

NOTE 12 OBLIGATION PAYABLE - FEDERAL TRANSIT ADMINISTRATION (FTA) (Continued)

Expected reductions of future period grant funding applied to the outstanding debt obligation at June 30, 2013, are as follows:

<u>Reduction Year</u>	<u>Amount</u>
5307 Program – Direct Funding Component	
FY 2014 (Current Portion)	\$ 47,736
5311 Program – Passed Through SCDOT	
FY 2014 (Current Portion)	<u>136,217</u>
Obligation Payable to Federal Transit Administration	<u>183,953</u>

The change in debt obligation to FTA for the year ended June 30, 2013 is as follows:

	Balance at July 1, 2012	Additions	Reductions	Balance at June 30, 2013
Obligation Payable	<u>\$ 367,905</u>	<u>\$ -</u>	<u>\$ (183,952)</u>	<u>\$ 183,953</u>

The change in debt obligation to FTA for the year ended June 30, 2012 is as follows:

	Balance at July 1, 2011	Additions	Reductions	Balance at June 30, 2012
Obligation Payable	<u>\$ 551,858</u>	<u>\$ -</u>	<u>\$ (183,953)</u>	<u>\$ 367,905</u>

NOTE 13 OBLIGATION PAYABLE - SC DEPARTMENT OF TRANSPORTATION (SCDOT)

The agreement with SCDOT on September 30, 2009, permitted the Coast RTA to reduce its combined debt obligation from \$349,243 to \$314,319, a reduction of \$34,924. During the year, additional funding withheld and not available to be carried forward to future periods of \$34,924 reduced the balance to \$200,753 at June 30, 2013. This reduction is included as revenues in the statement of revenues, expenses and changes in net position.

During fiscal year 2012, the Coast RTA recorded a liability of \$161,944 for early disposal of the six (6) Blue Bird Buses. On August 1, 2012, the Coast RTA held a public auction to reduce debt outstanding on the six (6) Blue Bird vehicles. Auction proceeds received were \$26,624. This amount was paid to SCDOT to reduce the outstanding debt from \$161,944 to \$135,320, which was the outstanding balance as of June 30, 2013. Per agreement with SCDOT, the Coast RTA has negotiated a five-year repayment plan using SMTF funds to begin in fiscal year 2014.

The remaining debt obligation at June 30, 2013, is scheduled to be reduced each year as future SMTF grant funding will be withheld from payment to the Coast RTA over the next periods as follows:

<u>Reduction Year</u>	<u>Amount</u>
FY 2014 (Current Portion)	\$ 61,988
FY 2015	61,988
FY 2016	61,988
FY 2017	61,988
FY 2018	61,988
FY 2019	<u>26,133</u>
Obligation Payable to SCDOT	<u>336,073</u>

**NOTE 13 OBLIGATION PAYABLE - SC DEPARTMENT OF TRANSPORTATION (SCDOT)
(Continued)**

The change in debt obligation to SCDOT for the year ended June 30, 2013 is as follows:

	Balance at July 1, 2012	Additions	Reductions	Balance at June 30, 2013
Obligation Payable	<u>\$ 397,622</u>	<u>\$ -</u>	<u>\$ (61,549)</u>	<u>\$ 336,073</u>

The change in debt obligation to SCDOT for the year ended June 30, 2012 is as follows:

	Balance at July 1, 2011	Additions	Reductions	Balance at June 30, 2012
Obligation Payable	<u>\$ 270,602</u>	<u>\$ 161,944</u>	<u>\$ (34,924)</u>	<u>\$ 397,622</u>

NOTE 14 CONTINGENT LIABILITIES

The Coast RTA was served with a summons and complaint for personal injuries sustained by a passenger from an incident that incurred on December 13, 2012. The potential liability is uncertain at this time. Damages awarded, if any, are more than likely to be covered under the Authority's liability insurance policies. Furthermore, it is not possible to predict the potential financial impact on the Coast RTA's financial position in the event of an unfavorable decision. Consequently the financial statements at June 30, 2013 do not include any adjustments with regard to this matter.

NOTE 15 RISK MANAGEMENT

The Coast RTA is insured to various risks of loss. Insurance premiums are paid to certain state agencies to mitigate risk of loss that may occur. Management believes such coverage is sufficient to preclude any uninsured losses for the covered risks. Settlement amounts have not significantly exceeded insurance coverage in the last several years. Various State of South Carolina agencies assume substantially all risk for the following claims of state employees as follows:

- Employment Security Commission: For unemployment benefit claims.
- State Accident Fund: For workers' compensation benefit claims.
- Office of Insurance Services: For health benefits.

NOTE 16 FEDERAL AND STATE GRANTS

In the normal course of operations, the Coast RTA receives grant funding from Federal and State agencies. The grant programs are subject to audit by agencies of the granting authority, the purpose of which is to ensure compliance with conditions precedent to granting of funds.

NOTE 17 ECONOMIC DEPENDENCY

A substantial part of the Coast RTA's revenues are generated from significant levels of funding from federal and state operating and capital grants and local funding from Horry County, which is used to provide required matching federal and state grant funds. A significant reduction in federal and state operating grants, or local funding from Horry County, would have a materially adverse effect on the Coast RTA's ability to continue operating as a going concern.

NOTE 18 SUBSEQUENT EVENTS

The American Recovery and Reinvestment Act of 2009 (ARRA) was signed into law by the President on February 17, 2009. On March 5, 2009, the Federal Transit Administration (FTA) announced appropriation of public transportation funds through Federal Register Notice. The ARRA included an appropriation of \$1,875,622 to the Coast RTA for Section 5307 ARRA Small Urbanized Area Program funds of which \$182,017 was designated for operations and \$1,693,605 was designated for capital additions. The balance of capital grant funds not used in fiscal years ended June 30, 2013, 2012 and 2011, will be drawn down during the fiscal year ending June 30, 2014. As of October 2013, the balance of remaining capital funds of \$160,653 was used for renovating the facility.

In addition to state agency insurance premiums, the Coast RTA paid an insurance premium to John T. Cook & Associates to cover the initial \$25,000 deductible for the South Carolina Department of Health and Environmental Control cleanup fund. The policy covers third party damages and corrective action costs up to \$25,000 with a \$1,000 deductible liability to the Coast RTA per claim. The period of coverage for this agreement started on August 10, 2013 and expires on August 10, 2014.

In September 2013, the Coast RTA ceased work on the Intermodal Feasibility Study with Stantec as requested by South Carolina Department of Transportation (SCDOT). At the time of the notification, Stantec had completed \$73,386 in verified work performed during FY 2014. It was determined that obligation of reliable funds by Federal Highway Administration (FTA) had not occurred. Accordingly, the Coast RTA met with SCDOT officials to discuss a resolution. On December 10, 2013, the Coast RTA entered into an agreement with SCDOT for \$29,354 to be paid to Stantec for the Feasibility Study. The balance of \$44,032 was to be paid from local funds. To date, Stantec has been paid \$73,386 for the work completed.

On February 4, 2014, the Coast RTA received a letter from the Federal Transit Administration (FTA) acknowledging the full repayment of federal funds in the amount of \$3,012,323. After approved deobligations and/or relinquishment of funds, the debt recovery at June 2009 was \$1,438,678.

In September 2013, the Coast RTA ceased work on the bus shelter and signage project as requested by South Carolina Department of Transportation (SCDOT). The funds obligated to the project were put on hold until a satisfactory timeline of installation could be provided. The Coast RTA submitted a work plan to install the remaining 58 bus shelters. In conjunction with a review by SCDOT and FTA, it was concluded that the plan was lacking of sufficient detail to continue the project. As of December 17, 2013, SCDOT intends to secure physical possession of all materials and equipment relative to the project. The remaining 58 uninstalled bus shelters have a cost of \$248,562 as reported on the statements of net position.

On January 22, 2014, the Coast RTA paid in full the lease obligation due to ORIX Public Finance, LLC. The original lease principal was \$1,970,148 and the interest was \$841,612 for a total amount due of \$2,811,760 paid in twelve (12) annual payments of \$234,313.

SUPPLEMENTARY INFORMATION

**WACCAMAW REGIONAL TRANSPORTATION AUTHORITY, D/B/A THE COAST RTA
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2013**

	Final Budget	Actual Budgetary Basis	Variance Favorable (Unfavorable)
Operating Expenses			
Salaries and Wages	\$ 2,480,853	\$ 2,524,306	\$ (43,453)
Fringe Benefits	960,476	984,098	(23,622)
Fuel and Oil	781,475	733,832	47,643
Repairs and Maintenance	286,500	199,690	86,810
Custodial Services	15,000	8,435	6,565
Operational Supplies	52,000	48,317	3,683
Contract Maintenance	30,400	44,848	(14,448)
Legal and Professional Fees	35,800	31,316	4,484
Utilities and Telephone	89,000	69,228	19,772
Liability Insurance	190,775	187,158	3,617
Property and Office Equipment Leases	11,000	11,070	(70)
Dues and Subscriptions	9,329	8,330	999
Advertising and Marketing	39,000	23,799	15,201
Training and Travel	32,650	31,807	843
Interest	25,600	20,607	4,993
Non-Capital Equipment Purchased with Grant Funds	50,000	26,818	23,182
Office Supplies, Postage and Other Expenses	23,900	38,869	(14,969)
Total Operating Expenses	5,113,758	4,992,528	121,230
Operating Revenues			
Passenger Fares	569,948	543,610	(26,338)
Private Source and Service Contracts	615,546	626,511	10,965
Transit Passes	5,757	-	(5,757)
Bus Advertising Revenues	30,000	35,507	5,507
Other Non-Transit Revenues	2,500	14,934	12,434
Total Operating Revenues	1,223,751	1,220,562	(3,189)
Operating Expenses in Excess of Operating Revenues	(3,890,007)	(3,771,966)	118,041
Non-Operating Revenues			
Reduction of Debt Obligation - FTA	183,953	183,953	-
Reduction of Debt Obligation - SCDOT	34,924	34,924	-
Local Grants - Operating	1,580,000	1,579,000	(1,000)
Federal Grants - Operating	2,062,924	1,970,410	(92,514)
State Grants - Operating	361,233	356,743	(4,490)
Total Non-Operating Revenues	4,223,034	4,125,030	(98,004)

See accompanying notes to the budgetary comparison schedule.

**WACCAMAW REGIONAL TRANSPORTATION AUTHORITY, D/B/A THE COAST RTA
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2013**

	Final Budget	Actual Budgetary Basis	Variance Favorable (Unfavorable)
Change in Net Position - Budgetary Basis	\$ 333,027	\$ 353,064	\$ 20,037
Reconciliation of Budgetary Basis to GAAP Basis			
Depreciation Expense	(675,000)	(698,114)	(23,114)
Federal Capital Grants	877,241	587,727	(289,514)
Loss on Disposal of Capital Assets, Net of Insurance	(175,000)	(167,846)	7,154
Change in Net Position - GAAP Basis	360,268	74,831	(285,437)

See accompanying notes to the budgetary comparison schedule.

WACCAMAW REGIONAL TRANSPORTATION AUTHORITY, D/B/A THE COAST RTA
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2012

	Final Budget	Actual Budgetary Basis	Variance Favorable (Unfavorable)
Operating Expenses			
Salaries and Wages	\$2,346,660	\$ 2,306,758	\$ 39,902
Fringe Benefits	730,060	723,614	6,446
Contract Maintenance	36,670	23,196	13,474
Fuel and Oil	888,360	747,962	140,398
Custodial Services	12,000	13,640	(1,640)
Repairs and Maintenance	231,630	238,684	(7,054)
Operational Supplies	20,500	41,091	(20,591)
Liability Insurance	192,050	184,351	7,699
Utilities and Telephone	103,030	79,613	23,417
Legal and Professional Fees	40,000	41,271	(1,271)
Dues and Subscriptions	9,280	8,726	554
Property and Office Equipment Leases	12,275	11,073	1,202
Advertising and Marketing	52,450	33,631	18,819
Training and Travel	50,950	59,175	(8,225)
Interest	58,000	34,352	23,648
Non-Capital Equipment Purchased with Grant Funds	12,000	67,679	(55,679)
Office Supplies, Postage and Other Expenses	25,735	25,823	(88)
Total Operating Expenses	4,821,650	4,640,639	181,011
Operating Revenues			
Passenger Fares	527,500	519,521	(7,979)
Private Source and Service Contracts	548,240	548,243	3
Title XIX / Logisticare Service	312,000	89,240	(222,760)
Adult Day Care Service	12,175	-	(12,175)
Transit Passes	34,750	812	(33,938)
Bus Advertising Revenues	25,000	13,050	(11,950)
Other Non-Transit Revenues	4,200	1,321	(2,879)
Total Operating Revenues	1,463,865	1,172,187	(291,678)
Operating Expenses in Excess of Operating Revenues	(3,357,785)	(3,468,452)	(110,667)
Non-Operating Revenues			
Reduction of Debt Obligation - FTA	183,953	183,953	-
Reduction of Debt Obligation - SCDOT	34,924	34,924	-
Local Grants - Operating	1,527,900	1,527,900	-
Federal Grants - Operating	1,065,370	1,028,853	(36,517)
State Grants - Operating	903,716	957,255	53,539
Total Non-Operating Revenues	3,715,863	3,732,885	17,022

See accompanying notes to the budgetary comparison schedule.

**WACCAMAW REGIONAL TRANSPORTATION AUTHORITY, D/B/A THE COAST RTA
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2012**

	Final Budget	Actual Budgetary Basis	Variance Favorable (Unfavorable)
Change in Net Assets - Budgetary Basis	\$ 358,078	\$ 264,433	\$ (93,645)
Reconciliation of Budgetary Basis to GAAP Basis			
Depreciation Expense	(675,000)	(1,392,870)	(717,870)
Federal Capital Grants	1,208,997	1,225,905	16,908
State Capital Grants	405,437	420,296	14,859
Other Non-Operating Expenses	(20,000)	-	20,000
Repayment Obligation Due to Early Disposal of Buses	-	(161,944)	(161,944)
Loss on Disposal of Capital Assets, Net of Insurance	-	(1,114)	(1,114)
Change in Net Assets - GAAP Basis	<u>1,277,512</u>	<u>354,706</u>	<u>(922,806)</u>

See accompanying notes to the budgetary comparison schedule.

**WACCAMAW REGIONAL TRANSPORTATION AUTHORITY
D/B/A THE COAST RTA**

**NOTES TO THE BUDGETARY COMPARISON SCHEDULES
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

The budgetary comparison schedule of the Coast RTA's budget and actual presentation is included as other supplementary information. The annual budget is presented on the modified accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America and includes reconciliation to the change in net position for the year ended.

The original budget is based on the prior year actual results, except for known increases or decreases in revenues and expenses at the time of budget preparation. The budget is amended when the grant information is finalized for the current year. Management does not have any requirements to prevent overages in individual line items on the budget as long as the overall expenditures stay below the budgeted net change.

**WACCAMAW REGIONAL TRANSPORTATION AUTHORITY, D/B/A THE COAST RTA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013**

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Federal Expenditures
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>		
Direct Federal Grant Funding		
Urban Mass Transportation (5307 Program)		
<i>Federal Transit - Capital Investment Grants</i>		
	20.500	
SC-90-174-00		\$ 4,080
SC-90-236-00		30,027
SC-90-252-00		120,950
SC-90-270-00		216,021
<i>Federal Transit - Capital Investment Grants - ARRA</i>		
	20.500	
SC-96-X008-00		53,910
<i>Federal Transit - Formula Grants</i>		
	20.507	
SC-90-252-00		296,081
SC-90-270-00		1,089,883
		1,810,952
Total - Urban Mass Transportation (5307 Program)		1,810,952
Urban Mass Transportation (5309 Program)		
<i>Federal Transit - Bus and Bus Facilities (5309 Program)</i>		
	20.500	
SC-04-0012-00		98,264
		98,264
Total Direct Federal Grant Funding		1,909,216
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>		
Passed Through The South Carolina Department Of Transportation		
Non-Urban Mass Transportation (5311 Program)		
<i>Federal Transit - Capital Investment Grants - ARRA</i>		
	20.500	
MT-00-RR-A8		4,715
MT-109RR-U3		59,759
<i>Formula Grants For Rural Areas</i>		
	20.509	
PT-30911-30		731,637
		796,111
Total - Non-Urban Mass Transportation (5311 Program)		796,111
Urban Mass Transportation (5307 Program)		
<i>Federal Transit - Formula Grants</i>		
	20.507	
PT-30999-06		209,555
		209,555
Total - Urban Mass Transportation (5307 Program)		209,555
Total Pass-Through Grant Funding		1,005,666
Total Expenditures of Federal Awards		2,914,882

See accompanying notes to the schedule of expenditures of federal awards.

**WACCAMAW REGIONAL TRANSPORTATION AUTHORITY
D/B/A THE COAST RTA**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

The accompanying schedule of expenditures of federal awards is presented in accordance with requirements of Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements. Federal CFDA numbers are from the Catalog of Federal Domestic Assistance published by the Office of Management and Budget and the General Services Administration.

The accompanying schedule of expenditures of federal awards presents the activity of federal programs administered by the Coast RTA and is presented using the accrual basis of accounting. Federal awards that are included in the schedule may be received directly from federal agencies, as well as federal awards that are passed through from other government agencies. Matching costs (the Coast RTA's share of certain program costs) are not included in the reported federal expenditures.

The amounts reported as federal expenditures were obtained from the federal financial reports and other accounting records generated from the Coast RTA's financial reporting system. The expenditures of federal awards have been reconciled to the Coast RTA's financial reporting system for the applicable programs and periods.

B. Reporting Entity

Waccamaw Regional Transportation Authority, Conway, South Carolina, financial reporting entity is fully described in Note 1 to the financial statements. The financial reporting entity includes the primary government. There are no other organizations or activities to include for which the nature and significance of their relationship with the primary government are such that exclusion would cause the primary government's financial statements to be misleading or incomplete.

NOTE 2: SUBRECIPIENTS

No amounts were provided to subrecipients during the year ended June 30, 2013.

NOTE 3: CLASSIFICATION OF FEDERAL EXPENDITURES

The expenditures of federal awards were classified on the statement of revenues, expenses and changes in net position for the year ended June 30, 2013 as follows:

Federal Grants - Capital Expenditures	\$ 523,252
State Grants – Capital Expenditures	64,474
Total Capital Grant Expenditures	<u>587,726</u>
Federal Grants – Operating	1,385,964
State Grants – Operating	941,192
Total Operating Grant Expenditures	<u>2,327,156</u>
Total Expenditures of Federal Awards	<u>2,914,882</u>

**WACCAMAW REGIONAL TRANSPORTATION AUTHORITY D/B/A THE COAST RTA
SCHEDULE OF BUDGETED TO ACTUAL COSTS - STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2013**

		PT-30999-06				
		July 1, 2012 - June 30, 2013				
		Budget	Section 5307	SMTF*	Local	Variance
Performance period:		Jul 12 - Jun 13				
ADMINISTRATION						
Salaries and Wages	18,099	-	19,068	-	(969)	
Fringe Benefits	6,687	-	6,122	-	565	
Professional and Tech Svcs	985	-	747	-	238	
Contract Maint Svcs	59	-	71	-	(12)	
Fuel/Lubricants	234	-	325	-	(91)	
Materials and Supplies	689	-	603	-	86	
Casualty and Liability Insurance	443	-	684	-	(241)	
Advertising and Promotion Media	553	-	586	-	(33)	
Utilities	1,182	-	877	-	305	
Travel/Training	420	-	306	-	114	
Lease	271	-	273	-	(2)	
Dues and Subscriptions	246	-	206	-	40	
Total Admin	29,868	-	29,868	-	-	
OPERATIONS						
Operating and Wages	67,572	-	66,393	-	1,179	
Operations Overtime	7,421	-	5,752	-	1,669	
Operations Fringe Benefits	29,292	-	31,621	-	(2,329)	
Fuel and Lubricants	34,918	-	36,162	-	(1,244)	
Casualty and Liability Insurance	8,292	-	8,469	-	(177)	
Utilities	902	-	-	-	902	
Total Operations	148,397	-	148,397	-	-	
CAPITAL						
Contract Maintenance	982	-	1,595	-	(613)	
Dues/Subscriptions	3	-	-	-	3	
Fringe Benefits	4,858	-	4,885	-	(27)	
Fuel/Lubricants	947	-	1,108	-	(161)	
Insurance	263	-	267	-	(4)	
Janitorial	526	-	314	-	212	
Office Supplies	1,823	-	1,796	-	27	
Overtime	421	-	1,183	-	(762)	
Salaries/Wages	12,639	-	11,410	-	1,229	
Tire Maintenance	1,262	-	1,583	-	(321)	
Travel/Training	18	-	-	-	18	
Utilities	1,227	-	1,250	-	(23)	
Vehicle Maintenance	6,312	-	5,877	-	435	
Vehicle Registration	9	-	22	-	(13)	
Total Capital	31,290	-	31,290	-	-	
 Total program	 209,555	 -	 209,555	 -	 -	
Approved Budget	209,555					
TI Federal Costs	-					
TI State Costs*	209,555					
TI Local Costs	-					
Budget Balance	-					

See accompanying notes to the schedule of budgeted to actual costs - state awards.

**WACCAMAW REGIONAL TRANSPORTATION AUTHORITY D/B/A THE COAST RTA
SCHEDULE OF BUDGETED TO ACTUAL COSTS - STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2013**

		PT-30911-30				
		July 1, 2012 - June 30, 2013				
		Budget	Section 5311	SMTF*	Local	Variance
Performance period:		Jul 12 - Jun 13				
ADMINISTRATION						
Advertising		4,624	2,276	215	5,479	(3,346)
Contract Maintenance		804	277	26	667	(166)
Dues/Subscriptions		3,099	797	75	1,918	309
Fringe Benefits		93,376	23,774	2,247	57,229	10,126
Fuel/Lubricants		3,183	1,263	119	3,039	(1,238)
Insurance		6,031	2,656	251	6,394	(3,270)
Office Supplies		7,790	2,340	221	5,634	(405)
Overtime		-	-	-	-	-
Professional Fees		11,995	2,902	274	6,987	1,832
Salaries/Wages		248,833	74,043	6,998	178,241	(10,449)
Travel/Training		5,679	1,190	112	2,865	1,512
Utilities		16,082	3,404	323	8,196	4,159
Lease		3,686	1,059	100	2,549	(22)
Total Admin		405,182	115,981	10,961	279,198	(958)
OPERATIONS						
Fringe Benefits		166,021	54,177	27,088	27,088	57,668
Fuel/Lubricants		227,194	61,957	30,978	30,978	103,281
Insurance		50,404	14,510	7,255	7,255	21,384
Office Supplies		-	-	-	-	-
Overtime		42,321	9,856	4,928	4,928	22,609
Salaries/Wages		369,234	113,751	56,877	56,877	141,729
Utilities		1,830	-	-	-	1,830
Total Operations		857,004	254,251	127,126	127,126	348,501
CAPITAL						
Preventive Maintenance		322,385	214,217	9,101	44,453	54,614
Total Capital		322,385	214,217	9,101	44,453	54,614
Total program		1,584,571	584,449	147,188	450,777	402,157

Approved Budget	1,584,571
TI Federal Costs	584,449
TI State Costs*	147,188
TI Local Costs	450,777
Budget Balance	402,157

See accompanying notes to the schedule of budgeted to actual costs - state awards.

WACCAMAW REGIONAL TRANSPORTATION AUTHORITY D/B/A THE COAST RTA
SCHEDULE OF BUDGETED TO ACTUAL COSTS - STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2013

DMT Contract #
 Contract period:

	MT-009RR-A8										
	July 1, 2010 - June 30, 2013										
	Budget	Rural ARRA Prior	Rural ARRA Prior	Rural ARRA Current	Rural* Prior	Rural* Prior	Rural* Current	Local Prior	Local Prior	Local Current	Variance Total
Performance period:	Jul 10- Jun 12	Jul 10- Jun 11	Jul 11- Jun 12	Jul 12- Jun 13	Jul 10- Jun	Jul 11- Jun 12	Jul 12- Jun 13	Jul 10- Jun 11	Jul 11- Jun 12	Jul 12- Jun 13	Jul 10- Jun 13
ADMINISTRATION											
Salaries and Wages	-	-	-	-	-	-	-	-	-	-	-
Fringe Benefits	-	-	-	-	-	-	-	-	-	-	-
Professional and Tech Svcs	-	-	-	-	-	-	-	-	-	-	-
Contract Maint Svcs	-	-	-	-	-	-	-	-	-	-	-
Fuel	-	-	-	-	-	-	-	-	-	-	-
Materials and Supplies	-	-	-	-	-	-	-	-	-	-	-
Casualty and Liability Insurance	-	-	-	-	-	-	-	-	-	-	-
Advertising and Promotion	-	-	-	-	-	-	-	-	-	-	-
Utilities	-	-	-	-	-	-	-	-	-	-	-
Travel/Training	-	-	-	-	-	-	-	-	-	-	-
Lease	-	-	-	-	-	-	-	-	-	-	-
Dues and Subscriptions	-	-	-	-	-	-	-	-	-	-	-
Total Admin	-	-	-	-	-	-	-	-	-	-	-
OPERATIONS											
Operating and Wages	37,873	-	-	-	37,873	-	-	-	-	-	-
Operations Overtime	5,030	-	-	-	5,030	-	-	-	-	-	-
Operations Fringe Benefits	14,700	-	-	-	14,700	-	-	-	-	-	-
Fuel and Lubricants	21,430	-	-	-	21,430	-	-	-	-	-	-
Other Materials and Supplies	119	-	-	-	119	-	-	-	-	-	-
Utilities	52	-	-	-	52	-	-	-	-	-	-
Casualty and Liability Insurance	5,230	-	-	-	5,230	-	-	-	-	-	-
Travel/Training	66	-	-	-	66	-	-	-	-	-	-
Total Operations	84,500	-	-	-	84,500	-	-	-	-	-	-
CAPITAL											
Rehab/Renovate Facility	175,000	-	-	-	1,735	168,036	4,715	-	-	-	514
Total Capital	175,000	-	-	-	1,735	168,036	4,715	-	-	-	514
Total program	259,500	-	-	-	86,235	168,036	4,715	-	-	-	514
	Prior	Prior	Current								
	Jul 10- Jun 11	Jul 11- Jun 12	Jul 12- Jun 13								
Approved Budget	259,500	173,265	5,229								
TI Federal Costs	86,235	168,036	4,715								
TI State Costs*	-	-	-								
TI Local Costs	-	-	-								
Budget Balance	173,265	5,229	514								

See accompanying notes to the schedule of budgeted to actual costs - state awards.

WACCAMAW REGIONAL TRANSPORTATION AUTHORITY D/B/A THE COAST RTA
SCHEDULE OF BUDGETED TO ACTUAL COSTS - STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2013

DMT Contract #
 Contract period:

		MT-109RR-U3 July 1, 2010 - June 30, 2013										
		Budget	Rural ARRA Prior	Rural ARRA Prior	Rural ARRA Current	Rural* Prior	Rural* Prior	Rural* Current	Local Prior	Local Prior	Local Current	Variance Total
Performance period:		Jul 10 - Jun 12	Jul 10- Jun 11	Jul 11- Jun 12	Jul 12- Jun 13	Jul 10- Jun 11	Jul 11- Jun 12	Jul 12- Jun 13	Jul 10- Jun 11	Jul 11- Jun 12	Jul 12- Jun 13	Jul 10- Jun 13
ADMINISTRATION												
	Salaries and Wages	-	-	-	-	-	-	-	-	-	-	-
	Fringe Benefits	-	-	-	-	-	-	-	-	-	-	-
	Professional and Tech Svcs	-	-	-	-	-	-	-	-	-	-	-
	Contract Maint Svcs	-	-	-	-	-	-	-	-	-	-	-
	Fuel	-	-	-	-	-	-	-	-	-	-	-
	Materials and Supplies	-	-	-	-	-	-	-	-	-	-	-
	Casualty and Liability Insurance	-	-	-	-	-	-	-	-	-	-	-
	Advertising and Promotion	-	-	-	-	-	-	-	-	-	-	-
	Utilities	-	-	-	-	-	-	-	-	-	-	-
	Travel/Training	-	-	-	-	-	-	-	-	-	-	-
	Lease	-	-	-	-	-	-	-	-	-	-	-
	Dues and Subscriptions	-	-	-	-	-	-	-	-	-	-	-
	Total Admin	-	-	-	-	-	-	-	-	-	-	-
OPERATIONS												
	Operating and Wages	-	-	-	-	-	-	-	-	-	-	-
	Operations Overtime	-	-	-	-	-	-	-	-	-	-	-
	Operations Fringe Benefits	-	-	-	-	-	-	-	-	-	-	-
	Fuel and Lubricants	-	-	-	-	-	-	-	-	-	-	-
	Other Materials and Supplies	-	-	-	-	-	-	-	-	-	-	-
	Utilities	-	-	-	-	-	-	-	-	-	-	-
	Casualty and Liability Insurance	-	-	-	-	-	-	-	-	-	-	-
	Travel/Training	-	-	-	-	-	-	-	-	-	-	-
	Total Operations	-	-	-	-	-	-	-	-	-	-	-
CAPITAL												
	Vehicle Video Surv.	5,000	-	-	-	-	-	-	-	-	-	5,000
	Mobile Fare Equipment	75,000	-	-	-	72,450	-	7,550	-	-	-	(5,000)
	Computers	9,490	-	-	-	-	3,245	6,245	-	-	-	-
	Security System	45,964	-	-	-	-	-	45,964	-	-	-	-
	Total Capital	135,454	-	-	-	72,450	3,245	59,759	-	-	-	-
	Total program	135,454	-	-	-	72,450	3,245	59,759	-	-	-	-
			Prior	Prior	Current							
			Jul 10- Jun 11	Jul 11- Jun 12	Jul 12- Jun 13							
	Approved Budget	135,454	63,004	59,759								
	TI Federal Costs	72,450	3,245	59,759								
	TI State Costs*	-	-	-								
	TI Local Costs	-	-	-								
	Budget Balance	63,004	59,759	-								

See accompanying notes to the schedule of budgeted to actual costs - state awards.

**WACCAMAW REGIONAL TRANSPORTATION AUTHORITY
D/B/A THE COAST RTA**

**NOTES TO THE SCHEDULE OF BUDGETED TO ACTUAL COSTS - STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2013**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

The accompanying schedules of budgeted to actual costs – state awards are presented in accordance with requirements of Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Therefore, some amounts presented in these schedules may differ from amounts presented in, or used in the preparation of, the basic financial statements.

The accompanying schedules of budgeted to actual costs – state awards presents the activity of state awards administered by the Coast RTA and is presented using the accrual basis of accounting.

The amounts reported for actual expenditures of state awards were obtained from accounting records generated from the Coast RTA's financial reporting system. The actual expenditures of state awards have been reconciled to the Coast RTA's financial reporting system for the applicable programs and periods.

B. Reporting Entity

Waccamaw Regional Transportation Authority, Conway, South Carolina, financial reporting entity is fully described in Note 1 to the financial statements.

SINGLE AUDIT REPORTING

McGregor & COMPANY^{LLP}

CERTIFIED PUBLIC ACCOUNTANTS | SINCE 1930

AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS • SOUTH CAROLINA ASSOCIATION OF CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITORS' 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

Waccamaw Regional Transportation Authority
d/b/a The Coast RTA
Conway, South Carolina

To the Board of Directors:

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 business-type activities of Waccamaw Regional Transportation Authority (the Coast RTA), Conway, South Carolina, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Coast RTA's basic financial statements and have issued our report thereon dated February 5, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Coast RTA'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 Coast RTA's internal control. Accordingly, we do not express an opinion on the effectiveness of the Coast RTA's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item no. 2013-001 to be a material weakness.

Compliance and Other Matters


As part of obtaining reasonable assurance about whether the Coast RTA'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 an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item no. 2013-001.

The Coast RTA's Response to the Finding

The Coast RTA's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Coast RTA's response was not subjected to auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.


Columbia, South Carolina
February 5, 2014

McGregor & COMPANY^{LLP}

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Waccamaw Regional Transportation Authority
d/b/a The Coast RTA
Conway, South Carolina

To the Board of Directors:

Report on Compliance for Each Major Federal Program

We have audited Waccamaw Regional Transportation Authority (the Coast RTA)'s 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 Coast RTA's major federal programs for the year ended June 30, 2013. The Coast RTA's major federal programs are identified in the summary of auditors' 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 Coast RTA'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 OMB Circular A-133, *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 Coast RTA'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 Coast RTA's compliance.

Opinion on Each Major Federal Program

In our opinion, the Coast RTA 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, 2013.

Other Matters

The results of our auditing procedures disclosed other instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item no. 2013-001. Our opinion on each major federal program is not modified with respect to this matter.

The Coast RTA's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Coast RTA's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the Coast RTA 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 Coast RTA'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 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 Coast RTA's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified.

However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be a material weakness.

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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item no. 2013-001 to be a material weakness.

Report on Internal Control Over Compliance (Continued)

The Coast RTA's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Coast RTA's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Purpose of this Report

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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

McGee & Company, LPA
Columbia, South Carolina
February 5, 2014

**WACCAMAW REGIONAL TRANSPORTATION AUTHORITY
D/B/A THE COAST RTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013**

SECTION I SUMMARY OF AUDITORS' RESULTS

FINANCIAL STATEMENTS

Type of auditor's report issued on the basic financial statements: **Unmodified**

Internal control over financial reporting:

- Material weakness identified? **Yes**
- Significant deficiencies identified that are not considered to be material weaknesses? **No**

Noncompliance material to financial statements noted? **No**

FEDERAL AWARDS

Internal control over major programs:

- Material weaknesses identified? **No**
- Significant deficiencies identified that are not considered to be material weaknesses? **No**

Type of auditors' report issued on compliance for major programs: **Unmodified**

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? **Yes**

Identification of major programs:

U.S. DEPARTMENT OF TRANSPORTATION

<u>CFDA NO.</u>	<u>Federal Transit Cluster</u>
20.500	Federal Transit - Capital Investment Grants
20.507	Federal Transit - Formula Grants

Total Major Federal Program Expenditures: \$ 2,183,245

Dollar threshold used to distinguish between Type A and B programs: **\$ 300,000**

Auditee qualified as a low-risk auditee? **No**

**WACCAMAW REGIONAL TRANSPORTATION AUTHORITY
D/B/A THE COAST RTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013**

SECTION II FINDINGS RELATED TO THE AUDIT OF THE FINANCIAL STATEMENTS

FINDING NO: 2013-001

Criteria:

Organizations should follow administrative policies and procedures at all times to ensure that it is complying with applicable laws, regulations and provisions of federal and state contracts and grant agreements and implement appropriate safeguards to protect its resources acquired with federal funds from loss or declines in value or service utility. Noncompliance with certain provisions of laws, regulations, contracts and grant agreements could have a direct and material effect on the determination of financial statement amounts.

Condition:

Equipment acquired with federal funds prior to June 30, 2013, was not used for the intended purpose within established time guidelines, including grant period extensions. The performance period to install the remaining 58 bus shelters as required by terms and conditions of the federal grant award was extended each year to June 30, 2013. The project period was not extended by the government subsequent to June 30, 2013.

Effect:

The Authority may experience a reduction in future federal and or state funding from the noncompliance with federal grant and state grant requirements or a future period reduction in the carrying value of its assets acquired with federal funding.

Recommendation:

Management of the Authority should follow established policies and procedures including effective administrative oversight to ensure the Authority complies at all times with laws, regulations and provisions of federal and state contracts and grant agreements and to ensure safeguards are in place and are being followed to protect the value and service utility of federally funded assets.

Management's Response:

The Authority agrees with the finding identified. As a result, the Authority will perform a thorough review of the established policies and procedures including administrative oversight to further strengthen existing controls. In addition, all current policies and procedures that govern finance will be reviewed by staff and presented to the CFO and CEO with the results of the review. This will provide further assurance the Authority maintains compliance with laws, regulations and provisions of federal and state contracts and grant agreements. This will provide the Authority the opportunity to update safeguards that are currently in place and ensure they are being followed to protect the value and service utility of assets acquired with federal funds and to ensure compliance with certain provisions of contracts and grant agreements.

**WACCAMAW REGIONAL TRANSPORTATION AUTHORITY
D/B/A THE COAST RTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013**

SECTION III FINDINGS AND QUESTIONED COSTS RELATED TO THE AUDIT OF FEDERAL AWARDS

U.S. DEPARTMENT OF TRANSPORTATION

CFDA NO: 20.205

PROGRAM TITLE: FEDERAL HIGHWAY FUNDS

COMPLIANCE REQUIREMENT: EQUIPMENT AND REAL PROPERTY MANAGEMENT

FINDING NO: 2013-001

Criteria:

Organizations should follow administrative policies and procedures at all times to ensure that it is complying with applicable laws, regulations and provisions of federal and state contracts and grant agreements including complying with contract terms during the period established by the awarding agency. Equipment acquired with federal awards should be used in the program for which it was acquired, or when appropriate, other federal programs and for the intended purpose. Federal awards may specify a time period during which the non-federal entity may use the federal funds.

Condition:

Equipment acquired with federal funds prior to June 30, 2013, was not used for the intended purpose within established time guidelines, including grant period extensions. The performance period to install the remaining 58 bus shelters as required by terms and conditions of the federal grant award was extended each year to June 30, 2013. The project period was not extended by the government subsequent to June 30, 2013.

Effect:

The Authority may experience a reduction in future federal and or state funding from the noncompliance with federal grant and state grant requirements or may be required to repay funds used for the purchase of the remaining bus shelters not installed within the established time period.

Questioned Costs:

Unknown

Recommendation:

Management of the Authority should follow established policies and procedures including effective administrative oversight to ensure the Authority complies at all times with laws, regulations and provisions of federal and state contracts and grant agreements and to ensure safeguards are in place and are being followed to protect the value and service utility of federally funded resources and to ensure compliance with equipment and real property management compliance requirements.

Management's Response:

The Authority agrees with the finding identified. As a result, the Authority will perform a thorough review of the established policies and procedures including administrative oversight to further strengthen existing controls. In addition, all current policies and procedures that govern finance will be reviewed by staff and presented to the CFO and CEO with the results of the review. This will provide further assurance the Authority maintains compliance with laws, regulations and provisions of federal and state contracts and grant agreements. This will provide the Authority the opportunity to update safeguards that are currently in place and ensure they are being followed to protect the value and service utility of assets acquired with federal funds and to ensure compliance with equipment and real property management compliance requirements.

**WACCAMAW REGIONAL TRANSPORTATION AUTHORITY
D/B/A THE COAST RTA**

**SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013**

FINDINGS RELATED TO THE AUDIT OF THE FINANCIAL STATEMENTS

No findings were reported for the year ended June 30, 2012.

FINDINGS AND QUESTIONED COSTS RELATED TO THE AUDIT OF FEDERAL AWARDS

No findings and questioned costs were reported for the year ended June 30, 2012.