

**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, 2014 AND 2013**

**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, 2014 and 2013, 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.

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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, 2014 and 2013, 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

Effect of Adopting New Accounting Standards

As described in Note 1 to the financial statements, the Coast RTA adopted new accounting guidance, GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion on the basic financial statements is not modified with respect to this matter.

As discussed in Note 18 to the financial statements, the Governmental Accounting Standards Board (GASB) recently issued revised accounting standards for accounting and reporting on pensions that governments provide to their employees. The provisions of the new standard, which is effective for periods beginning after June 15, 2014, require cost-sharing governments to report a net pension liability, pension expense and pension-related deferred inflows and deferred outflows of resources based on the government's proportionate share of the collective amounts for all the governments participating in the plan. The Authority's proportionate share of the net pension liability will be reported on its statement of net position and the increase or decrease in net pension liability from one period to the next will be reported in the statement of revenues, expenses and changes in net position. Changes in the Authority's proportionate share of the total net pension liability will be based on the difference between the total fair value of the plan assets and the projected benefit liability. The Authority is currently evaluating the effect of adopting the new accounting standard but expects that it will have a material adverse effect on its financial position for the year ending June 30, 2015. Our opinion on the basic financial statements is not modified with respect to this matter.

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 budgetary comparison schedules on pages 26 to 29 are presented for purposes of additional analysis 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. The schedule of expenditures of state awards on page 33 is presented for purposes of additional analysis and is also not a required part of the basic financial statements. The schedules of budgeted to actual costs - state awards on pages 35 to 39 are presented for purposes of additional analysis as required by the South Carolina Department of Transportation, and are also not a required part of the basic financial statements.

Other Matters (Continued)

Other Information (Continued)

The budgetary comparison schedules, the schedule of expenditures of federal awards, the schedule of expenditures of state awards and the schedules of budgeted to actual costs – state awards are the responsibility of management and were 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 budgetary comparison schedules, the schedule of expenditures of federal awards, the schedule of expenditures of state awards and the schedules of budgeted to actual costs – state awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 30, 2015, 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 Coast RTA's internal control over financial reporting and compliance.



Columbia, South Carolina
March 30, 2015

WACCAMAW REGIONAL TRANSPORTATION AUTHORITY

D/B/A THE COAST RTA

MANAGEMENT'S DISCUSSION AND ANALYSIS

AS OF AND FOR THE YEAR ENDED JUNE 30, 2014

(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, 2014, with selective comparison to the financial performance for the fiscal year ended June 30, 2013. Please read it in conjunction with the Coast RTA's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The 2014 change in net position was \$-241,115 and represents a decrease of -9.1% over 2013.
- The Coast RTA expended \$631,165 in capital grant funds for the purchase of capital assets and payment on existing debt obligations. Of the total spent in 2014, \$372,005 is for facility renovations, \$194,480 for the annual scheduled payment on the capital lease obligation for eight vehicles purchased in 2002, \$29,355 for the partial completion of a feasibility study to build a new intermodal center and maintenance facility, \$22,340 for technology upgrades, \$8,353 for bus security cameras, and \$4,632 for boardroom technology.

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 data that are more detailed. Following the statements is 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, 2014, totaled \$2,422,875 a 9.1% decrease over June 30, 2013. Net position decreased by:

	2014	2013	Total Percent Change
Current Assets	\$ 905,795	\$ 970,446	-6.7%
Capital Assets, Net	<u>2,821,674</u>	<u>3,165,889</u>	-10.9%
Total Assets	<u>3,727,469</u>	<u>4,136,335</u>	-9.9%
Current Liabilities	573,861	1,015,190	-43.5%
Non-Current Liabilities	<u>662,123</u>	<u>419,789</u>	57.7%
Total Liabilities	<u>1,235,984</u>	<u>1,434,979</u>	-13.9%
Deferred Inflows of Resources	<u>68,610</u>	<u>37,366</u>	83.6%
Net Investment in Capital Assets	2,719,523	2,812,625	-3.3%
Unrestricted (Deficit)	<u>-296,648</u>	<u>-148,635</u>	99.6%
Net Position	<u><u>2,422,875</u></u>	<u><u>2,663,990</u></u>	-9.1%

Current assets decreased \$65,651 or 6.7% from the prior year as a result of decreased outstanding accounts receivable countered by an increase in cash.

Net capital assets decreased by \$344,215 or 10.9% resulting from a reduction in fleet; maintenance equipment; furniture, fixtures and equipment; construction in progress; and accumulated depreciation. This is offset by an increase in buildings and communication equipment resulting from a major renovation project.

Current liabilities decreased by \$441,329 or 43.5% from the prior year primarily due to a reduction of current payables for operating expenses, accrued and withheld state retirement contributions, accrued compensated absences, accrued interest payable, debt obligation due to Federal Transit Administration, and the capital lease obligation to Orix Public Finance LLC, offset by an increase in accrued payroll and withholdings.

Non-current liabilities increased by \$242,344 or 57.7% due debt obligation payable to SC Department of Transportation and accrued compensated absences, offset by a reduction of capital lease obligations due to SC Department of Transportation.

Net Position (Continued)

Deferred inflows of resources increased by 31,244 or 83.6% due to local funds received from the City of Myrtle Beach for services not provided. The service is deferred to fiscal year 2015.

Net position decreased by \$241,115 or 9.1% due to a \$408,866 or 9.9% reduction in total assets due to outstanding accounts receivable and an overall reduction of capital assets. This is countered by a \$198,995 or 13.9% reduction in total liabilities, which was the result of a reduction of current payables for operating expenses, accrued and withheld state retirement contributions, accrued compensated absences, accrued interest payable, debt obligation due to FTA, and capital lease obligations to SCDOT and the capital lease financing company. This is further offset by an increase in cash, debt obligations to SCDOT and payroll and withholdings as explained above.

Changes in Net Position

The decrease in net position at June 30, 2014 was \$241,115, compared to a \$74,831 increase for the period ended June 30, 2013 (See Table 2).

The Coast RTA's total operating revenues, which includes cash fares, and local contract revenue, decreased by 53.7% to \$564,651 in 2014. The total operating expenses decreased by 8.8% to \$4,551,260 in 2014 (See Tables 2 and 3).

Table 2
Change in Net Position

	2014	2013	Total Percent Change
Operating Revenues	<u>\$ 564,651</u>	<u>\$ 1,220,562</u>	-53.7%
Operating Expenses	<u>4,551,280</u>	<u>4,992,528</u>	-8.8%
Depreciation	<u>645,522</u>	<u>698,114</u>	-7.5%
Operating Income (Loss)	<u>-4,632,131</u>	<u>-4,470,080</u>	3.6%
Non-Operating Revenues/Expenses	<u>4,391,016</u>	<u>4,544,911</u>	-3.4%
Change in Net Position	-241,115	74,831	-422.2%
Net Position, Beginning of Year	<u>2,663,990</u>	<u>2,589,159</u>	2.9%
Net Position, End of Year	<u><u>2,422,875</u></u>	<u><u>2,663,990</u></u>	-9.1%

Operating revenues decreased by \$655,911 or 53.7% due to the expiration of the service contract for Coastal Carolina University of \$626,511 and in passenger fares of \$29,871. This is offset by an increase to bus advertising revenues of \$5,449 and a decrease to other non-transit revenues of \$4,978.

Operating expenses, without the provision for depreciation, decreased by 8.8% or \$441,268. The principal categories for the current year decrease were in salaries, wages, and fringe benefits of \$321,514 due to reduced positions and fuel and maintenance of \$222,280, due to reduced service hours and miles, all resulting from the expiration of the Coastal Carolina University service contract. Additional decreases were in interest, office and other expenses, property and office equipment leases, and non-capital equipment purchased with grant funds of \$29,753. However, the overall cost savings is countered by legal and professional fees of \$103,716 resulting from the feasibility study, marketing study, and planning services. Other increases were in utilities and telephone, training and travel, advertising and marketing, and liability insurance for increased vehicle purchases from fiscal year 2013 of \$28,563.

Operating Expenses

An additional decrease of \$52,592 in depreciation expense is primarily attributable to the disposal of six vehicles and other capital items in fiscal year 2014 as well as comparing against fiscal year 2013 where depreciation was adjusted for catchup provisions based on mileage rather than years. Comparative presentations are as follows:

Table 3
Operating Expenses

	2014	2013	Total Percent Change
Salaries, Wages and Fringe Benefits	\$3,186,890	\$3,508,404	-9.2%
Fuel and Maintenance	812,842	1,035,122	-21.5%
Legal and Professional Services	135,032	31,316	331.2%
Utilities and Telephone	72,542	69,228	4.8%
Liability Insurance	198,172	187,158	5.9%
Property and Office Equipment Leases	10,536	11,070	-4.8%
Other Operating Expenses	<u>135,246</u>	<u>150,230</u>	-11.1%
Operating Expenses Before Provisions	4,551,260	4,992,528	-8.8%
Provision for Depreciation	<u>645,522</u>	<u>698,114</u>	-7.5%
Total Operating Expenses	<u><u>5,196,782</u></u>	<u><u>5,690,642</u></u>	-8.7%

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, 2014.

Table 4
Schedule of Expenses and Revenues and Changes in Net Position -
Budget and Actual - Budgetary Basis
For the Year Ended June 30, 2014

	Final Budget	Actual - Budgetary Basis	Variance Favorable (Unfavorable)
Operating Expenses:			
Salaries, Wages and Fringe Benefits	\$ 3,264,086	\$ 3,186,890	\$ 77,196
Fuel and Maintenance	939,875	812,842	127,033
Legal and Professional Fees	30,000	135,032	-105,032
Utilities and Telephone	78,000	72,542	5,458
Liability Insurance	190,100	198,172	-8,072
Property and Office Equipment Leases	11,000	10,536	464
Other Operating Expenses	<u>157,024</u>	<u>135,246</u>	<u>21,778</u>
Total Operating Expenses	<u>4,670,085</u>	<u>4,551,260</u>	<u>118,825</u>
Operating Revenues:			
Passenger Fares	679,200	513,739	-165,461
Bus Advertising Revenues	100,000	40,956	-59,044
Other Operating Revenues	<u>2,500</u>	<u>9,956</u>	<u>7,456</u>
Total Operating Revenues	<u>781,700</u>	<u>564,651</u>	<u>-217,049</u>

Analysis of Significant Budget Variations (Continued)

**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	\$ -3,888,385	\$ -3,986,609	\$ -165,461
Audit Disallowance Payback	245,940	245,940	0
Vehicle Impairment Loss	0	-111,178	-111,178
Operating and Administration Grants	<u>4,098,914</u>	<u>4,183,853</u>	<u>84,939</u>
Change in Net Position Budgetary Basis	<u><u>456,469</u></u>	<u><u>332,006</u></u>	<u><u>-124,463</u></u>

EXPENSES

Salaries, wages, and fringe benefits compared favorably to the budget by \$77,196 as a result of unfilled positions.

Fuel and maintenance compared favorably to the budget \$127,033 as a result of, reducing para transit services and starting summer service later on all routes, which reduced the amount of miles and hours the buses operated. In addition, vehicle and equipment repair costs were less due to reducing fleet of the oldest vehicles and delaying some repairs to fiscal year 2015 due to unfilled maintenance positions. Custodial services also reduced due to better inventory control.

Legal and professional fees compared unfavorably to the budget \$105,032 as a result of the feasibility study, originally budgeted in capital grants and paid from local funds; marketing study; and planning services.

Utilities and telephone compared favorably to the budget by \$5,458 as a result of installing a new heating and air conditioning system.

Liability insurance compared unfavorably to the budget by \$8,072 resulting from purchasing ten (10) buses from Richmond RTA the prior fiscal year and underestimating the actual insurance cost.

Other operating expenses compared favorably to the budget by \$21,778. This includes costs such as office supplies, postage, and dues and subscriptions, which are reduced resulting from utilizing better inventory control; advertising and marketing due to delaying route brochures; and interest expense resulting from paying off the bus lease. Costs compared unfavorably to the budget includes training and travel resulting additional travel for additional training opportunities offered to management staff, and capital purchases less than \$5,000 due to unbudgeted server replacement and accounting software upgrades, office furniture, and bus signage consulting.

REVENUES

Total operating revenues for the year ended June 30, 2014 compared unfavorably to budgeted revenues. The majority of the operating revenues are from passenger fares and advertising. Passenger fares were down for fiscal year 2014 resulting from not starting summer services in May as budgeted as well as reducing other service hours and miles on routes. Advertising revenues were also down for fiscal year 2014 resulting from a lack of interest from negative public image.

REVENUES (Continued)

Operating grant revenues were lower than budgeted revenues by \$81,796 due to lower actual operating expenses for the year ended June 30, 2014. Operating grants are received from federal, state, and local governments. The actual 2014 operating grant revenues were \$110,965 more than the 2013 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	2014	2013	Total Percent Change
Federal, State and Local The Coast RTA	<u>\$ 8,041,106</u>	<u>\$ 8,154,708</u>	-1.4%
Total Capital Assets	8,041,106	8,154,708	-1.4%
Accumulated Depreciation	<u>5,219,432</u>	<u>4,988,819</u>	4.6%
Total Capital Assets, Net	<u>2,821,674</u>	<u>3,165,889</u>	-10.9%

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The 2015 original budget was approved at the Coast RTA Board of Director's meeting on June 25, 2014.

The total operating expenses projected for 2015 are \$4,779,111, which reflects an increase of 5.0% compared to 2014 actual expenses. The projected increase to expenses is due primarily to projected increases in salaries, wages, and benefits, and other expenses deriving from additional professional services, travel and training, and contract maintenance.

Economic factors that are surrounding the Coast RTA service area are the downturn of the economy, which is affecting state and local grant funding; maintaining an adequate bus fleet; negative public image; and securing dedicated local funding.

The total projected operating revenues for 2015 are \$650,874, which reflects a 15.3% increase compared to 2014 actual revenue. The increase is due to increased advertising and fare revenues.

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

OTHER MATTERS – NEW PRONOUNCEMENTS

The Governmental Accounting Standards Board (GASB) recently issued Statement No. 68, *Accounting and Financial Reporting for Pensions (Employers)*, which is intended to improve guidance for accounting and reporting on pensions that governments provide to their employees. GASB Statement No. 68, which is effective for fiscal years beginning after June 15, 2014, will require the Authority to recognize a net pension liability on its statement of net position and an additional pension expense on its statement of revenues, expenses and changes in net position for the year ending June 30, 2015.

Once adopted, the Authority's financial statements for the year ending June 30, 2015, will be significantly impacted as follows:

- The beginning balance of the Authority's unrestricted net position will be restated in an amount equal to the Authority's proportionate share of the retirement plan's collective net pension liability to reflect this liability as of the beginning of the fiscal year (July 1, 2014). Based on unaudited preliminary estimates received from the SC Public Employee Benefit Authority (PEBA), the Organization that administers the State's retirement plans, including the SC Retirement System of which the Authority is an active member, the Authority's portion of collective net pension liability as of June 30, 2014, that will be recognized and used to restate the beginning unrestricted net position balance of the Authority as of July 1, 2014, is estimated to be approximately \$3,694,000.
- The Authority will be required to recognize a pension expense (benefit) based on actuarial calculations of future retirement benefits (net deferred inflows of resources) as of June 30, 2014, in addition to the recognition of the annual required contribution (ARC) obligations to the cost-sharing multiple-employer SC retirement system (SCRS) plan. Based on unaudited preliminary estimates received from SC PEBA, the Authority's balance of net deferred inflows of resources as of June 30, 2014, totals \$206,760, which is expected to be recognized as a component of pension expense over the next 4 fiscal years as follows: \$45,482 each year for years ending June 30, 2015, 2016, 2017 and \$70,314 for year ending June 30, 2018.

Actual amounts that will be used by the Authority to adjust unrestricted net position beginning balance for its proportionate share of the plan's collective net pension liability and to recognize the additional pension expense related to the balance of deferred outflows of resources over the next 4 fiscal years will not be available until the retirement plan's stand-alone audited financial statements are available for distribution. The stand-alone June 30, 2014 audited financial statements of the plans administered by PEBA, including the SCRS plan, were expected to be available for issuance by the end of December 2014.

Funding requirements of the pension plan obligations will be governed by the Authority's funding policy. GASB Statement No. 68 reporting requirements do not impact the funding of the pension plans, only the financial accounting and reporting for the plans.

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.

WACCAMAW REGIONAL TRANSPORTATION AUTHORITY, D/B/A THE COAST RTA
STATEMENTS OF NET POSITION
JUNE 30, 2014 AND 2013

	2014	2013
Assets		
Current Assets		
Cash and Cash Equivalents	\$ 461,048	\$ 326,763
Accounts Receivable - Ridership and Other Services	7,906	22,731
Accounts Receivable - Federal and State Grants	272,192	446,375
Accounts Receivable - Employees	5,838	5,820
Inventory - Parts and transportation Fuel	111,128	120,520
Prepaid Expenses	47,683	48,237
Total Current Assets	905,795	970,446
Capital Assets		
Land	140,000	140,000
Buildings	1,451,472	942,397
Bus Shelters	110,299	110,299
Buses, Vans and Service Vehicles	5,179,449	5,401,806
Communication Equipment	109,278	93,056
Maintenance Equipment	125,159	134,897
Furniture, Fixtures and Equipment	925,202	982,302
Construction in Progress	247	349,951
Accumulated Depreciation	(5,219,432)	(4,988,819)
Total Capital Assets, Net	2,821,674	3,165,889
Total Assets	3,727,469	4,136,335
Liabilities		
Current Liabilities		
Accounts Payable	56,808	136,938
Accrued Payroll and Withholdings	271,975	182,203
Accrued and Withheld State Retirement Contributions	27,236	38,568
Accrued Compensated Absences	56,698	85,771
Accrued Interest Payable	-	5,500
Debt Obligation Payable to Federal Transit Administration	-	183,953
Debt Obligation Payable to SC Department of Transportation	61,988	61,988
Capital Lease Obligations	30,000	251,113
Revolving Loan Agreement Due to SC Department of Transportation	60,000	60,000
Due to Federal Transit Administration	9,156	9,156
Total Current Liabilities	573,861	1,015,190
Non-Current Liabilities		
Accrued Compensated Absences, Net of Current Portion	53,782	43,553
Capital Lease Obligations, Net of Current Portion	72,151	102,151
Debt Obligation Payable to SC Department of Transportation, Net of Current Portion	536,190	274,085
Total Non-Current Liabilities	662,123	419,789
Total Liabilities	1,235,984	1,434,979
Deferred Inflows of Resources		
Local Grant and Other Funds Received in Advance of Earnings Period	68,610	37,366
Total Deferred Inflows of Resources	68,610	37,366
Net Position		
Net Investment in Capital Assets	2,719,523	2,812,625
Unrestricted (Deficit)	(296,648)	(148,635)
Total Net Position	2,422,875	2,663,990

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, 2014 AND 2013

	2014	2013
Operating Revenues		
Passenger Fares	\$ 513,739	\$ 543,610
Private Source and Service Contracts	-	626,511
Bus Advertising Revenues	40,956	35,507
Other Non-Transit Revenues	<u>9,956</u>	<u>14,934</u>
Total Operating Revenues	<u>564,651</u>	<u>1,220,562</u>
Operating Expenses		
Salaries, Wages and Fringe Benefits	3,186,890	3,508,404
Fuel and Oil	573,303	733,832
Repairs and Maintenance	232,895	292,855
Custodial Services	6,644	8,435
Legal and Professional Fees	135,032	31,316
Utilities and Telephone	72,542	69,228
Liability Insurance	198,172	187,158
Property and Office Equipment Leases	10,536	11,070
Advertising and Marketing	25,936	23,799
Training and Travel	43,905	31,807
Interest	7,700	20,607
Office Supplies, Postage and Other Expenses	32,968	47,199
Non-Capital Equipment Purchased with Grant Funds	<u>24,737</u>	<u>26,818</u>
Subtotal	4,551,260	4,992,528
Depreciation Expense	<u>645,522</u>	<u>698,114</u>
Total Operating Expenses	<u>5,196,782</u>	<u>5,690,642</u>
Operating Expenses in Excess of Operating Revenues	<u>(4,632,131)</u>	<u>(4,470,080)</u>
Grant and Other Revenues (Expenses)		
Federal Grants - Operating	2,004,284	1,970,410
State Grants - Operating	429,951	356,743
Local Grants - Operating	1,582,883	1,579,000
Federal Grants - Capital	601,810	587,727
State Grants - Capital	29,355	-
In Kind Contribution Revenue	166,735	-
Audit Disallowance - Bus Shelters - SC Department of Transportation	(324,093)	-
Vehicle Impairment Loss	(111,178)	-
Reduction of Debt Obligation by SC Department of Transportation	61,988	34,924
Reduction of Debt Obligation by Federal Transportation Authority	183,952	183,953
Loss on Disposal of Capital Assets, Net of Insurance Proceeds	<u>(234,671)</u>	<u>(167,846)</u>
Total Grant and Other Revenues (Expenses) - Net	<u>4,391,016</u>	<u>4,544,911</u>
Change in Net Position - Increase (Decrease)	(241,115)	74,831
Net Position - Beginning of Year	<u>2,663,990</u>	<u>2,589,159</u>
Net Position - End of Year	<u>2,422,875</u>	<u>2,663,990</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, 2014 AND 2013**

	2014	2013
Cash Flows from Operating Activities		
Cash Received from Customers	\$ 513,739	\$ 543,610
Cash Received from Private Source and Service Contracts	14,825	683,903
Cash Received from Non-Transit Revenue	50,912	18,867
Cash Payments to Employees and for Fringe Benefits	(3,154,548)	(3,499,702)
Cash Payments for Fuel and Maintenance	(762,682)	(1,010,449)
Cash Payments for Insurance	(197,618)	(195,516)
Cash Payments for Utilities	(72,542)	(69,228)
Cash Payments for Professional Fees	(135,032)	(31,316)
Cash Payments for Property and Office Equipment Leases	(10,536)	(11,070)
Cash Payments for Interest on Capital Debt	(13,200)	(25,798)
Cash Payments for Other Operating Expenses	(162,347)	(163,645)
Cash Payments for Non-Capital Equipment Purchased with Grant Funds	<u>(24,737)</u>	<u>(26,818)</u>
Net Cash Used in Operating Activities	<u>(3,953,766)</u>	<u>(3,787,162)</u>
Cash Flows from Non-Capital Financing Activities		
Proceeds from Operating Grants	<u>4,189,930</u>	<u>3,779,293</u>
Net Cash Provided by Non-Capital Financing Activities	<u>4,189,930</u>	<u>3,779,293</u>
Cash Flows from Capital and Related Financing Activities		
Proceeds from Capital Grants	632,534	694,937
Increase in (Reductions of) Long Term Obligations Payable	-	(37,238)
Reductions of Capital Lease Obligations	(251,113)	(238,656)
Deposit on Capital Purchases	-	8,199
Proceeds from the Disposal of Capital Assets	13,891	56,991
Cash Payments for Purchases of Capital Assets	<u>(497,191)</u>	<u>(479,205)</u>
Net Cash Provided by (Used in) Capital and Related Financing Activities	<u>(101,879)</u>	<u>5,028</u>
Net Increase (Decrease) in Cash and Cash Equivalents	134,285	(2,841)
Cash and Cash Equivalents - Beginning of Year	<u>326,763</u>	<u>329,604</u>
Cash and Cash Equivalents - End of Year	<u><u>461,048</u></u>	<u><u>326,763</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, 2014 AND 2013**

	2014	2013
Reconciliation of Operating Loss to Net Cash Used in Operating Activities		
Operating Expenses in Excess of Operating Revenues	\$ (4,632,131)	\$ (4,470,080)
Adjustments to Reconcile Operating Expenses in Excess of Operating Revenues to Net Cash Used in Operating Activities		
Depreciation Expense	645,522	698,114
Expense of Items Included in Prior Year Construction in Progress	2,880	-
Decrease (Increase) in Accounts Receivable	14,807	58,482
Decrease (Increase) in Inventory	9,392	(22,012)
Decrease (Increase) in Prepaid Expenses	554	(8,358)
Increase (Decrease) in Accounts Payable	(52,894)	(52,139)
Increase (Decrease) in Accrued Liabilities and Withholdings	26,860	13,797
Increase (Decrease) in Funds Received in Advance of Earnings Period	31,244	(4,966)
Net Cash Used in Operating Activities	<u>(3,953,766)</u>	<u>(3,787,162)</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. The Coast RTA receives a significant amount of its funding from FTA and SCDOT under reimbursable capital and operating grants. Other funds received from local cities and counties are used for matching requirements of Federal and State grants and for other expenses not qualifying as reimbursable costs under Federal and State grant programs.

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. 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 and the differences could be significant.

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. Vehicle parts comprised the highest dollar component of inventory throughout the year and at year end. Vehicle parts inventory is maintained at levels suitable for immediate repairs and replacements, as necessary, to ensure uninterrupted service capacity of transportation equipment.

E. Accounts Receivable and Revenue Recognition

Grant revenues earned and paid to the Coast RTA subsequent to year end are recorded as accounts receivable at year end. Capital and operating grant and other revenue recognition requirements are met when the related services are provided, or costs have been incurred subject to reimbursement by Federal and or State agencies. No allowance for uncollectible accounts is recorded as management considers all accounts and grants receivable fully collectible.

F. Prepaid Expenses

Prepaid expenses are goods or services paid for and recorded in advance of their use or consumption in the course of business, which represent expenses of a future period and, therefore are properly reported as an asset at June 30. Typically, prepaid expenses include insurance premiums paid in advance of the related coverage period.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Capital Assets

Capital assets purchased with federal, state or local funds are recorded at cost. Costs for all items exceeding \$5,000 individually and that have future utility service periods of more than one year from the date of purchase are capitalized and subject to depreciation, with the exception of computers. Computers purchased are capitalized and depreciated regardless of the 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 or the remaining Federal interest value in the vehicle at the time of title transfer. 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
Computer Equipment	3-5 Years
Buildings and Building Improvements	10-30 Years

When property and equipment are retired, the assets and related accumulated depreciation accounts are adjusted accordingly, and any gain or loss is included as non-operating revenue or loss. Sales or disposals 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.

H. 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.

I. 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.

J. Adoption of New Accounting Standard

During the current year, the Coast RTA implemented GASB Statement No. 65, "*Items Previously Reported as Assets and Liabilities*". Items previously reported as "deferred revenues" in the liability section of previous year's financial statements are now reclassified and reported as "unearned revenues" under "Deferred Inflows of Resources" in the statements of net position. The adoption of this standard had no effect on the Coast RTA's financial statements other than this reclassification.

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, 2014, 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 held by the financial institution's trust department and pledged to the Coast RTA.

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

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 currently 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 to the Plan and the percentage of that amount contributed for each of the three (3) years ended June 30, 2014, 2013, and 2012 are as follows:

	Amount	Percentage Contributed
<u>Year Ended June 30, 2014</u>		
Employer	\$ 203,334	10.450%
Employees	145,579	7.5%
<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, 2014, 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, 2014 and 2013 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 final payment of principal and interest was made January 14, 2014. The Coast RTA used Federal funds each year to satisfy the annual principal and interest payment obligation.

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 Canon Business Solutions for three (3) photocopiers with annual payments of \$3,295. The lease agreement is for 60 months through the period ending June 30, 2018.

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 \$878 per month during 2014 for a total of \$10,536. This agreement is renewed annually between the Coast RTA and JJC Conway Shopping Center, Inc. The renewed lease agreement effective for 2015 increases the monthly rentals by 3% to \$904 per month for a total of \$10,848.

The changes in capital vehicle lease payable obligation for the years ended June 30, 2014 and 2013 are as follows:

	Balance at July 1, 2013	Additions	Reductions	Balance at June 30, 2014
Capital Lease Obligation Payable	<u>\$ 353,264</u>	<u>\$ -</u>	<u>\$ (251,113)</u>	<u>\$ 102,151</u>

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

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

Fiscal years ending June 30:	
2015 (Current Portion)	\$ 30,000
2016	30,000
2017	30,000
2018	<u>12,151</u>
Total annual payments	102,151
Less amounts representing interest	<u>-</u>
Total minimum payments	102,151
Less current portion	<u>(30,000)</u>
Long-term portion	<u>72,151</u>

NOTE 7 FINANCIAL COMMITMENTS AND OBLIGATIONS

In June 2014, the Coast RTA entered into a contract with Cummins for \$17,570 to perform an engine replacement on a vehicle in order to return it to active service. No services had been provided as of June 30, 2014.

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.

The following summarizes the changes in capital assets of the Coast RTA during the year ended June 30, 2014:

Account Classifications	Beginning			Ending	Prior	Current			Ending
	Cost	Additions	Deletions	Cost	Accum. Depr.	Depr.	Deletions	Accum. Depr.	
Land	\$ 140,000	\$ -	\$ -	\$ 140,000	\$ -	\$ -	\$ -	\$ -	
Buildings	942,397	549,381	(40,306)	1,451,472	641,426	62,652	(40,305)	663,773	
Bus Shelters	110,299	-	-	110,299	110,299	-	-	110,299	
Vehicles	5,401,806	166,235	(388,592)	5,179,449	3,770,829	461,912	(277,415)	3,955,326	
Communication Equipment	93,056	16,222	-	109,278	19,854	17,803	-	37,657	
Maintenance Equipment	134,897	-	(9,738)	125,159	95,606	6,900	(9,738)	92,768	
Furniture, Fixtures and Equipment	982,302	30,350	(87,450)	925,202	350,805	96,255	(87,451)	359,609	
Const. in Progress	349,951	247	(349,951)	247	-	-	-	-	
Totals	8,154,708	762,435	(876,037)	8,041,106	4,988,819	645,522	(414,909)	5,219,432	
Less Accumulated Depreciation	<u>(4,988,819)</u>			<u>(5,219,432)</u>					
Net Carrying Value	<u>3,165,889</u>			<u>2,821,674</u>					

As of June 30, 2013, construction in progress totaling \$349,951, contained costs that were carried forward and capitalized, expensed or removed during fiscal year 2014. Building renovation costs that were carried forward and capitalized during June 30, 2014, totaled \$98,509. The cost of the remaining fifty-eight (58) bus shelters totaling \$248,562 were removed from the assets of the Coast RTA due to expiration of the Bus Shelter and Signage Project during the year ended June 30, 2014. These costs were included in loss on disposal of capital assets in the statement of revenues, expenses and changes net position. Other ancillary costs totaling \$2,880 represented prepayments of services benefiting fiscal year 2014 and were expensed. During the year Coast RTA recognized a vehicle impairment loss on one of its buses which had no service utility life due to delayed repairs necessary for the bus to be operable. The carrying value of this bus at June 30, 2014 exceeded the fair value (scrap value) by \$111,178. The carrying value of this bus was written off and recognized as a vehicle impairment loss in the statement of revenues, expenses and changes in net position for the year ended June 30, 2014.

Capital assets of the Coast RTA were increased during the year ended June 30, 2014, from the acquisition of new computer equipment, construction costs incurred for the completion of the building renovation project and other costs for the audio/video equipment and work cubicles. Assets donated and capitalized during the year ended June 30, 2014, included three (3) trolleys with assumed federal interest from Pee Dee RTA totaling \$166,235. The value of the three (3) trolleys is included in the statement of revenues, expenses and changes in net position as in-kind contribution revenues.

Assets acquired in previous periods including office furniture, fixtures, office and computer equipment were removed from the capital asset listing as these assets were either disposed of or were removed due to the expiration of service utility life and were no longer used in the production of operating revenues. During the year, six (6) buses and a passenger van were sold for \$13,891. Costs and the related accumulated depreciation on these assets sold or disposed of totaled \$414,909. All assets sold or disposed of were fully depreciated and had no book value remaining at the time of sale or disposal.

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	<u>(6,352,785)</u>			<u>(4,988,819)</u>				
Net Carrying Value	3,618,591			3,165,889				

As of June 30, 2013, construction in progress totaling \$349,951 contained costs that were capitalized and carried forward to FY 2014. Included in construction in progress at June 30, 2012 and 2013 were costs of the remaining fifty-eight (58) bus shelters totaling \$248,562. The remaining costs included in construction in progress as of June 30, 2013, included building renovation construction costs of \$98,509 and other ancillary building and equipment software prepayment of costs totaling \$2,880.

Capital asset additions during the year ended June 30, 2013, included the cost for the purchase of ten (10) used buses, security cameras and destination signage, vehicle and building rehabilitation and electronic fare boxes.

The cost of six (6) Blue Bird buses and related accumulated depreciation were removed due to the authorized sale and disposition of those buses totaling \$2,215,874 and \$1,982,850, respectively. The cost for other assets including furniture, fixtures and office and other equipment no longer in use were removed together with accumulated depreciation totaling \$80,000 and \$79,230, respectively.

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 fleet vehicles. 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. A calculation was made comparing the remaining book value based on straight-line depreciation and 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 lives calculated based on mileage to more accurately reflect the remaining useful lives and value of the fleet. As a result, the Coast RTA recognized \$36,284 in additional depreciation expense during fiscal year 2014 (\$163,515 in 2013). 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 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, was paid off in full during the fiscal year ended June 30, 2014. On February 4, 2014, the Coast RTA received a letter from the Federal Transit Administration (FTA) acknowledging the full repayment of federal funds.

The change in debt obligation to FTA for the year ended June 30, 2014 is as follows:

	Balance at July 1, 2013	Additions	Reductions	Balance at June 30, 2014
Obligation Payable	\$ 183,953	\$ -	\$ (183,953)	\$ -

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	\$ 367,905	\$ -	\$ (183,952)	\$ 183,953

NOTE 12 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, 2014. 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, 2014. Per agreement with SCDOT, the Coast RTA has negotiated a five-year repayment plan using SMTF funds to begin in fiscal year 2014.

During fiscal year 2014, the Coast RTA was notified by SCDOT of an additional liability of \$324,093 as a result of a review by SCDOT and FTA in regards to its bus shelter program. The long term obligation payable was later revised by SCDOT in December 2014. See Note 17 to the financial statements. Based on information received at the time of notification by SCDOT, the repayment of these funds is expected to be recovered from reductions of future State Mass Transit Funds available to Coast RTA beginning with the fiscal year ending after June 30, 2015.

NOTE 12 OBLIGATION PAYABLE - SC DEPARTMENT OF TRANSPORTATION (SCDOT) (Continued)

The outstanding debt obligations due to the SCDOT as of June 30, 2014, 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, based on repayment agreements in effect as of June 30, 2014.

<u>Reduction Year</u>	<u>Amount</u>
FY 2015 (Current Portion)	\$ 61,988
FY 2016	61,988
FY 2017	61,988
FY 2018	61,988
FY 2019	26,133
FY 2020	<u>324,093</u>
Obligation Payable to SCDOT	<u>598,178</u>

The change in debt obligations to SCDOT for the year ended June 30, 2014 is as follows:

	Balance at July 1, 2013	Additions	Scheduled Reductions	Balance at June 30, 2014
Obligation Payable	<u>\$ 336,073</u>	<u>\$ 324,093</u>	<u>\$ (61,988)</u>	<u>\$ 598,178</u>

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

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

NOTE 13 CONTINGENT LIABILITIES

Litigation

On June 17, 2014, a previous employee filed a suit against the Coast RTA claiming wrongful termination of employment. While the Coast RTA believes it has meritorious defenses against the suit, the ultimate resolution of the matter, which is expected to occur within one year, could result in an unfavorable outcome. The amount of the unfavorable outcome cannot be reasonably determined at this time. The suit claims damages of \$5 million. Discovery, including depositions, have not been completed and the Authority is planning to mediate this case in February 2015. Management estimates any loss awarded will be covered under the Authority's general liability insurance policy. No amount has been accrued as of June 30, 2014, because the conditions to recognize a loss contingency have not been met.

Asset Retirement and Environmental Obligations

The Coast RTA owns an in-ground diesel and gasoline fuel tank which provides the Authority an opportunity to refuel its transportation fleet when service routes are completed and before the next service run begins. The Coast RTA has not recorded and recognized a contingent liability for its asset retirement obligation as of June 30, 2014. Costs necessary to remove the tank, clean-up costs (containment removal, remedial action) enforcement costs, government oversight costs and natural resource damages will be the responsibility of the Coast RTA. The Coast RTA estimates insurance policy coverage will be sufficient to cover these costs. The amount of these and other costs regarding the asset retirement obligation cannot be reasonably estimated at the current time.

NOTE 14 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:

- South Carolina Department of Employment and Workforce: For unemployment benefit claims.
- State Accident Fund: For workers' compensation benefit claims.
- South Carolina Public Employee Benefit Authority: For health benefits.

NOTE 15 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 16 ECONOMIC DEPENDENCIES

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 17 SUBSEQUENT EVENTS

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, 2014 and expires on August 10, 2015.

By letter dated December 31, 2014, the Authority was notified of an increase in the debt obligation due to the SC Department of Transportation as a result of the final audit of the Bus Shelter and Signage Project by SCDOT. The total debt obligation due to the SCDOT was revised and resulted in an increase of \$53,407, from \$324,093 at June 30, 2014 to \$377,500. The required reductions in future annual State Mass Transit Funds from SCDOT which will reduce the debt obligation over the next five fiscal years beginning with fiscal year ending June 30, 2016 as follows:

<u>Reduction Year</u>	<u>Reduction</u>
Year Ended June 30, 2016	\$ 75,500
Year Ended June 30, 2017	75,500
Year Ended June 30, 2018	75,500
Year Ended June 30, 2019	75,500
Year Ended June 30, 2020	<u>75,500</u>
Total Revised New Debt Obligation to SC Department of Transportation	<u>377,500</u>

NOTE 18 NEW PRONOUNCEMENTS

The Governmental Accounting Standards Board (GASB) has issued Statement No. 68. *Accounting and Financial Reporting for Pensions (Employers) – an amendment of GASB Statement No. 27*, to improve guidance for accounting and reporting on pensions that governments provide to their employees. GASB believes it is important to give users of the financial statements of cost-sharing employers access to better, more transparent financial information. Consequently, under the new standard, the GASB is requiring that cost-sharing governments report a net pension liability, pension expense and pension-related deferred inflows and outflows of resources based on the government's proportionate share of the collective amounts for all the governments participating in the plan. Issued June 2012, this statement replaces the requirements of GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of GASB Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trust or equivalent arrangements that meet certain criteria. GASB Statement No. 68 will be effective for the Coast RTA's fiscal year ending June 30, 2015. This statement relates to accounting and financial reporting and does not apply to how governments approach the funding of their pension plans. At present, there is a close connection between the ways many governments fund pensions and how they account for and report information about them in financial reports. This statement separates how the accounting and financial reporting is determined from how pensions are funded.

NOTE 18 NEW PRONCEMENTS (Continued)

Key changes when GASB Statement No. 68 is adopted by participating governments will include:

- Separating how the accounting and financial reporting is determined from how pensions are funded.
- Employers with defined benefit pension plans will recognize a net pension liability, as defined by the standard, in their government-wide, proprietary and fiduciary fund financial statements.
- Incorporating ad hoc cost-of-living adjustments and other ad hoc postemployment benefit changes into projections of benefit payments, if an employer's past practice and future expectations of granting them indicate they are essentially automatic.
- Using a discount rate that applies (a) the expected long-term rate of return on pension plan investments for which plan assets are expected to be available to make projected benefit payments, and (b) the interest rate on a tax-exempt 20 year AA/Aa or higher rated municipal bond index to projected benefit payments for which plan assets are not expected to be available for long-term investment in a qualified trust.
- Adopting a single actuarial cost allocation method – entry age normal – rather than the current choice among six actuarial cost methods.
- Requiring more extensive note disclosures and required supplementary information.
- Requires a restatement of beginning net position balance equal to the government's proportionate share of the plan's collective net pension liability to reflect this liability as of the beginning of the year.
- The recognition of pension expense based on actuarial calculations in addition to the recognition of the annual required contribution (ARC) obligations to the State's cost-sharing multiple-employer retirement plan.

Once GASB Statement No. 68 is adopted during the year ending June 30, 2015, management expects the financial impact of recognizing the net pension liability on the government's statement of net position will be significant. The government's actual proportionate share of the collective net pension liability that will be used to adjust beginning net position by the recognition of this liability will not be available until the plan's stand-alone audited financial statements are complete.

WACCAMAW REGIONAL TRANSPORTATION AUTHORITY, D/B/A THE COAST RTA
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2014

	Final Budget	Actual Budgetary Basis	Variance Favorable (Unfavorable)
Operating Expenses			
Salaries and Wages	\$ 2,323,534	\$ 2,357,694	\$ (34,160)
Fringe Benefits	940,552	829,196	111,356
Fuel and Oil	580,100	573,303	6,797
Repairs and Maintenance	248,500	141,668	106,832
Custodial Services	12,000	6,644	5,356
Operational Supplies	52,000	47,965	4,035
Contract Maintenance	47,275	43,262	4,013
Legal and Professional Fees	30,000	135,032	(105,032)
Utilities and Telephone	78,000	72,542	5,458
Liability Insurance	190,100	198,172	(8,072)
Property and Office Equipment Leases	11,000	10,536	464
Dues and Subscriptions	9,330	9,890	(560)
Advertising and Marketing	41,400	25,936	15,464
Training and Travel	30,160	43,905	(13,745)
Interest	13,200	7,700	5,500
Non-Capital Equipment Purchased with Grant Funds	16,634	24,737	(8,103)
Office Supplies, Postage and Other Expenses	46,300	23,078	23,222
Total Operating Expenses	4,670,085	4,551,260	118,825
Operating Revenues			
Passenger Fares	679,200	513,739	(165,461)
Bus Advertising Revenues	100,000	40,956	(59,044)
Other Non-Transit Revenues	2,500	9,956	7,456
Total Operating Revenues	781,700	564,651	(217,049)
Operating Expenses in Excess of Operating Revenues	(3,888,385)	(3,986,609)	(98,224)
Non-Operating Revenues			
Reduction of Debt Obligation - FTA	183,952	183,952	-
Reduction of Debt Obligation - SCDOT	61,988	61,988	-
Local Grants - Operating	1,622,338	1,582,883	(39,455)
Federal Grants - Operating	2,046,625	2,004,284	(42,341)
State Grants - Operating	429,951	429,951	-
In Kind Contribution Revenue	-	166,735	166,735
Total Non-Operating Revenues	4,344,854	4,429,793	84,939

See accompanying notes to the budgetary comparison schedule.

**WACCAMAW REGIONAL TRANSPORTATION AUTHORITY, D/B/A THE COAST RTA
BUDGETARY COMPARISON SCHEDULE (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2014**

	Final Budget	Actual Budgetary Basis	Variance Favorable (Unfavorable)
Change in Net Position - Budgetary Basis	\$ 456,469	\$ 443,184	\$ (13,285)
Reconciliation of Budgetary Basis to GAAP Basis			
Depreciation Expense	(675,000)	(645,522)	29,478
Federal Capital Grants	1,015,100	601,810	(413,290)
State Capital Grants	-	29,355	29,355
Vehicle Impairment Loss	-	(111,178)	(111,178)
Audit Disallowance - Bus Shelters - SC DOT	-	(324,093)	(324,093)
Loss on Disposal of Capital Assets, Net of Insurance	-	(234,671)	(234,671)
Change in Net Position - GAAP Basis	<u>796,569</u>	<u>(241,115)</u>	<u>(1,037,684)</u>

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)
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 (CONTINUED)
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	<u>360,268</u>	<u>74,831</u>	<u>(285,437)</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, 2014 AND 2013**

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, 2014**

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 - ARRA</i>	20.500	
SC-96-X008-00		\$ 160,653
<i>Federal Transit - Formula Grants</i>	20.507	
SC-90-174-00		41,307
SC-90-236-00		119,510
SC-90-252-00		41,311
SC-90-266-00		1,369,065
SC-90-270-00		21,018
		<hr/>
Total Direct Federal Grant Funding		1,752,864
		<hr/>
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>		
Passed Through The South Carolina Department Of Transportation		
Non-Urban Mass Transportation (5311 Program)		
<i>Formula Grants For Rural Areas</i>	20.509	
PT-40911-19		705,835
Urban Mass Transportation (5316 Program)		
<i>Federal Transit - Formula Grants</i>	20.516	
PT-40916-56		75,000
Non-Urban Mass Transportation (5316 Program)		
<i>Federal Transit - Formula Grants</i>	20.516	
PT-40916-37		72,395
		<hr/>
Total Pass-Through Grant Funding		853,230
		<hr/>
Total Expenditures of Federal Awards		2,606,094
		<hr/> <hr/>

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, 2014

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, 2014.

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, 2014 as follows:

<u>Federal Capital Grants</u>	
Direct	\$ <u>601,810</u>
Total Capital Grant Expenditures	<u>601,810</u>
<u>Federal Operating Grants</u>	
Direct	\$ 1,151,054
Pass-Through	<u>853,230</u>
Total Operating Grant Expenditures	<u>2,004,284</u>
Total Expenditures of Federal Awards	<u><u>2,606,094</u></u>

**WACCAMAW REGIONAL TRANSPORTATION AUTHORITY, D/B/A THE COAST RTA
SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2014**

State Grantor/Program Title	State Expenditures
<u>S.C. DEPARTMENT OF TRANSPORTATION</u>	
Direct State Grant Funding	
Non-Urban Mass Transportation (5311 Program)	
<i>State Mass Transit Funds - Special Project</i>	
PT-40999-B1	\$ 29,355
 <i>Formula Grants For Rural Areas</i>	
PT-40911-19	<u>217,164</u>
Total - Non-Urban Mass Transportation (5311 Program)	246,519
 Urban Mass Transportation (5307 Program)	
<i>State Mass Transit Funds - Formula Grants</i>	
PT-30999-06	<u>212,787</u>
Total Expenditures of State Awards	<u><u>459,306</u></u>

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

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

**NOTES TO THE SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2014**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

The accompanying schedule of expenditures of state 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 these schedules may differ from amounts presented in, or used in the preparation of, the basic financial statements.

The accompanying schedule of expenditures of 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 expenditures of state awards were obtained from accounting records generated from the Coast RTA's financial reporting system. The 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.

**WACCAMAW REGIONAL TRANSPORTATION AUTHORITY D/B/A THE COAST RTA
SCHEDULE OF BUDGETED TO ACTUAL COSTS - STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2014**

		PT-40911-19				
		July 1, 2013 - June 30, 2014				
		Budget	Section 5311	SMTF*	Local	Variance
Performance period:		Jul 13 - Jun 14				
ADMINISTRATION						
Advertising and Promotion Media	4,775	2,408	445	463	(1,459)	
Contract Maint Svcs	764	752	139	145	272	
Dues and Subscriptions	2,944	1,882	347	362	(353)	
Fringe Benefits	82,391	40,820	7,537	7,846	(26,188)	
Fuel/Lubricants	4,456	2,115	390	407	(1,544)	
Casualty and Liability Insurance	5,730	3,859	712	742	(417)	
Materials and Supplies	8,005	5,346	987	1,028	(644)	
Professional and Tech Svcs	9,549	3,922	724	754	(4,149)	
Salaries and Wages	211,093	172,166	31,787	33,093	25,953	
Travel/Training	2,865	3,172	586	610	1,503	
Utilities	14,006	7,566	1,397	1,454	(3,589)	
Lease	3,501	2,219	410	426	(446)	
Total Admin	350,079	246,227	45,461	47,330	(11,061)	
OPERATIONS						
Operations Fringe Benefits	92,722	37,441	24,448	31,552	719	
Fuel and Lubricants	95,055	42,362	27,661	35,700	10,668	
Casualty and Liability Insurance	27,858	13,649	8,912	11,502	6,205	
Operations Overtime	21,232	5,163	3,371	4,351	(8,347)	
Operating and Wages	203,300	88,765	57,961	74,804	18,230	
Utilities	0	0	0	0	0	
Total Operations	440,167	187,380	122,353	157,909	27,475	
CAPITAL						
Contract Maintenance	16,744	25,213	4,571	1,747	14,787	
Dues/Subscriptions	32	0	0	0	(32)	
Fringe Benefits	60,405	41,854	7,587	2,900	(8,064)	
Fuel/Lubricants	11,960	9,019	1,635	625	(681)	
Insurance	2,831	2,395	434	166	164	
Janitorial	4,784	2,140	388	148	(2,108)	
Operations Supplies	20,731	15,448	2,801	1,070	(1,412)	
Overtime	8,771	9,374	1,699	649	2,951	
Salaries/Wages	141,249	104,522	18,948	7,242	(10,537)	
Tire Maintenance	19,136	8,966	1,625	621	(7,924)	
Travel/Training	0	0	0	0	0	
Utilities	13,555	11,792	2,138	817	1,192	
Vehicle Maintenance	79,733	41,469	7,518	2,873	(27,873)	
Vehicle Registration	100	36	6	2	(56)	
Total Capital	380,031	272,228	49,350	18,860	(39,593)	
Total Program	1,170,277	705,835	217,164	224,099	(23,179)	
Approved Budget	1,170,277					
TI Federal Costs	705,835					
TI State Costs*	217,164					
TI Local Costs	224,099					
Budget Balance	23,179					

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, 2014**

PT-30999-06					
July 1, 2013 - June 30, 2014					
Budget	Section 5307	SMTF*	Local	Variance	
Jul 13 - Jun 14					
ADMINISTRATION					
Advertising and Promotion Media	20,225	3,360	328	4,433	(12,104)
Contract Maint Svcs	4,511	1,050	102	1,385	(1,974)
Dues and Subscriptions	6,306	2,625	256	3,464	39
Fringe Benefits	127,040	56,948	5,554	75,147	10,609
Fuel/Lubricants	9,544	2,951	288	3,893	(2,412)
Casualty and Liability Insurance	12,270	5,383	525	7,104	742
Materials and Supplies	17,145	7,459	727	9,842	883
Professional and Tech Svcs	20,451	5,472	534	7,220	(7,225)
Salaries and Wages	512,797	240,188	23,427	316,942	67,760
Travel/Training	6,135	4,425	432	5,838	4,560
Utilities	29,994	10,555	1,029	13,928	(4,482)
Lease	7,499	3,095	302	4,084	(18)
Total Admin	773,917	343,511	33,504	453,280	56,378
OPERATIONS					
Operations Fringe Benefits	421,501	83,565	29,664	93,081	(215,191)
Fuel and Lubricants	327,958	94,549	33,563	105,316	(94,530)
Casualty and Liability Insurance	115,626	30,464	10,814	33,933	(40,415)
Operations Overtime	75,836	11,524	4,091	12,836	(47,385)
Operating and Wages	738,564	198,114	70,326	220,676	(249,448)
Utilities	0	0	0	0	0
Total Operations	1,679,485	418,216	148,458	465,842	(646,969)
CAPITAL					
Contract Maintenance	25,256	36,058	2,855	7,839	21,496
Dues/Subscriptions	48	0	0	0	(48)
Fringe Benefits	91,113	59,858	4,739	13,012	(13,504)
Fuel/Lubricants	18,040	12,898	1,021	2,804	(1,317)
Insurance	4,269	3,425	271	745	172
Janitorial	7,216	3,061	242	665	(3,248)
Operations Supplies	31,269	22,094	1,749	4,803	(2,623)
Overtime	13,229	13,406	1,061	2,914	4,152
Salaries/Wages	213,055	149,481	11,837	32,495	(19,242)
Tire Maintenance	28,864	12,823	1,015	2,788	(12,238)
Travel/Training	0	0	0	0	0
Utilities	20,445	16,865	1,335	3,666	1,421
Vehicle Maintenance	120,267	59,308	4,696	12,893	(43,370)
Vehicle Registration	150	51	4	11	(84)
Total Capital	573,221	389,328	30,825	84,635	(68,433)
Total Program	3,026,623	1,151,055	212,787	1,003,757	(659,024)

Approved Budget	3,026,623
TI Federal Costs	1,151,055
TI State Costs*	212,787
TI Local Costs	1,003,757

Budget Balance 659,024

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, 2014**

DMT Contract #	PT-40999-B1				
Contract period:	July 1, 2013 - June 30, 2014				
	Budget	Section 5311	SMTF*	Local	Variance
Performance period:	Jul 13 - Jun 14				
CAPITAL					
Special Project - Feasibility Study	73,386	0	29,355	44,031	0
Total Capital	73,386	0	29,355	44,031	0
Total Program	73,386	0	29,355	44,031	0
Approved Budget	73,386				
TI Federal Costs	0				
TI State Costs*	29,355				
TI Local Costs	44,031				
Budget Balance	0				

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, 2014**

PT-40916-56					
July 1, 2013 - June 30, 2014					
Budget	Section	SMTF*	Local	Variance	
Jul 13 - Jun 15					
OPERATIONS					
Fringe Benefits	29,976	14,986	0	16,310	1,320
Fuel/Lubricants	41,087	16,956	0	18,454	(5,677)
Insurance	8,416	5,463	0	5,946	2,993
Office Supplies	0	0	0	0	0
Overtime	4,580	2,067	0	2,249	(264)
Salaries/Wages	65,941	35,528	0	38,668	8,255
Utilities					0
Total Operations	150,000	75,000	0	81,627	6,627
CAPITAL					
40' Bus	187,500	0	0	0	(187,500)
Total Capital	187,500	0	0	0	(187,500)
Total Program	337,500	75,000	0	81,627	(180,873)

Approved Budget	337,500
TI Federal Costs	75,000
TI State Costs*	0
TI Local Costs	81,627
Budget Balance	180,873

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, 2014**

DMT Contract #

Contract period:

Performance period:

OPERATIONS

Fringe Benefits
 Fuel/Lubricants
 Insurance
 Office Supplies
 Overtime
 Salaries/Wages
 Utilities
 Total Operations

 Total Program

PT-40916-56				
July 1, 2013 - June 30, 2014				
Budget	Section 5316	SMTF*	Local	Variance
Jul 13 - Jun 15				
44,525	14,465	0	17,577	(12,483)
72,000	16,367	0	19,888	(35,745)
13,100	5,273	0	6,408	(1,419)
0	0	0	0	0
7,455	1,995	0	2,424	(3,036)
97,310	34,295	0	41,672	(21,343)
				0
234,390	72,395	0	87,969	(74,026)
234,390	72,395	0	87,969	(74,026)

Approved Budget	234,390
TI Federal Costs	72,395
TI State Costs*	0
TI Local Costs	87,969
 Budget Balance	 74,026

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, 2014**

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.

C.C. McGregor, CPA
1906–1968

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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, 2014, 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 March 30, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered 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 Coast RTA's internal control. Accordingly, we do not express an opinion on the effectiveness of 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 accompany schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. 2014-001 to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention to those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as item no's. 2014-002 and 2014-003 to be significant deficiencies.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Coast RTA's Responses to the Findings

The Coast RTA's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Coast RTA's responses were not subjected to auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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
March 30, 2015

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1906–1968

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INDEPENDENT AUDITORS' 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, 2014. 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, 2014.

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.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weakness may exist that have not been identified.

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.



Columbia, South Carolina
March 30, 2015

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014**

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? **Yes**

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? **No**

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 - ARRA
20.507	Federal Transit - Formula Grants
20.509	Formula Grants for Rural Areas

Total Major Federal Program Expenditures: \$ 2,458,699

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, 2014**

SECTION II FINDINGS RELATED TO THE AUDIT OF THE FINANCIAL STATEMENTS

FINDING NO: 2014-001

Criteria:

Organizations should design internal controls to prevent or detect and correct account misstatements on a timely basis to ensure accuracy in financial reporting. Effectively designed internal controls should include procedures to test for impairment loss for all assets subject to the potential for a loss resulting from the difference between the fair value and carrying value of the asset. Types of events that indicate that asset cost recoverability should be assessed include a significant decrease in market value, a significant decrease in the use of an asset, adverse changes in the legal or business environment that affects an asset's value or costs of constructing or improving an asset significantly exceed those originally expected.

Condition:

During the performance of our audit procedures, we became aware of a bus that was not included in the operating fleet due to deferred repairs. Management plans to sell the bus for scrap in fiscal year 2015. It was determined the carrying value of this bus at June 30, 2014, exceeded the fair value by \$111,178.

Effect:

The Authority's reported value for capital assets was overstated and charges against current year operating revenues were understated by the difference between the carrying value and scrap value of the bus by \$111,178. Existing internal controls were not effective in the prevention or detection and correction of this error in reporting. Monitoring of internal control procedures to assess whether existing controls were suitably designed to test for impairment loss were not performed and documented.

Recommendation:

Management of the Authority should design effective internal controls over financial reporting to prevent or detect and correct misstatements on a timely basis. The Coast RTA should design controls to include testing for impairment loss on all assets subject to potential for loss as determined between the fair value and carrying value at least annually with the results of testing documented and the recognition of a loss in the financial statements in the period the loss in value is determined to be other than temporary. Monitoring controls should also be designed and performed throughout the year.

Management's Response / Corrective Action Plan:

The Authority agrees with the finding identified. Monitoring controls have been put into place to address potential variances between the fair value and carrying value of its capital assets subject to impairment losses. Additionally, all transportation vehicles out of service for more than 30 days will have a benchmark plan to put them back into service. At that time, if a transportation vehicle is determined to have changed its cost recoverability due to a significant decrease in its service utility value, a significant decrease in the use of the vehicle, adverse changes in the legal or business environment that affects a vehicle's value or if costs of improving the asset significantly exceeds those amounts originally expected, then adjustments will be made in the financial statements to record the effect of this change in a timely manner.

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014**

SECTION II FINDINGS RELATED TO THE AUDIT OF THE FINANCIAL STATEMENTS

FINDING NO: 2014-002

Criteria:

Segregation of duties is critical to effective internal control. Proper segregation of duties ensures that misstatements, whether caused by error or fraud, are prevented or detected and corrected on a timely basis by employees in the normal course of performing their assigned functions. Proper segregation of duties means that no single individual should have control over two or more phases of a transaction or operation. Management should assign responsibilities to ensure a crosscheck of duties. When these functions or duties cannot be separated, a detailed supervisory review of related activities is required as a compensating control activity; it serves to mitigate the severity of the control deficiency.

Condition:

During the course of our audit, we discovered the current interim general manager has responsibilities for two or more phases of the same or similar transactions and operations. Specifically, one individual has the authority to prepare and post journal entries to the general ledger accounts without prior review and approval of the journal entries, including supporting documentation from someone independent of the journal entry process. In addition, the same individual has the responsibility for oversight of the Authority's operating activities, including compliance with laws, regulations and provisions of grant agreements and compliance requirements, as well as the primary financial statement accounting and reporting functions.

Effect:

The risk that one person could carry out and conceal errors, fraud or noncompliance with applicable laws, regulations or provisions of contracts or grant agreements, in the course of performing their day-to-day activities is higher when allowed or assigned access to incompatible duties or responsibilities.

Recommendation:

Management of the Authority should establish proper segregation of duties controls and assign or allocate incompatible duties and responsibilities from one individual who participates in more than one phase of a single transaction or operating activity. Appropriate compensating or mitigating controls should also be considered and implemented to reduce the severity of the control deficiency if duties and responsibilities cannot be reasonably separated due to limited personnel resources.

Management's Response / Corrective Action Plan:

The Authority agrees with the finding identified. Segregation of duties internal controls have been put into place to ensure misstatements are prevented or detected and corrected on a timely basis by assigning transaction responsibilities to two or more individuals, ensuring crosschecks. If unable to separate these duties and responsibilities due to limited resources, a member of the board will review the related activities as a compensating control activity.

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014**

SECTION II FINDINGS RELATED TO THE AUDIT OF THE FINANCIAL STATEMENTS

FINDING NO: 2014-003

Criteria:

Proper internal controls over financial reporting require that procedures be designed and followed at all times to prevent or detect and correct misstatements on a timely basis to ensure that interim and annual financial statements are accurate, complete and presented in accordance with the organization's appropriate applicable financial reporting framework.

Condition:

During the performance of our audit procedures, we discovered one expense account contained multiple transactions that would be typically be reported in other appropriate expense accounts or account groups for transactions containing expenses with the same or similar purpose. In addition, correcting journal entries to properly reclassify the expenses to the appropriate expense accounts and to record an additional payroll related liability and accrual were not made until several months subsequent to year end during the year end closing process. We also identified a correction of a misstatement of an expense account and a related accrued liability account that was not made until after the initial year end closing process. These misstatements were not timely corrected.

Effect:

The Authority's interim and preliminary annual financial statements which were reviewed and approved by the Board of Directors contained one account with approximately \$141,000 of expenses that were not reclassified timely into the appropriate expense accounts or account groups and an unrecorded liability and related expense of approximately \$103,500. These corrections to account misstatements were not made until after the initial year end closing process. The majority of the \$141,000 in expenses reclassified was for a non-budgeted feasibility study and additional employee health insurance premiums.

Recommendation:

Management of the Authority should follow established internal controls over financial reporting at all times during the year to ensure that financial information, including actual to budget comparisons, is accurate, complete and presented in accordance with accounting principles generally accepted in the United States of America. Designed controls over financial reporting should be followed at all times to prevent or detect and correct account misstatements on a timely basis. Actual expenses should follow the expectations used in the development of the budget.

Management's Response / Corrective Action Plan:

The Authority agrees with the finding identified. In order to timely correct misstatements, internal controls over financial reporting have been put into place, including comparing actual to budget expense accounts, to reflect accurate and complete financial information presented in accordance with GAAP. This includes reclassifying expenses to the appropriate expense classifications and recording liabilities in the proper period. Actual expenses are used in the development of the budget except in the rare case that an expense is not relevant in the next fiscal year.

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014**

SECTION III FINDINGS RELATED TO THE AUDIT OF FEDERAL AWARDS

None Reported.

**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, 2014**

FINDINGS RELATED TO THE AUDIT OF THE FINANCIAL STATEMENTS

Finding No. 2013-001

Condition and Effect:

Administrative oversight procedures were not followed at all times to ensure the Authority complies with applicable laws, regulations and provisions of federal and state contracts and grant agreements and to ensure its assets are protected from possible future declines in service utility or loss in the carrying value of its assets acquired with Federal funds. Due to the expiration of the period of time to install the remaining 58 bus shelters as required by the terms and conditions of the grant agreements, the Bus Shelter and Signage Project was terminated on June 30, 2013 and was not extended.

During the year ended June 30, 2014, the Authority was officially notified by the SC Department of Transportation to reimburse SCDOT for the required payback by means of reduced future State Mass Transit Funds and forego rights of ownership in the remaining 58 bus shelter inventory.

The total calculated payback to SCDOT resulted in the recording and recognition of an audit disallowance expense and a long term liability in the same amount of \$324,093 as of June 30, 2014.

There was no similar finding for the year ended June 30, 2014.

**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, 2014**

FINDINGS AND QUESTIONED COSTS RELATED TO THE AUDIT OF FEDERAL AWARDS

**U.S, Department of Transportation (Department)
CFDA No. 20.205
Program Title: Federal Highway Funds**

Finding No. 2013-001

Condition and Effect:

Administrative oversight procedures were not followed at all times to ensure the Authority complies with applicable laws, regulations and provisions of federal and state contracts and grant agreements and to ensure its assets are protected from possible future declines in service utility or loss of value. Period of performance conditions were not met within the time frame established by federal awarding agencies, including grant period extensions, which were necessary for the Authority to be in compliance with the provisions of the grant award. Due to the expiration of the period of time to install the remaining 58 bus shelters as required by the terms and conditions of the grant agreements, the Bus Shelter and Signage Project was terminated on June 30, 2013 and was not extended.

During the year ended June 30, 2014, the Authority was officially notified by the SC Department of Transportation to reimburse SCDOT for the required payback by means of reduced future State Mass Transit Funds and forego rights of ownership in the remaining 58 bus shelter inventory.

The total calculated payback to SCDOT resulted in the recording and recognition of an audit disallowance expense and a long term liability in the same amount of \$324,093 as of June 30, 2014.

There was no similar finding for the year ended June 30, 2014.