

**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, 2015 AND 2014**

**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, 2015 and 2014, and the related notes to the financial statements, which collectively comprise Waccamaw Regional Transportation Authority, Conway, South Carolina's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

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

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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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, 2015 and 2014, 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 Standard*

As discussed in Note 1 to the financial statements, the Governmental Accounting Standards Board (GASB) issued revised accounting standards for accounting and reporting on pensions that governments provide to their employees. The provisions of the new standard, which were effective for the current year, require cost-sharing multiple-employer 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 governments participating in the cost-sharing multiple-employer retirement plan. During the year ended June 30, 2015, the Coast RTA adopted the new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. 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 12 and retirement benefits information on pages 35 and 36 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 Supplementary Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Waccamaw Regional Transportation Authority, Conway, South Carolina's basic financial statements. The budgetary comparison schedules on pages 37 through 40 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 42 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 44 is presented for purposes of additional analysis as required by the South Carolina Department of Transportation, and is also not a required part of the basic financial statements. The schedules of budgeted to actual costs - state awards on pages 46 and 47 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 Supplementary 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 the Coast RTA's 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 January 27, 2016, on our consideration of Waccamaw Regional Transportation Authority, Conway, South Carolina'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 Waccamaw Regional Transportation Authority, Conway, South Carolina's internal control over financial reporting and compliance.

Columbia, South Carolina  
January 27, 2016

**WACCAMAW REGIONAL TRANSPORTATION AUTHORITY**

**D/B/A THE COAST RTA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**AS OF AND FOR THE YEAR ENDED JUNE 30, 2015**

**(UNAUDITED)**

This section of 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, 2015, with selective comparison to the financial performance for the fiscal year ended June 30, 2014. Please read it in conjunction with the Coast RTA's financial statements, which follow this section.

**ACTIVITES OF THE COAST RTA - HIGHLIGHTS AND SIGNIFICANT EVENTS**

- The 2015 change in net position was \$(654,269) compared to a net decrease in net position of (\$241,115) for the year ended June 30, 2014.
- The Coast RTA disposed of multiple transportation vehicles in June 2015 which included fully depreciated buses, trolleys and vans which had no future service utility life or were not operational. The total cost removed from the Coast RTA's capital asset inventory in June was \$1,724,855, which approximated accumulated depreciation through the disposal date. The removal of non-efficient and non-operational buses is part of the vehicle transportation replacement initiative to better position the Coast RTA to continue meeting the needs of those depending on this viable form of transportation in much more efficient and cost savings ways.
- The Coast RTA acquired five (5) used buses from the Dallas Area Regional Transportation Authority in June 2015, increasing its capital asset inventory by \$173,881 and recognized in-kind contribution revenue of \$144,045 on the transfer of these buses, which represented the remaining Federal interest in the buses at the time of transfer.
- The Coast RTA adopted and implemented GASB Statement No. 68, "*Accounting and Financial Reporting for Pensions (Employers) – an amendment of GASB Statement No. 27*," which became effective for the current year. The provisions of the new standard require a change in the accounting and reporting of cost-sharing multiple-employer defined benefit retirement plans in the financial statements of plan participating member employers. On July 1, 2014, the date of adoption and implementation of the new standard, unrestricted net position was restated for the initial recognition of the Coast RTA's proportionate share of the net pension liability. Other changes in accounting and reporting since the date of adoption and implementation of the new standard are more fully described in Notes 7 and 19 to the financial statements. The most significant impact at the time of adopting GASB Statement No. 68 was the recognition of its proportionate share of the net pension liability associated with the SC Retirement System and the Police Officers Retirement System actuarially determined at June 30, 2013, which required a restatement of the beginning balance in unrestricted net position as of July 1, 2014, of \$3,676,480.
- The Coast RTA recognized an impairment loss on two (2) International transportation buses which were taken out of service at June 30, 2015, due to manufacturer defects which could render the buses unsafe while in use. The impairment loss recognized totaled \$271,901.
- Net position of the Coast RTA at June 30, 2015 was negatively impacted by the cumulative impact of excess expenses over revenues of \$654,269 and the recording of the net pension liability of \$3,676,480 resulting from the adoption of GASB Statement No. 68. Net position at June 30, 2015, compared to net position at June 30, 2014, changed unfavorably by \$4,330,749. Net position at June 30, 2015, reflects a deficit balance of \$1,907,874.

## OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of the annual report consists of three (3) parts: management's discussion and analysis (this section); the basic financial statements with corresponding note disclosures and required supplementary information (RSI) along with other supplementary schedules and 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 disclosures in the notes to the financial statements that help explain and support financial information presented in the basic financial statements by offering narrative and more detail. Following the basic financial statements and notes to the financial statements is a section consisting of required supplementary information and other supplementary information that further explains and supports the information in the basic financial statements and notes to the financial statements.

The Coast RTA reports its financial information using the full accrual basis of accounting as its financial reporting framework. The financial statements are prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. Under this financial reporting framework, operating and non-operating revenues are recognized in the period in which they are earned. Operating and non-operating expenses are recognized in the period in which they are incurred and the related liability is created. Depreciation of capital assets is recognized as a separate expense item in the statement of revenues, expenses, and changes in net position.

Statement of Net Position – This statement presents information for total assets and deferred outflows of resources and total liabilities and deferred inflows of resources and net position. Net position is reported as the difference between total assets plus deferred outflows of resources less total liabilities and deferred inflows of resources. This statement is one way to measure the Coast RTA's financial health or position at a given point in time.

Statement of Revenues, Expenses and Changes in Net Position – This statement presents information showing how the Coast RTA's net position changed during the fiscal year. It identifies the revenues generated and the expenses incurred associated with earning the revenues reported.

Statement of Cash Flows – This statement presents the sources and uses of cash segregated by four (4) major categories: operating activities, noncapital financing activities, capital and related financing activities and investing activities.

Notes to the Financial Statements – The notes to the financial statements include disclosures and additional information that is essential in understanding the financial data presented in the basic financial statements as well as certain other disclosures regarding information about commitments, obligations and contingencies that do not necessarily affect account balances reported in the statements as of a certain point in time or during a period of activity reported on.

RSI and Other Supplementary Information – The budgetary comparison schedules, the schedules of state retirement contributions, net pension liabilities and related deferral accounts and the schedules of expenditures of federal and state awards are not a required part of the Coast RTA's basic financial statements but offers additional analysis by comparing actual and budgeted revenues and expenses with variances by major account groups, presentation regarding retirement benefits as a member of the State's cost-sharing multiple-employer retirement plan and identification and reporting of expenditures by project and or grant number for all federal and state assistance provided in the form of operating and capital grants.

## FINANCIAL ANALYSIS

The following condensed comparative financial statements of the Coast RTA serve as the key financial data providing indicators for management, monitoring and planning. Comments regarding annual variances are included by section.

### Condensed Statement of Net Position

Net position represents the difference between total assets plus deferred outflows of resources, less total liabilities and deferred inflows of resources. As shown in Table 1, the Coast RTA's total net position at June 30, 2015, reports a deficit balance of \$1,907,874 compared to a positive balance of \$2,422,873 reported at June 30, 2014. The financial position of the Coast RTA as of June 30, 2015 and 2014 and its net position is as follows:

Table 1

#### **Condensed Statement of Net Position As Of June 30,**

	<b>2015</b>	<b>2014</b>
Current Assets	\$ 868,233	\$ 905,795
Capital Assets, Net	<u>2,305,364</u>	<u>2,821,674</u>
<b>Total Assets</b>	<b><u>3,173,597</u></b>	<b><u>3,727,469</u></b>
<b>Deferred Outflows of Resources</b>	<b><u>298,653</u></b>	<b><u>-</u></b>
Current Liabilities	745,185	573,861
Non-Current Liabilities	<u>4,297,580</u>	<u>662,123</u>
<b>Total Liabilities</b>	<b><u>5,042,765</u></b>	<b><u>1,235,984</u></b>
<b>Deferred Inflows of Resources</b>	<b><u>337,359</u></b>	<b><u>68,610</u></b>
Net Investment in Capital Assets	2,228,213	2,719,523
Unrestricted (Deficit)	<u>(4,136,087)</u>	<u>(296,648)</u>
<b>Net Position (Deficit)</b>	<b><u>(1,907,874)</u></b>	<b><u>2,422,875</u></b>

Current assets decreased by \$37,562 from the prior year as a result of a decrease in inventory and a decrease in cash offset by an increase in grant receivables.

Net capital assets decreased by \$516,310 or 18.3% resulting from a reduction in the cost of operating fleet vehicles from disposals at year end; reduction of vehicle costs due to impairment loss recognition, recognition of annual depreciation expense on furniture, fixtures and equipment, buildings and improvements and vehicles being used in operations, offset by a cost increase from the acquisition of five (5) used buses from DART.

Deferred outflows of resources increased by \$298,653 from the initial year recording of the differences between expected and actual funding of plan retirement contributions and current period retirement contributions related to the defined benefit pension plans as a result of adoption of GASB Statement No. 68, effective for the current year.

Current liabilities increased by \$171,324 from the prior year primarily due to an increase in current payables for operating expenses, additional obligations owed to SCDOT within the next operating cycle and additional obligations owed to the Federal Transit Administration for remaining equity interests in vehicles sold, offset by a decrease in accrued compensated absences and accrued payroll and related withholdings.



## FINANCIAL ANALYSIS (Continued)

### Condensed Statement of Net Position (Continued)

Overall, non-current liabilities increased \$3,635,457. The significant component of the increase compared to year 2014 is attributable to the Coast RTA's net pension liability, which is required by GASB Statement No. 68, effective for the current year. The Coast RTA's net pension liability at June 30, 2015, totaled \$3,728,453. Excluding the net pension liability at June 30, 2015, non-current liabilities decreased due to reclassifications of current portion of the obligation payable to DHHS, (\$30,000), reclassification of current portion of the obligation due to SCDOT (\$84,080) offset by an increase of \$21,084 in accrued compensated absences which is based on a three year average of leave taken.

Deferred inflows of resources increased by \$268,749 resulting from the recording of the increase in the net difference between projected and actual earnings on pension plan investments as a result of adoption of GASB Statement No. 68 offset by a decrease in local grant and other funds received in advance of earnings period. The Coast RTA carried forward \$46,668 to year 2015 from year 2014, which represented funds received for advertising and local funding from the City of Myrtle Beach to expand service to routes 15N & 15S during the summer months of 2014 and 2015. These carry over funds were recognized as advertising and local grant fund revenues in fiscal year ended June 30, 2015.

Net position decreased by \$4,330,749 from year 2014. There were two (2) components that affected the change in the reported balance of net position at June 30, 2015. First, net position was decreased by \$654,269 as a result of this year's change in net position as reported on the statement of revenues, expenses and changes in net position for the year ended June 30, 2015. Second, net position was reduced by a restatement of the opening balance at July 1, 2014, the date of adoption and implementation of GASB Statement No. 68, by \$3,676,480 which represents the Coast RTA's proportionate share of the collective net pension liability of all Plan members.

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

The decrease in net position for the year ended June 30, 2015, before restatement for the effects of adopting GASB Statement No. 68 was \$654,269, compared to a \$241,115 decrease for the year ended June 30, 2014, as reflected in the following table.

Table 2

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

For The Year Ended June 30,	2015	2014
Operating Revenues	\$ 477,436	\$ 564,651
Operating Expenses	(4,416,035)	(4,551,260)
Depreciation	<u>(485,865)</u>	<u>(645,522)</u>
Operating Income (Loss)	<u>(4,424,464)</u>	<u>(4,632,131)</u>
Non-Operating Revenues(Expenses)	<u>3,770,195</u>	<u>4,391,016</u>
Change in Net Position (Decrease)	(654,269)	(241,115)
Net Position, Beginning of Year, as Previously Reported	2,422,875	2,663,990
Restatement for the Effects of Implementation of GASB 68	<u>(3,676,480)</u>	<u>-</u>
Net Position (Deficit), End of Year	<u>(1,907,874)</u>	<u>2,422,875</u>

## FINANCIAL ANALYSIS (Continued)

### Condensed Statement of Revenues, Expenses and Changes in Net Position (Continued)

#### Operating Revenues

Operating revenues decreased by \$87,215 due to decreases in passenger fares of \$64,162 and bus advertising revenues of \$29,109. The net decrease is offset by an increase in other non-transit revenues of \$6,056.

#### Operating Expenses

Before the provision for depreciation expense, operating expenses decreased by \$135,225. The principal components comprising the overall current year decrease were decreases in salaries, wages and fringe benefits of \$152,895 due to a decrease in the number of personnel in high level management positions; a reduction in gasoline, diesel and oil expense of \$159,993 primarily resulting in lower gasoline and diesel fuel prices; offset by an increase in repairs and maintenance of \$141,149 due to an increase in the number of operational buses and repairing and maintenance of older buses in the operating fleet. Other operating expenses were comparable with 2014, except for the costs removed for parts for vehicles and trolleys that were disposed of in June 2015. These parts were considered obsolete as of June 30, 2015, with little likelihood of cost recovery in the open market.

The decrease of \$159,657 in the annual provision for depreciation expense is primarily attributable to recognition of depreciation expense on buses that had met their estimated useful life or had become fully depreciated by use of the high mileage (500,000 miles or more) threshold. After the end of year June 30, 2014, the majority of remaining buses in service during year 2015 has less than 500,000 miles and were being depreciated over the estimated useful lives ranging from five (5) to twelve (12) years. Comparative presentations of operating expenses are as follows:

**Table 3**

#### **Condensed Statement of Operating Expenses For The Year Ended June 30,**

	<b>2015</b>	<b>2014</b>
Salaries, Wages and Fringe Benefits	\$3,033,995	\$3,186,890
Fuel, Maintenance and Supplies	797,054	812,842
Legal and Professional Services	143,421	135,032
Utilities and Telephone	66,224	72,542
Liability Insurance	196,600	198,172
Non-Capital Equipment Purchased with Grant Fund	14,317	24,737
Interest on Capital Lease Financing	-	7,700
Professional Dues and Subscriptions	12,744	9,890
Provision for Inventory Obsolescence	21,154	-
Other Operating Expenses	<u>130,526</u>	<u>103,455</u>
Operating Expenses Before Provision for Depreciation Expense	4,416,035	4,551,260
Provision for Depreciation Expense	<u>485,865</u>	<u>645,522</u>
Total Operating Expenses	<u><u>4,901,900</u></u>	<u><u>5,196,782</u></u>

## FINANCIAL ANALYSIS (Continued)

### Analysis of Significant Budget Variations

The Board of Directors of the Coast RTA approves the operating and capital budgets for each year. The Board throughout the year can amend the budget as necessary. The operating and capital budgets were not amended during the year ended June 30, 2015.

Table 4

#### Schedule of Operating Revenues and Operating Expenses and Changes in Net Position- Budget and Actual - Budgetary Basis For the Year Ended June 30, 2015

	Original / Final Budget	Actual - Budgetary Basis	Variance Favorable (Unfavorable)
<b>Operating Expenses:</b>			
Salaries, Wages and Fringe Benefits	\$ 3,310,100	\$ 3,033,995	\$ 276,105
Fuel, Maintenance and Supplies	941,060	797,054	144,006
Legal and Professional Fees	35,000	143,421	(108,421)
Utilities and Telephone	76,000	66,224	9,776
Liability Insurance	206,000	196,600	9,400
Professional Dues and Subscription	11,500	12,744	(1,244)
Non-Capital Equipment Purchased with Grant Fund	-	14,317	(14,317)
Provision for Inventory Obsolescence	-	21,154	(21,154)
Other Operating Expenses	<u>199,450</u>	<u>130,526</u>	<u>68,924</u>
Total Operating Expenses	<u>4,779,110</u>	<u>4,416,035</u>	<u>363,075</u>
<b>Operating Revenues:</b>			
Passenger Fares	538,374	449,577	(88,797)
Bus Advertising Revenues	100,000	11,847	(88,153)
Other Operating Revenues	<u>12,500</u>	<u>16,012</u>	<u>3,512</u>
Total Operating Revenues	<u>650,874</u>	<u>477,436</u>	<u>(173,438)</u>

## FINANCIAL ANALYSIS (Continued)

### Analysis of Significant Budget Variations (Continued)

Table 4 (Continued)

Schedule of Operating Revenues and Operating Expenses and Changes in Net Position -  
Budget and Actual - Budgetary Basis  
For the Year Ended June 30, 2015  
(Continued)

	Original / Final Budget	Actual - Budgetary Basis	Variance Favorable (Unfavorable)
Operating Expenses in Excess of Operating Revenues	\$ (4,128,236)	\$ (3,938,599)	\$ 189,637
SCDOT Audit Disallowance Debt Reduction	-	61,988	61,988
Operating and Administration Grants and In-Kind Revenues – Buses Acquired	<u>4,421,191</u>	<u>4,085,018</u>	<u>(336,173)</u>
<b>Change in Net Position on the Budgetary Basis</b>	<u>292,955</u>	<u>208,407</u>	<u>(84,548)</u>

#### Expenses

Salaries, wages, and fringe benefits compared favorably to the budget by \$276,105 as a result of unfilled high level and key positions at the management level. Fuel and maintenance compared favorably to the budget by \$144,006 as a result of lower gasoline and diesel prices, offset by an increase in vehicle and equipment repair and maintenance costs due to delaying repairs and unfilled maintenance positions in fiscal year 2015. Legal and professional fees compared unfavorably to the budget by \$108,421 primarily resulting from the use of an outside consultant to oversee the maintenance department operations beginning in the fall of 2014 and continuing through the end of the year. Utilities and telephone compared favorably to the budget by \$9,776 as a result of increase efficiency of new heating and air conditioning system installed in fiscal year 2014. Liability insurance compared favorably to the budget by \$9,400 resulting from sale of buses in current fiscal year and overestimating the actual insurance cost. Non-capital equipment purchased with grant funds and inventory obsolescence compared unfavorably to the budget by \$14,317 and \$21,154, respectively, due to unbudgeted capital purchases less than \$5,000 per item and removal of costs associated with obsolete parts purchased for vehicles and trolleys sold in June 2015. Other operating expenses compared favorably to the budget by \$68,924. This includes costs such as property and office equipment leases, and office supplies and postage, which are reduced resulting from utilizing better inventory control and operating efficiencies. Costs compared unfavorably to the budget includes advertising and marketing due to delaying route brochures and the related costs from fiscal year 2014, and training and travel resulting from additional travel for increased training opportunities offered to management staff.

#### Revenues

Total operating revenues for the year ended June 30, 2015 compared unfavorably to budgeted revenues. The majority of the operating revenues are from passenger fares and advertising. Passenger fares were down for fiscal year 2015 resulting from reducing service hours and miles on routes. Advertising revenues were also down for fiscal year 2015 resulting from negative public image and issues with unreliable transportation equipment. Operating grant revenues were lower than budgeted revenues by \$480,218 due to lower actual operating expenses for the year ended June 30, 2015. Operating grants are received from federal, state, and local governments. The actual 2015 operating grant revenues were \$76,145 less than the 2014 operating grant revenues.

## CAPITAL ASSET HIGHLIGHTS

As of June 30, 2015, the Coast RTA had invested \$6,306,625 in capital assets, including land, buildings, vehicles, communication equipment, as well as other administrative equipment. Net of accumulated depreciation, the Coast RTA's capital assets at June 30, 2015, totaled \$2,305,364 (See Table 5). This amount represents a net decrease (including additions and disposals), net of depreciation, of \$516,310 compared to the June 30, 2014 balance of \$2,821,674. In addition, the cost of two (2) International transportation buses was reduced by \$271,901 and recognized as an impairment loss due to limited marketability and usefulness of these buses in their current condition. These buses were taken out of service on June 30, 2015 when management became aware of serious factory related defects which gave rise to increased concerns over public safety in continuing to operate these buses. The costs of transportation vehicles increased from the transfer of five (5) buses from the Dallas Area Regional Transit Authority on June 30, 2015. Certain fully depreciated vehicles and other buses with no future service utility life were sold for scrap or market value in June 2015.

**Table 5**

### Capital Assets by Funding Source

For The Year Ended June 30,

#### Funding Source

	2015	2014
Federal, State and Local	-	-
The Coast RTA	<u>\$ 6,306,625</u>	<u>\$ 8,041,106</u>
<b>Total Capital Assets</b>	6,306,625	8,041,106
Accumulated Depreciation Expense	<u>4,001,261</u>	<u>5,219,432</u>
<b>Total Capital Assets, Net</b>	<u>2,305,364</u>	<u>2,821,674</u>

## SHORT TERM AND LONG TERM DEBT HIGHLIGHTS

The following is a summary of debt obligations resulting from signed agreements and with a scheduled repayment structure until the entire debt obligation is satisfied in full. No interest is calculated on the outstanding debt obligation balances under each agreement. Required monthly or annual repayments include principal amounts only.

The Coast RTA has cost recovery agreements of understanding with SC Department of Transportation, Division of Mass Transit to repay debt obligations created by the early disposal and sale of six (6) Blue Bird buses, review of grant activity in prior years with resulting costs being disallowed and for failure to complete the Bus Shelter and Signage Project in accordance with the extended project completion dates. The debt reductions recognized each year and reported in the same amount as non-operating revenues on the statement of revenues, expenses and changes in net position, identify the portion of grant proceeds withheld from the total grant award based on scheduled repayments structured when the agreements were made. No cash is required to repay the SCDOT debt obligations, in addition to the annual withholdings of grant funds. The change in total debt obligations to SCDOT from June 30, 2014 to June 30, 2015 are as follows:

	Balance at June 30, 2014	Additional Debt Obligations	Reductions Thru Withholdings	Balance at June 30, 2015
Costs Disallowed from Grant Reviews Prior to 2007	\$165,830	\$ -	\$ 34,924	\$ 130,906
Early Disposal and Sale of Blue Bird Buses	108,255	-	27,063	81,192
Bus Shelter and Signage Project	<u>324,093</u>	<u>53,407</u>	<u>-</u>	<u>377,500</u>
Totals	<u>598,178</u>	<u>53,407</u>	<u>61,987</u>	<u>589,598</u>

## SHORT TERM AND LONG TERM DEBT HIGHLIGHTS (Continued)

The Coast RTA has a capital lease financing agreement with SC Department of Health and Human Services (DHHS) requiring principal only payments of \$2,500 per month until paid in full for vehicle equipment purchased in previous years. The change in debt obligations to DHHS from June 30, 2014 to June 30, 2015 are as follows:

	<b>Balance at June 30, 2014</b>	<b>Additional Debt Obligations</b>	<b>Cash Repayments</b>	<b>Balance at June 30, 2015</b>
Capital Lease Debt Obligation	<u>\$ 102,151</u>	<u>\$ -</u>	<u>\$ 25,000</u>	<u>\$ 77,151</u>
Totals	<u>102,151</u>	<u>-</u>	<u>25,000</u>	<u>77,151</u>

The Coast RTA has a revolving loan agreement (revolving fund) with the SC Department of Transportation, Division of Mass Transit which allows for advancement of funds earmarked for short term working capital needs. There has been no activity or change with regard to this revolving loan in the last two (2) years. The principal balance outstanding at June 30, 2015 and 2014 is \$60,000. Since this is a revolving loan, there is has not been a structured principal repayment plan.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The 2016 original budget was approved at the Coast RTA Board of Director's meeting on June 24, 2015.

The total operating expenses projected for 2016 are \$4,421,000 which reflects a slight increase compared to 2015 actual expenses. The projected increase in 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.

The total projected operating revenues for 2016 are \$462,000, which reflects a 3.34% decrease compared to 2015 actual operating revenues. The decrease is due to lower projected 2016 advertising revenues. The Coast RTA is not emphasizing advertising until heightened focus on preventative maintenance improves fleet reliability.

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

## CONTACTING THE COAST RTA'S 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 resources it receives. If you have any questions about this report or need additional financial information, contact Ron Prater, CFO or Brian Piascik, General Manager at the Coast RTA's administration building located at 1418 Third Avenue, Conway, SC 29526.

**WACCAMAW REGIONAL TRANSPORTATION AUTHORITY, D/B/A THE COAST RTA**  
**STATEMENTS OF NET POSITION**  
**JUNE 30, 2015 AND 2014**

	<b>2015</b>	<b>2014</b>
<b>Assets</b>		
<b>Current Assets</b>		
Cash and Cash Equivalents	\$ 189,149	\$ 461,048
Accounts Receivable - Ridership and Other Services	11,464	7,906
Accounts Receivable - Federal and State Grants	526,706	272,192
Accounts Receivable - Employees	4,822	5,838
Inventory - Parts and Transportation Fuel	81,080	111,128
Prepaid Expenses	55,012	47,683
<b>Total Current Assets</b>	<b>868,233</b>	<b>905,795</b>
<b>Capital Assets</b>		
Land	140,000	140,000
Buildings and Improvements	1,499,731	1,451,472
Bus Shelters Installed	110,299	110,299
Buses, Vans and Service Vehicles	3,374,144	5,179,449
Communication Equipment	109,278	109,278
Maintenance Equipment	125,159	125,159
Furniture, Fixtures and Equipment	948,014	925,202
Construction in Progress	-	247
Accumulated Depreciation	(4,001,261)	(5,219,432)
<b>Total Capital Assets, Net</b>	<b>2,305,364</b>	<b>2,821,674</b>
<b>Total Assets</b>	<b>3,173,597</b>	<b>3,727,469</b>
<b>Deferred Outflows of Resources</b>		
SCRS and PORS - Funding Differences	105,592	-
SCRS and PORS - Current Period Contributions	193,061	-
<b>Total Deferred Outflows of Resources</b>	<b>298,653</b>	<b>-</b>
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Accounts Payable	161,026	56,808
Accrued Payroll and Withholdings	199,039	271,975
Accrued and Withheld State Retirement Contributions	29,414	27,236
Accrued Compensated Absences	28,519	56,698
Debt Obligation Payable to SC Department of Transportation	137,488	61,988
Capital Lease Obligations	35,000	30,000
Revolving Loan Agreement Due to SC Department of Transportation	60,000	60,000
Due to Federal Transit Administration	94,699	9,156
<b>Total Current Liabilities</b>	<b>745,185</b>	<b>573,861</b>
<b>Non-Current Liabilities</b>		
Accrued Compensated Absences, Net of Current Portion	74,866	53,782
Capital Lease Obligations, Net of Current Portion	42,151	72,151
Debt Obligation Payable to SC Department of Transportation, Net of Current Portion	452,110	536,190
Net Pension Liability - SCRS and PORS	3,728,453	-
<b>Total Non-Current Liabilities</b>	<b>4,297,580</b>	<b>662,123</b>
<b>Total Liabilities</b>	<b>5,042,765</b>	<b>1,235,984</b>
<b>Deferred Inflows of Resources</b>		
Local Grant and Other Funds Received in Advance of Earnings Period	21,942	68,610
SCRS and PORS - Valuation Differences	315,417	-
<b>Total Deferred Inflows of Resources</b>	<b>337,359</b>	<b>68,610</b>
<b>Net Position</b>		
Net Investment in Capital Assets	2,228,213	2,719,523
Unrestricted (Deficit)	(4,136,087)	(296,648)
<b>Total Net Position (Deficit)</b>	<b>(1,907,874)</b>	<b>2,422,875</b>

*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, 2015 AND 2014**

	<b>2015</b>	<b>2014</b>
<b>Operating Revenues</b>		
Passenger Fares	\$ 449,577	\$ 513,739
Bus Advertising Revenues	11,847	40,956
Other Non-Transit Revenues	<u>16,012</u>	<u>9,956</u>
<b>Total Operating Revenues</b>	<u>477,436</u>	<u>564,651</u>
<b>Operating Expenses</b>		
Salaries, Wages and Fringe Benefits	3,033,995	3,186,890
Fuel and Oil	413,310	573,303
Repairs and Maintenance	374,044	232,895
Custodial Services	9,700	6,644
Legal and Professional Fees	143,421	135,032
Utilities and Telephone	66,224	72,542
Liability Insurance	196,600	198,172
Property and Office Equipment Leases	10,848	10,536
Advertising and Marketing	26,393	25,936
Training and Travel	46,569	43,905
Interest on Capital Lease Obligations	-	7,700
Professional Dues and Subscriptions	12,744	9,890
Provision for Parts Inventory Obsolescence	21,154	-
Office Supplies, Postage and Other Expenses	46,716	23,078
Non-Capital Equipment Purchased with Grant Funds	<u>14,317</u>	<u>24,737</u>
<b>Subtotal</b>	4,416,035	4,551,260
Depreciation Expense	<u>485,865</u>	<u>645,522</u>
<b>Total Operating Expenses</b>	<u>4,901,900</u>	<u>5,196,782</u>
<b>Operating Expenses in Excess of Operating Revenues</b>	<u>(4,424,464)</u>	<u>(4,632,131)</u>
<b>Grant and Other Revenues (Expenses)</b>		
Federal Grants - Operating	1,953,824	2,004,284
State Grants - Operating	363,282	429,951
Local Grants - Operating	1,623,867	1,582,883
Federal Grants - Capital	41,001	601,810
State Grants - Capital	-	29,355
In Kind Contribution Revenue - Transportation Vehicles	144,045	166,735
Audit Disallowance - Bus Shelters - SC Department of Transportation	(53,407)	(324,093)
Vehicle Impairment Loss	(271,901)	(111,178)
Reduction of Debt Obligation by SC Department of Transportation	61,988	61,988
Reduction of Debt Obligation by Federal Transportation Authority	-	183,952
Loss on Disposal of Capital Assets, Net of Insurance Proceeds	<u>(92,504)</u>	<u>(234,671)</u>
<b>Total Grant and Other Revenues - Net</b>	<u>3,770,195</u>	<u>4,391,016</u>
<b>Change in Net Position - Decrease</b>	<u>(654,269)</u>	<u>(241,115)</u>
<b>Net Position - Beginning of Year as Previously Reported</b>	2,422,875	2,663,990
Restatement for the Effects of Implementation of GASB Statement No. 68	<u>(3,676,480)</u>	<u>-</u>
<b>Net Position - Beginning of Year as Restated (Deficit)</b>	<u>(1,253,605)</u>	<u>2,663,990</u>
<b>Net Position - End of Year (Deficit)</b>	<u>(1,907,874)</u>	<u>2,422,875</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, 2015 AND 2014**

	2015	2014
<b>Cash Flows from Operating Activities</b>		
Cash Received from Customers	\$ 449,577	\$ 513,739
Cash Received from Private Source and Service Contracts	(3,558)	14,825
Cash Received from Non-Transit Revenue	27,859	50,912
Cash Payments to Employees and for Fringe Benefits	(3,042,095)	(3,154,548)
Cash Payments for Fuel and Maintenance	(778,214)	(793,926)
Cash Payments for Insurance	(203,929)	(197,618)
Cash Payments for Utilities	(66,224)	(72,542)
Cash Payments for Professional Fees	(143,421)	(135,032)
Cash Payments for Property and Office Equipment Leases	(10,848)	(10,536)
Cash Payments for Interest on Capital Debt	-	(13,200)
Cash Payments for Other Operating Expenses	(37,904)	(162,347)
Cash Payments for Non-Capital Equipment Purchased with Grant Funds	(14,317)	(24,737)
	<u>(3,823,074)</u>	<u>(3,985,010)</u>
<b>Net Cash Used in Operating Activities</b>		
<b>Cash Flows from Non-Capital Financing Activities</b>		
Proceeds from Operating Grants	3,639,792	4,221,174
	<u>3,639,792</u>	<u>4,221,174</u>
<b>Net Cash Provided by Non-Capital Financing Activities</b>		
<b>Cash Flows from Capital and Related Financing Activities</b>		
Proceeds from Capital Grants	41,001	632,534
Reductions of Capital Lease Obligations	(25,000)	(251,113)
Proceeds from the Disposal of Capital Assets	14,210	13,891
Cash Payments for Purchases of Capital Assets	(118,828)	(497,191)
	<u>(88,617)</u>	<u>(101,879)</u>
<b>Net Cash Used in Capital and Related Financing Activities</b>		
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	(271,899)	134,285
<b>Cash and Cash Equivalents - Beginning of Year</b>	461,048	326,763
<b>Cash and Cash Equivalents - End of Year</b>	<u>189,149</u>	<u>461,048</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, 2015 AND 2014**

	<b>2015</b>	<b>2014</b>
<b>Reconciliation of Operating Loss to Net Cash Used in Operating Activities</b>		
Operating Expenses in Excess of Operating Revenues	\$ (4,424,464)	\$ (4,632,131)
Adjustments to Reconcile Operating Expenses in Excess of Operating Revenues to Net Cash Used in Operating Activities		
Provision for Parts Inventory Obsolescence	21,154	-
Depreciation Expense	485,865	645,522
Expense of Items Included in Prior Year Construction in Progress	247	2,880
Pension Expenses - SCRS and PORS	261,798	-
Decrease (Increase) in Non-Grant Accounts Receivable	(2,542)	14,807
Decrease (Increase) in Inventory	8,893	9,392
Decrease (Increase) in Prepaid Expenses	(7,329)	554
Decrease (Increase) in SCRS and PORS Current Period Contributions	(193,061)	-
Increase (Decrease) in Accounts Payable	104,218	(52,894)
Increase (Decrease) in Accrued Liabilities and Withholdings	(77,853)	26,860
<b>Net Cash Used in Operating Activities</b>	<u>(3,823,074)</u>	<u>(3,985,010)</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**

**Operations and Description of the Coast RTA**

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 an 11-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 along with SCDOT funding 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.

**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.

**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 certain estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities and deferred inflows of resources and disclosure of contingent assets and liabilities at the financial statement date, 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.

**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.

**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.

**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.

**Reclassifications**

Certain amounts in the June 30, 2014 financial statements have been reclassified to conform to the current year presentation.

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Adoption of New Accounting Standard**

The Coast RTA adopted and implemented GASB Statement No. 68, "Accounting and Financial Reporting for Pensions (Employers) – an amendment of GASB Statement No. 27, which became effective for the current year. The provisions of the new standard require a change in the accounting and reporting of cost-sharing multiple-employer defined benefit retirement plans in the financial statements of plan participating member employers. On July 1, 2014, the date of adoption and implementation of the new standard, unrestricted net position was restated for the initial recognition of the Coast RTA's proportionate share of the net pension liability. Other changes in accounting and reporting since the date of adoption and implementation of the new standard are more fully described in Notes 7 and 19 to the financial statements.

**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 expensed as incurred. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets, when purchased new, as follows:

<b>Classification</b>	<b>Estimated Useful Lives</b>
New Vehicles, Including Transportation Buses and Vans	5-12 Years
Furniture, Fixtures and Office Equipment	3-5 Years
Communication, Maintenance & Computer Equipment	3-5 Years
Buildings and Building Improvements	10-30 Years

Estimated useful lives of used transportation vehicles purchased, donated or transferred are based on the remaining useful service utility life of the vehicle when acquired, which could range from one (1) year to five (5) years on average. When property and equipment is retired, the asset and related accumulated depreciation accounts are adjusted accordingly, and any gain or loss is included as non-operating revenue. 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.

**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.

**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 remaining capital lease obligation, is determined based 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.

**Net Position**

Net position reported on the statement of net position is classified in the following three components: net investment in capital assets; restricted for debt service and capital activity; and unrestricted. Net investment in capital assets consists of all capital assets, net of accumulated depreciation expense, and reduced by outstanding debt, including accounts payable, that is attributable to the acquisition, construction and improvement of those assets. Funds restricted for debt service and capital activity consists of resources for which constraints are placed thereon by external parties, such as lenders, regulators, grants, contributions, laws regulations and enabling legislation, including self-imposed legal mandates. Unrestricted net position consists of all other components not included in the above categories and considered expendable.

## NOTE 2 CASH DEPOSITS AND CUSTODIAL CREDIT RISK

For deposits, custodial credit risk is the risk that in the event of bank failure, the fair value of the Coast RTA's deposits may not be fully recoverable. For funds on deposit in demand accounts greater than the FDIC insurance, the Coast RTA has a policy of requiring banks to pledge U.S. Government securities as collateral to be held by the Coast RTA's agent in the Coast RTA's name. As of June 30, 2015, 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 accounting principles generally accepted in the United States of America, 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 REVOLVING LOAN AGREEMENT DUE TO SC DEPARTMENT OF TRANSPORTATION

The Coast RTA has a \$60,000 revolving fund loan agreement with the South Carolina Department of Transportation, Division of Mass Transit (SCDOT). The revolving loan fund is designed to ease cash flows resulting from the time lag between the cost of transportation and payments received from transportation agencies. The Coast RTA is allowed to temporarily draw money from the revolving loan fund sufficient to cover valid transportation costs incurred, which are later expected to be recovered from Federal and state agencies. 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 loan fund was received in prior years. The balance due to SCDOT at June 30, 2015 and 2014 equals the total amount available under the revolving loan agreement.

## NOTE 5 LEASE COMMITMENTS

The Coast RTA purchased various buses and trolleys during 2002 through a capital lease arrangement with ORIX Public Finance, LLC. The agreement required annual payments of principal and interest totaling \$234,313 due on or before February 1 of each year through 2014. The final payment of principal and interest was made on January 14, 2014. The Coast RTA used Federal capital grant funds each year to satisfy the annual principal and interest 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 \$904 per month during 2015 for a total of \$10,848. This agreement is renewed annually between the Coast RTA and JJC Conway Shopping Center, Inc.

The changes in capital lease obligation payable for the years ended June 30, 2015 and 2014 are as follows:

	<b>Balance at July 1, 2014</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance at June 30, 2015</b>
Capital Lease Obligation Payable	<u>\$ 102,151</u>	<u>\$ -</u>	<u>\$ (25,000)</u>	<u>\$ 77,151</u>

  

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

**NOTE 5 LEASE COMMITMENTS (Continued)**

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

**Fiscal years ending June 30:**

2016 (Current Portion)	\$ 35,000
2017	30,000
2018	<u>12,151</u>
Total annual payments	77,151
Less amounts representing interest	<u>-</u>
Total minimum payments	77,151
Less current portion	<u>(35,000)</u>
Long-term portion	<u>42,151</u>

**NOTE 6 CAPITAL ASSETS**

The Coast RTA receives capital grant 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, vans and equipment.

The following summarizes the changes in capital assets of the Coast RTA during the year ended June 30, 2015:

Account Classifications	Beginning			Ending Cost	Prior	Current	Deletions	Ending
	Cost	Additions	Deletions		Accum. Depr.			Accum. Depr.
Land	\$ 140,000	\$ -	\$ -	\$ 140,000	\$ -	\$ -	\$ -	\$ -
Buildings	1,451,472	48,259	-	1,499,731	663,773	86,635	-	750,408
Bus Shelters	110,299	-	-	110,299	110,299	-	-	110,299
Vehicles	5,179,449	191,450	(1,996,755)	3,374,144	3,955,326	280,392	(1,703,683)	2,532,035
Communication Equipment	109,278	-	-	109,278	37,657	19,155	-	56,812
Maintenance Equipment	125,159	-	-	125,159	92,768	4,437	-	97,205
Furniture, Fixtures and Equipment	925,202	23,165	(353)	948,014	359,609	95,246	(353)	454,502
Const. in Progress	247	-	(247)	-	-	-	-	-
<b>Totals</b>	<b>8,041,106</b>	<b>262,874</b>	<b>(1,997,355)</b>	<b>6,306,625</b>	<b>5,219,432</b>	<b>485,865</b>	<b>(1,704,036)</b>	<b>4,001,261</b>
Less Accumulated Depreciation	<u>(5,219,432)</u>			<u>(4,001,261)</u>				
<b>Net Carrying Value</b>	<b>2,821,674</b>			<b>2,305,364</b>				

Capital assets of the Coast RTA were increased during the year ended June 30, 2015, from the acquisition of new computer equipment, a new bus engine, and major repairs to the current administration building. In addition, five (5) buses with assumed federal interests totaling \$144,045 and local interests totaling \$29,836 were transferred from the Dallas Area Rapid Transit (DART) on June 30, 2015. Capitalized cost of these five (5) used buses totaled \$173,881.

**NOTE 6 CAPITAL ASSETS (Continued)**

The value of the Federal interest of \$144,045 in the five (5) used buses transferred is included in the statement of revenues, expenses and changes in net position as in-kind contribution revenues. These buses were acquired by DART in August 2004 with an initial estimated useful service utility life of twelve (12) years or 500,000 miles whichever comes first.

Assets acquired in previous years including buses and vans with little or no future service utility life were sold in June 2015 for \$14,210 representing salvage or scrap value. Costs removed on the assets sold totaled \$1,724,855. Accumulated depreciation on the assets sold totaled \$1,703,683. The net loss reported on the sale of these assets totaled \$6,962.

On June 30, 2015, the Coast RTA removed two (2) 2011 International buses from service due to potential factory mechanical defects that could cause the buses to operate unsafely. Both buses were acquired for a total acquisition price of \$407,852 on December 20, 2011 with a ten (10) year estimated useful life established for each bus. As of June 30, 2015, the net book value, which represents the difference between allowable depreciation calculated from December 21, 2011 through June 30, 2015, and the acquisition value, totaled \$271,901 for both buses. The net book value of \$271,901 was recognized in the current year statement of revenues, expenses, and changes in net position as an asset impairment loss, which also reduced the carrying values of these buses by the same amount. The reduction in cost for the recognized impairment loss is reflected in the cost deletions column in the above table of changes in capital assets. Management estimates the decline in value as permanent due to the limited marketability and usefulness of each bus in their current condition. Recovery of cost from International, if any, cannot be reasonably determined at this time and recovery of cost, if any, is not expected to be significant to the remaining book value of these buses.

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

Account Classifications	Beginning			Ending Cost	Prior	Current		Ending
	Cost	Additions	Deletions		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	-	-	-	-
<b>Totals</b>	<b>8,154,708</b>	<b>762,435</b>	<b>(876,037)</b>	<b>8,041,106</b>	<b>4,988,819</b>	<b>645,522</b>	<b>(414,909)</b>	<b>5,219,432</b>
Less Accumulated Depreciation	(4,988,819)			(5,219,432)				
<b>Net Carrying Value</b>	<b>3,165,889</b>			<b>2,821,674</b>				

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 in net position. Other ancillary costs totaling \$2,880 represented prepayments of services benefiting fiscal year 2014 and were expensed.

## NOTE 6 CAPITAL ASSETS (Continued)

During the year ended June 30, 2014, the 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 through a reduction of cost 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 \$166,735. 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 in use. 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 7 DEFINED BENEFIT RETIREMENT PLAN

The Governmental Accounting Standards Board (GASB) issued Statement No. 68 entitled *Accounting and Financial Reporting for Pension Plans* in June 2012. The provisions of the Statement were effective for the year ended June 30, 2015. The following are general disclosures relative to the new Statement as it pertains to the various retirement systems managed by the South Carolina Public Employee Benefit Authority.

The South Carolina Public Employee Benefit Authority (PEBA), which was created July 1, 2012, administers the various retirement systems and retirement programs managed by its Retirement Division. PEBA has an 11-member Board of Directors, appointed by the Governor and General Assembly leadership, which serves as co-trustee and co-fiduciary of the systems and the trust funds. By law, the Budget and Control Board, which consists of five elected officials, also reviews certain PEBA Board decisions regarding the funding of the South Carolina Retirement Systems (Systems) and serves as a co-trustee of the Systems in conducting that review.

PEBA issues a Comprehensive Annual Financial Report (CAFR) containing financial statements and required supplementary information for the Systems' Pension Trust Funds. The CAFR is publicly available through the Retirement Benefits' link on PEBA's website at [www.peba.sc.gov](http://www.peba.sc.gov), or a copy may be obtained by submitting a request to PEBA, PO Box 11960, Columbia, SC 29211-1960. PEBA is considered a division of the primary government of the state of South Carolina and therefore, retirement trust fund financial information is also included in the comprehensive annual financial report of the state.

### **Plan Description**

The South Carolina Retirement System (SCRS), a cost-sharing multiple-employer defined benefit pension plan, was established effective July 1, 1945, pursuant to the provisions of Section 9-1-20 of the South Carolina Code of Laws for the purpose of providing retirement allowances and other benefits for employees of the state, its public school districts and political subdivisions.

The State Optional Retirement Program (ORP) is a defined contribution plan that is offered as an alternative to certain newly hired state, public school, and higher education employees. State ORP participants direct the investment of their funds into a plan administered by one of four investment providers.



## **NOTE 7    DEFINED BENEFIT RETIREMENT PLAN (Continued)**

The South Carolina Police Officers Retirement System (PORS), a cost-sharing multiple-employer defined benefit pension plan, was established effective July 1, 1962, pursuant to the provisions of Section 9-11-20 of the South Carolina Code of Laws for the purpose of providing retirement allowances and other benefits for police officers and firemen of the state and its political subdivisions.

In addition to the cost-sharing multiple-employer defined benefit pension plans described above, PEBA also administers three single-employer defined benefit pension plans, which are not covered in this report. They are the Retirement System for Members of the General Assembly of the State of South Carolina (GARS), the Retirement System for Judges and Solicitors of the State of South Carolina (JSRS), and the South Carolina National Guard Supplemental Retirement Plan (SCNG).

### **Membership**

Membership requirements are prescribed in Title 9 of the South Carolina Code of Laws. A brief summary of the requirements under each system is presented below.

SCRS - Generally, all employees of covered employers are required to participate in and contribute to the System as a condition of employment. This plan covers general employees and teachers and individuals newly elected to the South Carolina General Assembly beginning with the November 2012 general election. An employee member of the System with an effective date of membership prior to July 1, 2012, is a Class Two member. An employee member of the System with an effective date of membership on or after July 1, 2012, is a Class Three member.

State ORP - As an alternative to membership in SCRS, newly hired state, public school, and higher education employees and individuals newly elected to the S.C. General Assembly beginning with the November 2012 general election have the option to participate in the State Optional Retirement Program (State ORP), which is a defined contribution plan. State ORP participants direct the investment of their funds into a plan administered by one of four investment providers. PEBA assumes no liability for State ORP benefits. Rather, the benefits are the liability of the investment providers. For this reason, State ORP programs are not considered part of the retirement systems for financial statement purposes. Employee and employer contributions to the State ORP are at the same rates as SCRS. A direct remittance is required from the employers to the member's account with investment providers for the employee contribution (8 percent) and a portion of the employer contribution (5 percent). A direct remittance is also required to SCRS for the remaining portion of the employer contribution (5.75 percent) and an incidental death benefit contribution (.15 percent), if applicable, which is retained by SCRS.

PORS - To be eligible for PORS membership, an employee must be required by the terms of his employment, by election or appointment, to preserve public order, protect life and property, and detect crimes in the state; to prevent and control property destruction by fire; or to serve as a peace officer employed by the Department of Corrections, the Department of Juvenile Justice, or the Department of Mental Health. Probate judges and coroners may elect membership in PORS. Magistrates are required to participate in PORS for service as a magistrate. PORS members, other than magistrates and probate judges, must also earn at least \$2,000 per year and devote at least 1,600 hours per year to this work, unless exempted by statute. An employee member of the System with an effective date of membership prior to July 1, 2012, is a Class Two member. An employee member of the System with an effective date of membership on or after July 1, 2012, is a Class Three member.

### **Benefits**

Benefit terms are prescribed in Title 9 of the South Carolina Code of Laws. PEBA does not have the authority to establish or amend benefit terms without a legislative change in the code of laws. Key elements of the benefit calculation include the benefit multiplier, years of service, and average final compensation. A brief summary of benefit terms for each system is presented below.

SCRS - A Class Two member who has separated from service with at least five or more years of earned service is eligible for a monthly pension at age 65 or with 28 years credited service regardless of age. A member may elect early retirement with reduced pension benefits payable at age 55 with 25 years of service credit. A Class Three member who has separated from service with

**NOTE 7    DEFINED BENEFIT RETIREMENT PLAN (Continued)**

at least eight or more years of earned service is eligible for a monthly pension upon satisfying the Rule of 90 requirement that the total of the member's age and the member's creditable service equals at least 90 years. Both Class Two and Class Three members are eligible to receive a reduced deferred annuity at age 60 if they satisfy the five or eight year earned service requirement, respectively. An incidental death benefit is also available to beneficiaries of active and retired members of employers who participate in the death benefit program.

The annual retirement allowance of eligible retirees or their surviving annuitants is increased by the lesser of one percent or five hundred dollars every July 1. Only those annuitants in receipt of a benefit on July 1 of the preceding year are eligible to receive the increase. Members who retire under the early retirement provisions at age 55 with 25 years of service are not eligible for the benefit adjustment until the second July 1 after reaching age 60 or the second July 1 after the date they would have had 28 years of service credit had they not retired.

PORS - A Class Two member who has separated from service with at least five or more years of earned service is eligible for a monthly pension at age 55 or with 25 years of service regardless of age. A Class Three member who has separated from service with at least eight or more years of earned service is eligible for a monthly pension at age 55 or with 27 years of service regardless of age. Both Class Two and Class Three members are eligible to receive a deferred annuity at age 55 with five or eight years of earned service, respectively. An incidental death benefit is also available to beneficiaries of active and retired members of employers who participate in the death benefit program. Accidental death benefits are also provided upon the death of an active member working for a covered employer whose death was a natural and proximate result of an injury incurred while in the performance of duty.

The retirement allowance of eligible retirees or their surviving annuitants is increased by the lesser of one percent or five hundred dollars every July 1. Only those annuitants in receipt of a benefit on July 1 of the preceding year are eligible to receive the increase.

**Contributions**

Contributions are prescribed in Title 9 of the South Carolina Code of Laws. The PEBA Board may increase the SCRS and PORS employer and employee contribution rates on the basis of the actuarial valuations, but any such increase may not result in a differential between the employee and employer contribution rate that exceeds 2.9 percent of earnable compensation for SCRS and 5 percent for PORS. An increase in the contribution rates adopted by the board may not provide for an increase of more than one-half of one percent in any one year. If the scheduled employee and employer contributions provided in statute or the rates last adopted by the board are insufficient to maintain a thirty year amortization schedule of the unfunded liabilities of the plans, the board shall increase the contribution rates in equal percentage amounts for the employer and employee as necessary to maintain the thirty-year amortization period; and, this increase is not limited to one-half of one percent per year.

Required employee contribution rates for fiscal year 2014-2015 are as follows:

<b>SCRS</b>	
Employee Class Two	8.00% of earnable compensation
Employee Class Three	8.00% of earnable compensation
<b>PORS</b>	
Employee Class One	\$21 per month
Employee Class Two	8.41% of earnable compensation
Employee Class Three	8.41% of earnable compensation

**NOTE 7 DEFINED BENEFIT RETIREMENT PLAN (Continued)**

**Contributions (Continued)**

Required employer contribution rates for fiscal year 2014-2015 are as follows:

**SCRS**

Employer Class Two	10.75% of earnable compensation
Employer Class Three	10.75% of earnable compensation
Employer Incidental Death Benefit	0.15% of earnable compensation

**PORS**

Employer Class One	7.80% of earnable compensation
Employer Class Two	13.01% of earnable compensation
Employer Class Three	13.01% of earnable compensation
Employer Incidental Death Benefit	0.20% of earnable compensation
Employer Accidental Death Program	0.20% of earnable compensation

The Coast RTA does not have any employees covered under the State ORP retirement plan.

The Coast RTA's covered employee payroll for the year ended June 30, 2015, was \$1,734,709 and \$31,143, for the SCRS and PORS, respectively. The Coast RTA's contributions to the SCRS and the PORS for the last three fiscal years were as follows:

	<b>2015</b>	<b>2014</b>	<b>2013</b>
Employee Contributions			
SCRS	\$138,777	\$143,935	\$154,397
PORS	<u>2,619</u>	<u>1,696</u>	<u>1,968</u>
Totals	<u>141,396</u>	<u>145,631</u>	<u>156,365</u>
Employer Contributions			
SCRS	\$189,083	\$203,428	\$231,733
PORS	<u>3,978</u>	<u>2,778</u>	<u>3,276</u>
Totals	<u>193,061</u>	<u>206,206</u>	<u>235,009</u>

The Coast RTA contributed or accrued 100% of the required contributions for the current year and for each of the two (2) previous years.

The percentage of total required contributions contributed to the Plan for each of the three (3) years ended June 30, 2015, 2014, and 2013 are as follows:

<b>Percentage Contributed</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
SCRS			
Employee	8.00%	7.50%	7.00%
Employer	10.75%	10.45%	10.45%
Employer Incidental Death Benefit	0.15%	0.15%	0.15%
PORS			
Employee	8.41%	7.84%	7.00%
Employer	13.01%	12.44%	11.90%
Employer Incidental Death Benefit	0.20%	0.20%	0.20%
Employer Accidental Death Benefit	0.20%	0.20%	0.20%

**NOTE 7 DEFINED BENEFIT RETIREMENT PLAN (Continued)**

**Net Pension Liability**

The most recent annual actuarial valuation reports adopted by the PEBA Board and Budget and Control Board are as of July 1, 2013, the measurement date. The net pension liability of each defined benefit pension plan was therefore determined based on the July 1, 2013 actuarial valuations; using membership data as of July 1, 2013, projected forward to the end of the fiscal year, and financial information of the pension trust funds as of June 30, 2014, using generally accepted actuarial procedures.

At June 30, 2015, the Coast RTA reported a liability for its proportionate share of the collective net pension liability for SCRS and PORS determined using the following method. The net pension liability of the defined benefit plan was determined based on the most recent actuarial measurement date of July 1, 2013, using membership data as of that date projected forward to the end of the fiscal year and financial information of the pension trust funds as of June 30, 2014, the measurement date. The Coast RTA's proportionate share of the net pension liability was based on a projection of the Coast RTA's long-term share of contributions to the pension plan relative to the projected contributions of all participating Plan members, actuarially determined.

<u>System</u>	<u>Total Pension Liability</u>	<u>Coast RTA's Net</u>	<u>Net Pension Liability as a Percentage of the Total Pension Liability</u>
<b>SCRS</b>	\$ 17,216,684,770	\$ 3,694,012	0.021456%
<b>PORS</b>	\$ 1,914,427,438	\$ 34,441	0.001800%

For the year ended June 30, 2015, the Coast RTA recognized net pension expense for SCRS and PORS of \$258,908 and \$3,013, respectively. At June 30, 2015, the Coast RTA reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**Deferred Outflows / (Inflows) of Resources**

**SCRS**

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Funding Experience	\$ 104,673	-
Changes in Assumptions	-	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	\$ (311,432)
Changes in Proportions and Differences Between the Coast RTA Contributions and Proportionate Share Of Contributions	-	-
Direct Retirement Contributions Subsequent to the Measurement Date	<u>189,083</u>	<u>-</u>
<b>Totals</b>	<u>293,756</u>	<u>(311,432)</u>

**NOTE 7 DEFINED BENEFIT RETIREMENT PLAN (Continued)**

**Deferred Outflows / (Inflows) of Resources (Continued)**

**PORS**

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Funding Experience	\$ 919	-
Changes in Assumptions	-	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	\$ (3,985)
Changes in Proportions and Differences Between The Coast RTA Contributions and Proportionate Share Of Contributions	-	-
Direct Retirement Contributions Subsequent to the Measurement Date	<u>3,978</u>	<u>-</u>
<b>Totals</b>	<u>4,897</u>	<u>(3,985)</u>
<b>SCRS and PORS Totals</b>	<u>298,653</u>	<u>(315,417)</u>

The following schedule reflects the amortization of the net balances of remaining deferred outflows / (inflows) of resources at June 30, 2014. Average remaining service lives of all employees provided with pensions through the pension plan at June 30, 2014 was 4.233 years for SCRS and 4.856 years for PORS.

<b>Measurement Period Ending June 30,</b>	<b>SCRS</b>	<b>PORS</b>
2015	\$ 45,482	\$ 758
2016	45,482	758
2017	45,482	758
2018	70,030	504
Thereafter	<u>-</u>	<u>-</u>
<b>Net Balance of Deferred Outflows / (inflows) of Resources</b>	<u>206,476</u>	<u>2,778</u>

**Actuarial Assumptions and Methods**

Actuarial valuations involve estimates of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and future salary increases. Amounts determined during the valuation process are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. South Carolina state statute requires that an actuarial experience study be completed at least once in each five-year period. The last experience study was performed on data through June 30, 2010, and the next experience study is scheduled to be conducted after the June 30, 2015 annual valuation is complete.

The most recent annual actuarial valuation reports adopted by the PEBA Board and Budget and Control Board are as of July 1, 2013. The net pension liability of each defined benefit pension plan was therefore determined by the retirement plan's actuary, based on the July 1, 2013 actuarial valuations, using membership data as of July 1, 2013, projected forward to the end of the fiscal year, and financial information of the pension trust funds as of June 30, 2014, the measurement date, using generally accepted actuarial procedures. Information included in the following schedules is based on the certification provided by the SCRS plan's actuary.

**NOTE 7    DEFINED BENEFIT RETIREMENT PLAN (Continued)**

The following provides a summary of the actuarial assumptions and methods used in the July 1, 2013, valuations for SCRS and PORS.

	<b>SCRS</b>	<b>PORS</b>
Actuarial cost method	Entry age	Entry age
Actuarial assumptions:		
Investment rate of return	7.5%	7.5%
Projected salary increases	levels off at 3.5%	levels off at 4.0%
Includes inflation at	2.75%	2.75%
Benefit adjustments	lesser of 1% or \$500	lesser of 1% or \$500

The post-retiree mortality assumption is dependent upon the member's job category and gender. This assumption includes base rates which are automatically adjusted for future improvement in mortality using published Scale AA projected from the year 2000.

<b>Former Job Class</b>	<b>Males</b>	<b>Females</b>
Educators and Judges	RP-2000 Males (with White Collar adjustment) multiplied by 110%	RP-2000 Females (with White Collar adjustment) multiplied by 95%
General Employees and Members of the General Assembly	RP-2000 Males multiplied by 100%	RP-2000 Females multiplied by 90%
Public Safety, Firefighters and members of the South Carolina National Guard	RP-2000 Males (with Blue Collar adjustment) multiplied by 115%	RP-2000 Females (with Blue Collar adjustment) multiplied by 115%

**Long Term Expected Rate of Return**

The long-term expected rate of return on pension plan investments for actuarial purposes is based upon the 30 year capital market outlook at the end of the third quarter 2012. The actuarial long-term expected rates of return represent best estimates of arithmetic real rates of return for each major asset class and were developed in coordination with the investment consultant for the Retirement System Investment Commission (RSIC) using a building block approach, reflecting observable inflation and interest rate information available in the fixed income markets as well as Consensus Economic forecasts. The actuarial long-term assumptions for other asset classes are based on historical results, current market characteristics and professional judgment.

The RSIC has exclusive authority to invest and manage the retirement trust funds' assets. As co-fiduciary of the Systems, statutory provisions and governance policies allow the RSIC to operate in a manner consistent with a long-term investment time horizon. The expected real rates of investment return, along with the expected inflation rate, form the basis for the target asset allocation adopted annually by the RSIC. For actuarial purposes, the long-term expected rate of return is calculated by weighting the expected future real rates of return by the target allocation percentage and then adding the actuarial expected inflation which is summarized in the table below. For actuarial purposes, the 7.50 percent assumed annual investment rate of return used in the calculation of the total pension liability includes a 4.75 percent real rate of return and a 2.75 percent inflation component.

**NOTE 7 DEFINED BENEFIT RETIREMENT PLAN (Continued)**

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<b>Asset Class</b>	<b>Target Asset Allocation</b>	<b>Expected Arithmetic Real Rate of Return</b>	<b>Long Term Expected Portfolio Real Rate of Return</b>
<b>Short Term</b>	<b>5.0%</b>		
Cash	2.0%	0.3	0.01
Short Duration	3.0%	0.6	0.02
<b>Domestic Fixed Income</b>	<b>13.0%</b>		
Core Fixed Income	7.0%	1.1	0.08
High Yield	2.0%	3.5	0.07
Bank Loans	4.0%	2.8	0.11
<b>Global Fixed Income</b>	<b>9.0%</b>		
Global Fixed Income	3.0%	0.8	0.02
Emerging Markets Debt	6.0%	4.1	0.25
<b>Global Public Equity</b>	<b>31.0%</b>	<b>7.8</b>	<b>2.42</b>
<b>Global Tactical Asset Allocation Alternatives</b>	<b>10.0%</b>	<b>5.1</b>	<b>0.51</b>
Hedge Funds (Low Beta)	8.0%	4	0.32
Private Debt	7.0%	10.2	0.71
Private Equity	9.0%	10.2	0.92
Real Estate (Broad Market)	5.0%	5.9	0.29
Commodities	3.0%	5.1	0.15
<b>Total Expected Real Return</b>	<b>100.0%</b>		<b>5.88</b>
<b>Inflation for Actuarial Purposes</b>			<b>2.75</b>
<b>Total Expected Nominal Return</b>			<b>8.63</b>

**Discount Rate**

The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers in SCRS and PORS will be made based on the actuarially determined rates based on provisions in the South Carolina State Code of Laws. Based on those assumptions, each System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity Analysis**

The following table presents the collective net pension liability of the participating employers calculated using the discount rate of 7.50 percent, as well as what the employers' net pension liability would be if it were calculated using a discount rate that is 1.00 percent lower (6.50 percent) or 1.00 percent higher (8.50 percent) than the current rate.

<b>Sensitivity of the Net Pension Liability to Changes in the Discount Rate</b>			
<b>System</b>	<b>1.00% Decrease (6.50%)</b>	<b>Current Discount Rate (7.50%)</b>	<b>1.00% Increase (8.50%)</b>
<b>SCRS</b>	\$ 4,780,280	\$ 3,694,012	\$ 2,787,753
<b>PORS</b>	\$ 48,157	\$ 34,441	\$ 23,127

**NOTE 7 DEFINED BENEFIT RETIREMENT PLAN (Continued)**

**Employer Contributions**

Employers' proportionate shares were calculated on the basis of historical employer contributions. Although GASB 68 encourages the use of the employer's projected long-term contribution effort to the retirement plan, allocating on the basis of historical employer contributions is considered acceptable. Employer contributions recognized by the Systems that are not representative of future contribution effort are excluded in the determination of employer's proportionate shares. Examples of employer contributions not representative of future contribution effort are contributions towards the purchase of employee service and employer contributions paid by employees.

The following table provides a reconciliation of employer contributions used in the determination of employers' proportionate shares of collective pension amounts reported in the schedule of employer allocations prepared for the SCRS and PORS Retirement Plans:

	<u>SCRS</u>	<u>PORS</u>
Employer Contributions Reported in the Statement of Changes in Net Position for the fiscal year ended June 30, 2014	\$ 206,476	\$ 2,778
Deduct: Employer Contributions Not Representative of Future Contribution Effort	<u>-</u>	<u>-</u>
Employer Contributions Used as the Basis for Allocating Employers' Proportionate Share of Collective Pension Amounts – June 30, 2014 Measurement Date	<u>206,476</u>	<u>2,778</u>

As of June 30, 2015, the Coast RTA included \$29,414 in accrued and withheld state retirement contributions representing outstanding obligations to the SCRS and PORS for its legally required June 2015 contributions.

**Pension Plan Fiduciary Net Position**

Detailed information regarding the fiduciary net position of the plans administered by PEBA is available in the separately issued CAFR containing financial statements and required supplementary information for SCRS and PORS. The CAFR of the Pension Trust Funds is publicly available on PEBA's Retirement Benefits' website at [www.retirement.sc.gov](http://www.retirement.sc.gov), or a copy may be obtained by submitting a request to PEBA, PO Box 11960, Columbia, SC 29211-1960.

At June 30, 2015, the Coast RTA does not provide employees with any post-employment benefits other than those provided through the State retirement system.

**NOTE 8 FINANCIAL COMMITMENTS AND OBLIGATIONS**

On June 1, 2015, the Coast RTA entered into an agreement with the Dallas Area Rapid Transit (DART) to purchase ten (10) used NABI transportation buses with remaining Federal and local interests totaling \$338,539. The Coast RTA acquired five (5) of the ten (10) buses on June 30, 2015. The Coast RTA plans to acquire the additional five (5) buses during the fiscal year ending June 30, 2016. The estimated remaining local interest of the additional five (5) buses at the time of acquisition is expected to be \$15,028 which the Coast RTA will be required to pay at the time of purchase from local funding. The estimated remaining Federal interest of the additional five (5) buses at the time of acquisition is expected to be \$76,677 which will qualify for in-kind revenue recognition when the titles are transferred and will require no additional cash outlay.

The Board of Directors of the Coast RTA authorized the purchase of two (2) 2016 Ford Explorers by resolution dated February 25, 2015. The two (2) Ford Explorers were ordered in March 2015 with delivery taken on July 20, 2015. The total purchase price at the time the titles were transferred to the Coast RTA in July 2015 was \$56,866.



## **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, the final year of recognition for the effects of the change in estimate.

## **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 Coast RTA.

## **NOTE 11 DEBT OBLIGATIONS 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 Coast RTA from \$2,965,811 to a combined obligation of \$765,811 resulting from previous years' costs that were determined not reimbursable. 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 these federal funds.

In June 2015, the Coast RTA disposed of a 2002 Opus bus with a remaining Federal interest of \$88,942. Subsequent to the sale, the Coast RTA's management contacted the FTA and received permission to carry over the interest into a future Federal grant which will reduce the available total grant funds by this amount.

In fiscal year 11/12, a 40' bus which had met its estimated useful life, was destroyed by fire. The value of the bus after the fire damage was determined to be \$7,196. The Federal interest in the bus was 80%. The calculated value of the Federal interest is \$5,757 which has been carried forward by the Coast RTA as a liability due to FTA since June 30, 2012. Management anticipates receiving a new Federal grant in fiscal year 15/16 and using the carry over to reduce available grant funds by this amount.

As of June 30, 2015, the total Federal interest remaining in buses destroyed by fire or sold and recorded as a current liability due to FTA was \$94,699.

Included in local grant and other funds received in advance of earnings period reported under deferred inflows of resources is insurance proceeds received from fire damage to two (2) fare boxes, totaling \$21,942. The federal interest in these insurance recoveries is 100%. Management anticipates incorporating these funds into a new Federal grant award in fiscal year ending June 30, 2016 which will reduce the available total grant funds by this amount.

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

On September 30, 2009, The Coast RTA and the SCDOT entered into an agreement whereby the Coast RTA is required to repay certain costs that were determined not to be recoverable resulting from a review of grant expenditures for periods prior to 2007. The recoverable amount due back to SCDOT totaled \$305,526 at June 30, 2010. The repayment terms include an annual reduction over a nine (9) year period of future SMTF funds. Annual reductions of grant funds for the first eight (8) years are \$34,924. The final year will require a reduction of grant funds equaling \$26,134. The annual reductions in State Mass Transit Funds reduces the debt obligation and increases grant revenues as reported in the statement of revenues, expenses and changes in net position. The balance outstanding as of June 30, 2015 is \$130,906.

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. The repayment terms include a reduction over a five (5) year period of future State Mass Transit Funds of \$27,064 per year. The balance outstanding as of June 30, 2015 is \$81,192.

By letter dated December 31, 2014, the Coast RTA was notified by SCDOT 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 as of June 30, 2015. The required reductions in future annual State Mass Transit Funds are \$75,500 per year over a five (5) year period. The balance outstanding as of June 30, 2015 is \$377,500.

The combined debt obligation to SCDOT as of June 30, 2015, is scheduled to be reduced each year as follows as future State Mass Transit Funds become available:

<u>Reduction Year</u>	<u>Amount</u>
FY 2016 (Current Portion)	\$ 137,488
FY 2017	137,488
FY 2018	137,488
FY 2019	101,634
FY 2020	<u>75,500</u>
<b>Combined Debt Obligation Payable to SCDOT</b>	<u><b>589,598</b></u>

The change in combined debt obligation to SCDOT for the year ended June 30, 2015 is as follows:

	<b>Balance at July 1, 2014</b>	<b>Additions</b>	<b>Scheduled Reductions</b>	<b>Balance at June 30, 2015</b>
Combined Debt Obligation	<u>\$ 598,178</u>	<u>\$ 53,407</u>	<u>\$ (61,987)</u>	<u>\$ 589,598</u>

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

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

**NOTE 13 LOCAL GRANT AND OTHER FUNDS RECEIVED IN ADVANCE OF EARNING PERIOD**

Certain local funding, advertising, and liability insurance recoveries received in previous years, totaling \$68,610 were carried forward to the current year. During June 30, 2015, the Coast RTA performed the required services to satisfy the earnings requirement on a portion of the funds carried forward and recognized \$46,668 in additional operating revenues. The balance reported At June 30, 2015 of \$21,942 represents insurance proceeds received from damages to fare boxes caused by fires in previous years. The fare boxes were purchased with federal funds. The Coast RTA intends to use these funds in future periods to acquire similar assets or to be applied toward a qualifying future Federal grant.

## **NOTE 14 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 the next 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. Management estimates any loss awarded will be covered under the Coast RTA's general liability insurance policy. No amount has been accrued as of June 30, 2015, because the conditions to recognize a loss contingency have not been met.

### Federal Interest in Two (2) International Buses

On June 30, 2015, the Coast RTA removed two (2) 2011 International buses from service due to potential mechanical defects that could cause the buses to operate unsafely. Both buses were acquired for a total acquisition price of \$407,852 on December 20, 2011 with a ten (10) year estimated useful life established for each bus. As of June 30, 2015, the net book value, which represents the difference between allowable depreciation calculated from December 21, 2011 through June 30, 2015, and the acquisition value totaled \$271,901 for both buses. The net book value of \$271,901 was recognized in the current year statement of revenues, expenses, and changes in net position as an asset impairment loss, which also reduced the carrying value of these buses by the same amount. The net book value also approximates the remaining Federal interest in both buses. Management has informed FTA of the current situation and status of these buses. The potential liability, if any, the Coast RTA would be required to pay FTA for the remaining Federal interest totaling \$271,901 cannot reasonably be determined at this time. No adjustment has been made in the Coast RTA's accompanying financial statements to report a potential liability, if any, with regard to the remaining Federal interest in these buses as of June 30, 2015.

## **NOTE 15 RISK MANAGEMENT**

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

- 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 16 FEDERAL AND STATE OPERATING AND CAPITAL GRANTS**

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

## **NOTE 17 ECONOMIC 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 18 SUBSEQUENT EVENTS**

Management expects to acquire the additional five (5) DART buses by the end of February 2016 at the estimated values noted in Note 8, *Financial Commitments and Obligations*.

Management has evaluated significant subsequent events through January 27, 2016, which is the date the financial statements were available to be issued.

**NOTE 19 EFFECTS OF IMPLEMENTATION OF GASB STATEMENT NO. 68**

In accordance with GASB Statement No 68, the following financial information has been recorded in the Coast RTA's statement of net position and statement of revenues, expenses and changes in net position as of and for the year ended June 30, 2015:

Statement of Net Position

Initial recording the Coast RTA's share of the net pension liability as of July 1, 2014:

Decrease the opening balance of unrestricted net position	\$3,676,480
Increase the liability for the net pension liability	3,676,480

Recognition of the Coast RTA's proportionate share of changes in deferred outflows and deferred inflows of resources, net pension liability and net pension expense between the measurement dates of June 30, 2013 and June 30, 2014:

Recognition of an increase of deferred outflows of resources for the difference between the expected and actual funding experience	\$ 105,592
Recognition of an increase in deferred inflows of resources for the difference between projected and actual investment earnings	315,417
Recognition of an increase in deferred outflows of resources for current year funding of employer retirement contributions	193,061
Recognition of an increase in the Coast RTA's proportionate share of net pension liability from June 30, 2013 to June 30, 2014	51,973

Statement of Revenues, Expenses and Changes in Net Position

Recognition of current year pension expense resulting from the changes in net pension liability, deferred outflows of resources and deferred inflows of resources from June 30, 2013 to June 30, 2014	261,921
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WACCAMAW REGIONAL TRANSPORTATION AUTHORITY, D/B/A THE COAST RTA  
 SCHEDULE OF THE COAST RTA'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
 SOUTH CAROLINA RETIREMENT SYSTEM (SCRS) AND POLICE OFFICER'S RETIREMENT SYSTEM (PORS)  
 LAST 10 FISCAL YEARS ENDED JUNE 30

	JUNE 30,									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
<b>SCRS AND PORS</b>										
Coast RTA's Proportionate Share Percentage of the Net Pension Liability										
SCRS	0.021456%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
PORS	0.001800%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Coast RTA's Proportionate Share of the Net Pension Liability										
SCRS	\$ 3,694,012	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
PORS	\$ 34,441	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Coast RTA's Covered Employee Payroll										
SCRS	\$ 1,734,709	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
PORS	\$ 31,143	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Coast RTA's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Employee Payroll										
SCRS	212.95%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
PORS	110.59%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Plan Fiduciary Net Position as a Percentage of the Total Pension Plan	59.90%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
N/A - Not Applicable										

**Notes to Required Supplementary Information**

*Note 1 - Presentation and Applicability*  
 This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.

*Note 2 - Changes in Benefit Terms*  
 There were no changes in benefit terms during the year of initial adoption - year ended June 30, 2015.

*Note 3 - Changes in Significant Assumptions*  
 There were no changes in significant assumptions during the year of initial adoption - year ended June 30, 2015.

*Note 4 - Source of Information*  
 The required supplementary information presented herein was included in the audit report of employer allocations of the South Carolina Retirement System (SCRS) and Police Officer's Retirement System (PORS) as administered by the South Carolina Public Employee Benefit Authority (PEBA) as of and for the year ended June 30, 2014

**See Independent Auditors' Report**

WACCAMAW REGIONAL TRANSPORTATION AUTHORITY, D/B/A THE COAST RTA  
 SCHEDULE OF THE COAST RTA'S RETIREMENT PLAN CONTRIBUTIONS  
 SOUTH CAROLINA RETIREMENT SYSTEM (SCRS) AND POLICE OFFICER'S RETIREMENT SYSTEM (PORS)  
 LAST 10 FISCAL YEARS ENDED JUNE 30

	JUNE 30.									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Contractually Required Contributions	\$ 193,061	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contributions in Relation to the Contractually Required Contributions	\$ 193,061	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contribution Deficiency (Excess)	-	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Coast RTA's Covered Employee Payroll	\$ 1,765,852	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contributions as a Percentage of Covered Employee Payroll	10.93%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
N/A - Not Applicable										

**Notes to Required Supplementary Information**

*Note 1 - Presentation and Applicability*  
 This schedule is presented in the format stipulated by GASB Statement No. 68, which states that information regarding required contributions be shown for ten (10) years. However, until a term under the standard has been completed, information will only be presented for years subsequent to the adoption of the standard.

*Note 2 - Changes in Benefit Terms*  
 There were no changes in benefit terms during the year of initial adoption - year ended June 30, 2015.

*Note 3 - Changes in Significant Assumptions*  
 There were no changes in significant assumptions during the year of initial adoption - year ended June 30, 2015.

*Note 4 - Source of Information*  
 The required supplementary information presented herein was included in the Coast RTA's South Carolina Retirement System (SCRS) and Police Officer's Retirement System (PORS) quarterly retirement contribution reports.

**See Independent Auditors' Report**

**WACCAMAW REGIONAL TRANSPORTATION AUTHORITY, D/B/A THE COAST RTA  
BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2015**

	<b>Final Budget</b>	<b>Actual Budgetary Basis</b>	<b>Variance Favorable (Unfavorable)</b>
<b>Operating Expenses</b>			
Salaries and Wages	\$ 2,419,249	\$2,209,294	\$ 209,955
Fringe Benefits	890,851	824,701	66,150
Fuel and Oil	587,810	413,310	174,500
Repairs and Maintenance	227,750	227,579	171
Custodial Services	12,000	9,700	2,300
Operational Supplies	50,000	61,546	(11,546)
Contract Maintenance	63,500	84,919	(21,419)
Legal and Professional Fees	35,000	143,421	(108,421)
Utilities and Telephone	76,000	66,224	9,776
Liability Insurance	206,000	196,600	9,400
Property and Office Equipment Leases	11,000	10,848	152
Professional Dues and Subscriptions	11,500	12,744	(1,244)
Advertising and Marketing	25,000	26,393	(1,393)
Training and Travel	25,000	46,569	(21,569)
Non-Capital Equipment Purchased with Grant Funds	-	14,317	(14,317)
Provision for Parts Inventory Obsolescence	-	21,154	(21,154)
Office Supplies, Postage and Other Expenses	138,450	46,716	91,734
<b>Total Operating Expenses</b>	<b>4,779,110</b>	<b>4,416,035</b>	<b>363,075</b>
<b>Operating Revenues</b>			
Passenger Fares	538,374	449,577	(88,797)
Bus Advertising Revenues	100,000	11,847	(88,153)
Other Non-Transit Revenues	12,500	16,012	3,512
<b>Total Operating Revenues</b>	<b>650,874</b>	<b>477,436</b>	<b>(173,438)</b>
<b>Operating Expenses in Excess of Operating Revenues</b>	<b>(4,128,236)</b>	<b>(3,938,599)</b>	<b>189,637</b>
<b>Non-Operating Revenues</b>			
Reduction of Debt Obligation - SCDOT	-	61,988	61,988
Local Grants - Operating	1,627,500	1,623,867	(3,633)
Federal Grants - Operating	2,394,951	1,953,824	(441,127)
State Grants - Operating	398,740	363,282	(35,458)
In Kind Contribution Revenue - Transportation Vehicles	-	144,045	144,045
<b>Total Non-Operating Revenues</b>	<b>4,421,191</b>	<b>4,147,006</b>	<b>(274,185)</b>

*See Independent Auditors' Report  
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, 2015**

	<b>Final Budget</b>	<b>Actual Budgetary Basis</b>	<b>Variance Favorable (Unfavorable)</b>
<b>Change in Net Position - Budgetary Basis</b>	\$ 292,955	\$ 208,407	\$ (84,548)
<b>Reconciliation of Budgetary Basis to GAAP Basis</b>			
Depreciation Expense	(700,000)	(485,865)	214,135
Federal Capital Grants	506,262	41,001	(465,261)
Vehicle Impairment Loss	-	(271,901)	(271,901)
Audit Disallowance - Bus Shelters - SC DOT	-	(53,407)	(53,407)
Loss on Disposal of Capital Assets, Net of Insurance	-	(92,504)	(92,504)
<b>Change in Net Position - GAAP Basis</b>	<u>99,217</u>	<u>(654,269)</u>	<u>(753,486)</u>

*See Independent Auditors' Report*

*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, 2014**

	<b>Final Budget</b>	<b>Actual Budgetary Basis</b>	<b>Variance Favorable (Unfavorable)</b>
<b>Operating Expenses</b>			
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
Professional 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 on Capital Lease Obligations	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
<b>Total Operating Expenses</b>	<b>4,670,085</b>	<b>4,551,260</b>	<b>118,825</b>
<b>Operating Revenues</b>			
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
<b>Total Operating Revenues</b>	<b>781,700</b>	<b>564,651</b>	<b>(217,049)</b>
<b>Operating Expenses in Excess of Operating Revenues</b>	<b>(3,888,385)</b>	<b>(3,986,609)</b>	<b>(98,224)</b>
<b>Non-Operating Revenues</b>			
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 - Transportation Vehicles	-	166,735	166,735
<b>Total Non-Operating Revenues</b>	<b>4,344,854</b>	<b>4,429,793</b>	<b>84,939</b>

**See Independent Auditors' Report**

**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**

	<b>Final Budget</b>	<b>Actual Budgetary Basis</b>	<b>Variance Favorable (Unfavorable)</b>
<b>Change in Net Position - Budgetary Basis</b>	\$ 456,469	\$ 443,184	\$ (13,285)
<b>Reconciliation of Budgetary Basis to GAAP Basis</b>			
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)
<b>Change in Net Position - GAAP Basis</b>	<u>796,569</u>	<u>(241,115)</u>	<u>(1,037,684)</u>

*See Independent Auditors' Report*

*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, 2015 AND 2014**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Basis of Presentation**

The budgetary comparison schedules 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 years 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 budgets may be 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, 2015**

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Federal Expenditures
<b><u>U.S. DEPARTMENT OF TRANSPORTATION</u></b>		
Direct Federal Grant Funding		
<b>Urban Mass Transportation (5307 Program)</b>		
<i>Federal Transit - Formula Grants - Capital (Urbanized Area     Formula Program)</i>		
SC-90-X282-00	20.507	\$ 41,001
<i>Federal Transit - Formula Grants (Urbanized Area     Formula Program)</i>		
SC-90-X282-00	20.507	<u>1,131,984</u>
<b>Total - Federal Transit - Formula Grants (Urbanized Area Formula Program)</b>	<b>20.507</b>	<b><u>1,172,985</u></b>
<b>Total Direct Federal Grant Funding</b>		<b><u>1,172,985</u></b>
 <b><u>U.S. DEPARTMENT OF TRANSPORTATION</u></b>		
Passed Through The South Carolina Department Of Transportation		
<b>Non-Urban Mass Transportation (5311 Program)</b>		
<i>Formula Grants for Rural Areas</i>		
PT-50911-33	20.509	<u>821,840</u>
<b>Total - Formula Grants for Rural Areas</b>	<b>20.509</b>	<b><u>821,840</u></b>
<b>Total Pass-Through Grant Funding</b>		<b><u>821,840</u></b>
 <b>Total Expenditures of Federal Awards</b>		 <b><u><u>1,994,825</u></u></b>

*See Independent Auditors' Report*

*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, 2015**

**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 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 for expenditures of federal awards were obtained from the accounting and other financial 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, 2015.

**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, 2015 as follows:

**Federal Capital Grants**

Direct	\$ 41,001
<b>Total Capital Grant Expenditures</b>	<b><u>41,001</u></b>

**Federal Operating Grants**

Direct	1,131,984
Pass-Through (SCDOT)	<u>821,840</u>
<b>Total Operating Grant Expenditures</b>	<b><u>1,953,824</u></b>
<b>Total Expenditures of Federal Awards</b>	<b><u>1,994,825</u></b>

**WACCAMAW REGIONAL TRANSPORTATION AUTHORITY, D/B/A THE COAST RTA  
 SCHEDULE OF EXPENDITURES OF STATE AWARDS  
 FOR THE YEAR ENDED JUNE 30, 2015**

<b>State Grantor/Program Title</b>	<b>State Expenditures</b>
<b><u>S.C. DEPARTMENT OF TRANSPORTATION</u></b>	
Direct State Grant Funding	
<b>Non-Urban Mass Transportation (5311 Program)</b>	
<b><i>State Mass Transit Funds Program - Formula Grants</i></b>	
PT-50911-33	\$ 225,215
<b>Urban Mass Transportation (5307 Program)</b>	
<b><i>State Mass Transit Funds Program - Formula Grants</i></b>	
PT-50999-04	<u>138,067</u>
<b>Total Expenditures of State Awards</b>	<b><u><u>363,282</u></u></b>

***See Independent Auditors' Report***

***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, 2015**

**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 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 and other financial 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, 2015**

DMT Contract #  
 Contract period:

Performance period:

**ADMINISTRATION**

PT-50911-33					
July 1, 2014 - June 30, 2015					
Budget	Section 5311	SMTF*	Local	Variance	
Jul 14 - Jun 15					
Salaries and Wages	\$ 225,870	\$ 87,349	\$ 10,767	\$ 58,719	\$ 69,035
Fringe Benefits	59,363	43,565	5,370	29,286	(18,858)
Utilities	13,495	6,503	802	4,372	1,818
Professional and Tech Svcs	7,497	27,972	3,448	18,804	(42,727)
Materials and Supplies	5,995	5,984	738	4,023	(4,750)
Casualty and Liability Insurance	5,548	8,988	1,108	6,042	(10,590)
Advertising and Promotion Media	7,497	3,891	480	2,616	510
Fuel/Lubricants	3,149	4,803	592	3,229	(5,475)
Lease	3,299	2,145	264	1,442	(552)
Dues and Subscriptions	3,449	2,520	311	1,694	(1,076)
Travel/Training	7,497	9,359	1,154	6,291	(9,307)
Contract Maint Svcs	900	801	99	538	(538)
<b>Total Administration</b>	<b>343,559</b>	<b>203,880</b>	<b>25,133</b>	<b>137,056</b>	<b>(22,510)</b>

**OPERATIONS**

Operating and Wages	339,028	175,818	88,118	128,786	(53,694)
Fuel and Lubricants	170,200	63,472	31,812	46,493	28,423
Operations Fringe Benefits	162,851	55,315	27,723	40,518	39,295
Casualty and Liability Insurance	46,143	24,769	12,414	18,143	(9,183)
Operations Overtime	30,553	10,176	5,100	7,454	7,823
Utilities	0	0	0	0	0
<b>Total Operations</b>	<b>748,775</b>	<b>329,550</b>	<b>165,167</b>	<b>241,394</b>	<b>12,664</b>

**MAINTENANCE**

Salaries/Wages	145,263	110,763	13,409	18,303	2,788
Vehicle Maintenance	70,729	43,554	5,273	7,197	14,705
Fringe Benefits	54,075	44,927	5,439	7,424	(3,715)
Operations Supplies	16,268	16,116	1,951	2,663	(4,462)
Tire Maintenance	6,542	17,315	2,096	2,861	(15,730)
Contract Maintenance	14,146	17,253	2,089	2,851	(8,047)
Utilities	12,378	9,199	1,114	1,520	545
Fuel/Lubricants	10,609	5,363	649	886	3,711
Overtime	7,073	12,583	1,523	2,079	(9,112)
Janitorial	2,829	9,272	1,123	1,532	(9,098)
Insurance	2,652	2,065	249	342	(4)
Vehicle Registration	88	0	0	0	88
Dues/Subscriptions	0	0	0	0	0
Travel/Training	0	0	0	0	0
<b>Total Maintenance</b>	<b>342,652</b>	<b>288,410</b>	<b>34,915</b>	<b>47,658</b>	<b>(28,331)</b>

**Total Program**

<b>1,434,986</b>	<b>821,840</b>	<b>225,215</b>	<b>426,108</b>	<b>(38,177)</b>
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Approved Budget	\$ 1,434,986
TI Federal Costs	821,840
TI State Costs*	225,215
TI Local Costs	<u>426,108</u>

Budget Balance (38,177)

*See Independent Auditors' Report*  
*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, 2015**

DMT Contract #  
 Contract period:

PT-50999-04					
July 1, 2014 - June 30, 2015					
Budget	Section 5307	SMTF*	Local	Variance	
Performance period: Jul 14 - Jun 15					
<b>ADMINISTRATION</b>					
Salaries and Wages	\$ 527,335	\$ 108,547	\$ 8,872	\$ 167,534	\$ 242,382
Fringe Benefits	138,593	54,138	4,425	83,557	(3,527)
Utilities	31,505	8,082	661	12,473	10,289
Professional and Tech Svcs	17,503	34,761	2,841	53,650	(73,749)
Advertising and Promotion Media	17,503	7,436	608	11,477	(2,018)
Materials and Supplies	14,005	11,170	913	17,240	(15,318)
Casualty and Liability Insurance	12,952	4,836	395	7,464	257
Fuel/Lubricants	7,351	5,969	488	9,212	(8,318)
Lease	7,701	2,665	218	4,114	704
Dues and Subscriptions	8,051	3,131	256	4,833	(169)
Travel/Training	17,503	11,630	951	17,950	(13,028)
Contract Maint Svcs	2,100	995	80	1,537	(512)
<b>Total Administration</b>	<b>802,102</b>	<b>253,360</b>	<b>20,708</b>	<b>391,041</b>	<b>136,993</b>
<b>OPERATIONS</b>					
Operating and Wages	709,888	236,174	53,986	565,440	(145,712)
Operations Fringe Benefits	340,991	85,262	19,490	204,130	32,109
Fuel and Lubricants	356,381	74,304	16,985	177,897	87,195
Casualty and Liability Insurance	96,618	33,272	7,605	79,657	(23,916)
Operations Overtime	63,974	13,670	3,125	32,727	14,452
<b>Total Operations</b>	<b>1,567,852</b>	<b>442,682</b>	<b>101,191</b>	<b>1,059,851</b>	<b>(35,872)</b>
<b>MAINTENANCE</b>					
Salaries/Wages	265,498	167,423	6,209	85,232	6,634
Vehicle Maintenance	129,271	65,833	2,442	33,514	27,482
Fringe Benefits	98,833	67,909	2,519	34,571	(6,166)
Operations Supplies	29,732	24,360	903	12,401	(7,932)
Tire Maintenance	11,958	26,173	971	13,324	(28,510)
Contract Maintenance	25,854	26,078	967	13,276	(14,467)
Utilities	22,622	13,905	516	7,079	1,122
Fuel/Lubricants	19,391	8,107	301	4,127	6,856
Overtime	12,927	19,020	705	9,682	(16,480)
Janitorial	5,171	14,015	520	7,136	(16,500)
Insurance	4,848	3,119	115	1,592	22
Vehicle Registration	162	0	0	0	162
Dues/Subscriptions	0	0	0	0	0
Travel/Training	0	0	0	0	0
<b>Total Maintenance</b>	<b>626,267</b>	<b>435,942</b>	<b>16,168</b>	<b>221,934</b>	<b>(47,777)</b>
<b>Total Program</b>	<b>2,996,221</b>	<b>1,131,984</b>	<b>138,067</b>	<b>1,672,826</b>	<b>53,344</b>

Approved Budget	\$ 2,996,221
TI Federal Costs	1,131,984
TI State Costs*	138,067
TI Local Costs	1,672,826

Budget Balance 53,344

*See Independent Auditors' Report*  
*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, 2015**

**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 and other financial 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.

Federal section 5307 and 5311 awards and related SMTF's are reported net of respective match requirements. Capital expenditures are excluded from the amounts reported in these schedules.

Financial information reported in the "local column" of each program includes non-reimbursable expenses incurred by the Coast RTA which were funded by passenger fares and other contra revenues of \$449,581 and \$27,855, respectively. These revenues were not used as cost matching requirements of federal and state grant funding. Local County and city grant funds of \$1,623,867 were available for cost matching requirements for the federal and state grants administered by the Coast RTA for the year ended June 30, 2015.

**B. Reporting Entity**

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

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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, 2015, and the related notes to the financial statements, which collectively comprise Waccamaw Regional Transportation Authority, Conway, South Carolina's basic financial statements and have issued our report thereon dated January 27, 2016.

### ***Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered Waccamaw Regional Transportation Authority, Conway, South Carolina'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 Waccamaw Regional Transportation Authority, Conway, South Carolina's internal control. Accordingly, we do not express an opinion on the effectiveness of Waccamaw Regional Transportation Authority, Conway, South Carolina'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.

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 deficiencies described in the accompanying schedule of findings and questioned costs as item no.'s 2015-001, 2015-002, 2015-003, 2015-004, and 2015-005 to be material weakness.

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***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether Waccamaw Regional Transportation Authority, Conway, South Carolina'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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item no.'s 2015-006 and 2015-007.

***Waccamaw Regional Transportation Authority, Conway, South Carolina's Responses to the Findings***

Waccamaw Regional Transportation Authority, Conway, South Carolina's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Waccamaw Regional Transportation Authority, Conway, South Carolina's responses were not subjected to the 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  
January 27, 2016

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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), Conway, South Carolina'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 Waccamaw Regional Transportation Authority, Conway, South Carolina's major federal programs for the year ended June 30, 2015. Waccamaw Regional Transportation Authority, Conway, South Carolina'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 Waccamaw Regional Transportation Authority, Conway, South Carolina'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 Waccamaw Regional Transportation Authority, Conway, South Carolina'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 Waccamaw Regional Transportation Authority, Conway, South Carolina's compliance.

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***Basis for Qualified Opinion on Formula Grants for Rural Areas Major Federal Program***

As described in the accompanying schedule of findings and questioned costs, Waccamaw Regional Transportation Authority, Conway, South Carolina did not comply with requirements regarding CFDA 20.509, Formula Grants for Rural Areas as described in finding no. 2015-006 for Allowable Costs / Cost Principles. Compliance with such requirements is necessary, in our opinion, for Waccamaw Regional Transportation Authority, Conway, South Carolina to comply with the requirements applicable to that program.

***Qualified Opinion on Formula Grants for Rural Areas Major Federal Program***

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, Waccamaw Regional Transportation Authority, Conway, South Carolina complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on Formula Grants for Rural Areas major federal program for the year ended June 30, 2015.

***Basis for Qualified Opinion on Federal Transit - Formula Grants Major Federal Program***

As described in the accompanying schedule of findings and questioned costs, Waccamaw Regional Transportation Authority, Conway, South Carolina did not comply with requirements regarding CFDA 20.507, Federal Transit - Formula Grants as described in finding no. 2015-007 for Cash Management. Compliance with such requirements is necessary, in our opinion, for Waccamaw Regional Transportation Authority, Conway, South Carolina to comply with the requirements applicable to that program.

***Qualified Opinion on Federal Transit - Formula Grants Major Federal Program***

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, Waccamaw Regional Transportation Authority, Conway, South Carolina complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on Federal Transit - Formula Grants major federal program for the year ended June 30, 2015.

Waccamaw Regional Transportation Authority, Conway, South Carolina's responses to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Waccamaw Regional Transportation Authority, Conway, South Carolina's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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

Management of Waccamaw Regional Transportation Authority, Conway, South Carolina 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 Waccamaw Regional Transportation Authority, Conway, South Carolina'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 Waccamaw Regional Transportation Authority, Conway, South Carolina's internal control over compliance.

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

**Report on Internal Control Over Compliance (Continued)**

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item no. 2015-006 to be a material weakness.

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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item no. 2015-007 to be a significant deficiency.

Waccamaw Regional Transportation Authority, Conway, South Carolina's responses to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Waccamaw Regional Transportation Authority, Conway, South Carolina's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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  
January 27, 2016

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2015**

**SECTION I SUMMARY OF AUDITORS' RESULTS**

**FINANCIAL STATEMENTS**

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

Internal control over financial reporting:

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

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

**FEDERAL AWARDS**

Internal control over major federal programs:

- Material weaknesses identified? **Yes**
- Significant deficiencies identified that are not considered to be material weaknesses? **Yes**

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

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

Identification of major federal programs:

**U.S. DEPARTMENT OF TRANSPORTATION (DOT)**

<u>CFDA NO.</u>	<u>PROGRAM NAME</u>
20.507	Federal Transit - Formula Grants (Urbanized Area Formula Program)
20.509	Formula Grants for Rural Areas

**Total Major Federal Program Expenditures: \$ 1,994,825**

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, 2015**

**SECTION II FINDINGS RELATED TO THE AUDIT OF THE FINANCIAL STATEMENTS**

**FINDING NO: 2015-001**

*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 on capital assets subject to the potential for an other than temporary decline in value resulting from the difference between the fair value and carrying value of the capital 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 service use of an asset, adverse changes in the legal or business environment that affects an asset's value or the costs of constructing or improving an asset significantly exceed those originally expected.

*Condition:*

During the performance of our audit procedures, we became aware of two (2) International buses removed from service at the end of the fiscal year due to potential mechanical defects that could render the buses unsafe in their normal operating capacity. Due to the limited operating capabilities of these buses and the decline in the service utility values, the fair value of both buses was determined to exceed the undepreciated or book value by \$271,901.

*Effect:*

The Coast RTA'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 the estimated fair value of the two (2) buses by \$271,901. Existing internal controls were not effective in the prevention or detection and timely correction of this error in financial reporting. Monitoring of internal control procedures to assess whether existing controls were suitably designed to test for impairment loss were not performed and documented.

*Recommendations:*

Management of the Coast RTA 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 capital assets subject to the potential for an other than temporary decline in value 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. Monitoring controls should also be designed and performed throughout the year.

*Views of Responsible Officials / Corrective Action Plan:*

The Coast RTA's management agrees with the finding. 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. We will work with FTA to resolve the issues with these vehicles in FY 16.

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2015**

**SECTION II FINDINGS RELATED TO THE AUDIT OF THE FINANCIAL STATEMENTS**

**FINDING NO: 2015-002**

*Criteria:*

Segregation of duties, including journal entry processing and posting responsibilities, is critical to an effective internal control system. Proper segregation of duties means that no single individual should have control over two or more phases of a single transaction or operation. 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:*

Certain adjusting journal entries were made during the process of closing the year which significantly affected various account balances used for reporting purposes. The non-routine adjustments did not include proper review and approval with appropriate support prior to or subsequent to posting the adjustments to various asset, expense and revenue account balances. As a result, certain adjustments were made incorrectly, resulting in misstatements which were not corrected or detected.

*Effect:*

Due to the lack of proper segregation of duties, review and approval and appropriate support for certain journal entry adjustments, several account balances contained material misstatements which were not prevented or detected and corrected timely during the process of the year end close. Specifically, journal entries were made to record a loss of \$111,178 from the sale of a used bus in June 2015. The loss and reduction of the carrying value of this bus was recognized and included in the June 30, 2014 financial statements as an impairment loss of \$111,178. At June 30, 2015, net capital assets were understated and the change in net position (decrease) was overstated by the same amount for the year ended June 30, 2015. In addition, certain estimated amounts were used to record federal and state grants receivable, rather than actual funds due based on allocated costs used for draws submitted subsequent to year end. The balance recorded for accounts receivable – federal and state grants and the related federal and state grant revenues were understated by \$245,465 at June 30, 2015.

*Recommendations:*

Management of the Coast RTA 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. In addition, management should strengthen internal controls over the year end closing process to ensure all financial information is accurate, complete and recorded in the correct amounts and in the correct period.

*Views of Responsible Officials / Corrective Action Plan:*

The Coast RTA's management agrees with the finding. Now that the Coast RTA's administration is fully staffed, we believe that the segregation of duties issues will be resolved with respect to formally reviewing journal entries before and after they are input into the system. Segregation of duties and year end closing internal controls will be changed as appropriate and monitored to ensure misstatements are prevented or detected and corrected on a timely basis and before completion of the final year end close and incompatible duties and responsibilities are prevented to allow for proper segregation of duties.

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2015**

**SECTION II FINDINGS RELATED TO THE AUDIT OF THE FINANCIAL STATEMENTS**

**FINDING NO: 2015-003**

*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 financial reporting framework (GAAP).

*Condition:*

During the performance of our audit procedures, we discovered one 'miscellaneous' expense account contained multiple transactions that would typically be reported in other appropriate expense accounts or account groups for transactions containing expenses with the same or similar purpose. These misstatements were not timely corrected. Monitoring of controls over expense account classifications and financial reporting were not performed.

*Effect:*

The Coast RTA's interim and preliminary annual financial statements which were presented to the Board of Directors for review contained one account with approximately \$114,000 of expenses that were not reclassified timely into the appropriate expense accounts or account groups. The majority of the \$114,000 in expenses reclassified was for professional consultant services totaling \$94,500. The grouping of these expenses to the miscellaneous – unallowable classification during the year were not included in federal or state grant expenses subject to reimbursement and were not budgeted.

*Recommendations:*

Management of the Coast RTA 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 original or amended budget. Monitoring of internal controls over expense classifications and financial reporting should be performed with the results of the monitoring communicated and documented.

*Views of Responsible Officials / Corrective Action Plan:*

The Coast RTA's management agrees with the finding. In order to timely correct misstatements, internal controls over financial reporting have been put into place, including comparing actual to budgeted revenue and expense accounts, to reflect accurate and complete financial information presented in accordance with GAAP. Coast RTA will be revising the chart of accounts in Sage to place non-reimbursable and irregular expenses into accounts that relate to the type of expense and eliminate the use of one single miscellaneous account where these expenses are "parked" until they are re-assigned.

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2015**

**SECTION II FINDINGS RELATED TO THE AUDIT OF THE FINANCIAL STATEMENTS**

**FINDING NO: 2015-004**

*Criteria:*

Proper internal controls over capital asset management and recording require internal control 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 financial reporting framework (GAAP).

*Condition:*

During the performance of our audit procedures, we discovered five (5) used buses were acquired by the Coast RTA on June 30, 2015, from another out-of-state transportation authority under a federally approved interest transfer agreement. The five (5) buses were titled to the Coast RTA on the last day of the fiscal year. The June 30, 2015, financial statements of the Coast RTA did not include the correct recording of the acquisition price of the five (5) used buses and the related in-kind revenue representing the remaining federal interest transferred.

*Effect:*

Net capital assets of the Coast RTA were understated by the remaining federal interest of \$144,045 transferred at the time these buses were acquired. Non-operating revenues were understated by \$144,045 for the in-kind value received at the time of ownership. In addition, the initial payment of \$29,836 paid at the time of acquisition of these buses was initially recorded in the construction in process account. The initial payment by the Coast RTA represented the previous authority's local funds share of the cost of these buses.

*Recommendations:*

Management of the Coast RTA should follow established internal controls over financial reporting at all times during the year to ensure that financial information 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. Monitoring of asset management controls should also be performed throughout the year to ensure procedures are effectively designed and adequate over all capital asset additions to ensure capital assets are recorded in the proper amount, in the proper reporting period, and identified by funding source, including a schedule of remaining federal interest attached to the respective capital assets acquired.

*Views of Responsible Officials / Corrective Action Plan:*

The Coast RTA's management agrees with the finding. In order to timely correct misstatements, internal controls over financial reporting have been put into place, including monitoring controls over asset management to ensure capital assets owned by the Coast RTA are recorded in the proper reporting period, are recorded in the proper amounts and are identified by funding source, including the maintenance of information related to any remaining federal interest attached to the respective capital assets.

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2015**

**SECTION II FINDINGS RELATED TO THE AUDIT OF THE FINANCIAL STATEMENTS**

**FINDING NO: 2015-005**

*Criteria:*

Proper internal controls over financial reporting, including provisions for estimated or actual loss contingencies, 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 financial reporting framework (GAAP). Entities acquiring capital assets from federal capital funding sources are required to maintain accurate and complete records during the service utility life of the asset and repay any portion of the remaining federal interest at the time of sale or disposal of the asset to FTA if the remaining federal interest is \$5,000 or more.

*Condition:*

During the performance of our audit procedures, we became aware of a remaining federal interest attached to a used bus sold in June 2015. Previously, an impairment loss provision for the decline in value for this bus was reported in the June 30, 2014 financial statements. The remaining federal interest was not recorded as a liability to FTA at June 30, 2015.

*Effect:*

The Coast RTA's interim and preliminary annual financial statements did not properly report a liability on its statement of net position of \$88,942 payable to FTA, equal to the remaining federal interest on the bus sold in June 2015. Liabilities and non-operating expenses (losses) of the Coast RTA were understated by this amount at June 30, 2015.

*Recommendations:*

Management of the Coast RTA should follow established internal controls over financial reporting at all times during the year to ensure that financial information, including contingent and actual liabilities are recorded in correct amounts and in the correct reporting period based on facts and circumstances and the existence of known obligations to third parties.

*Views of Responsible Officials / Corrective Action Plan:*

The Coast RTA's management agrees with the finding. In order to prevent and detect and timely correct misstatements, internal controls over year end close and financial reporting will be strengthened and monitored to ensure accuracy and completeness in reporting in accordance with GAAP, including obligations owed for federal interests remaining on capital assets sold or disposed. Coast RTA has recently reached a verbal agreement with the FTA Region IV office on a method for relieving us of this liability. We will be using FY13 5307 formula funds to establish a grant in FY 16 and then the grant will be reduced by an amount equal to the liability.

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2015**

**SECTION III FINDINGS RELATED TO THE AUDIT OF FEDERAL AWARDS**

**FINDING NO: 2015-006**

**CFDA NO. 20.509**

**U.S. DEPARTMENT OF TRANSPORTATION**

**FORMULA GRANTS FOR RURAL AREAS**

**NON-URBAN MASS TRANSPORTATION (5311 PROGRAM)**

**COMPLIANCE REQUIREMENT: ALLOWABLE COSTS / COST PRINCIPLES**

*Criteria:*

In accordance with OMB Circular A-87, costs charged to a federal program should be necessary and reasonable and allocable to a particular cost objective if the goods or services involved are chargeable or assignable to such cost objective in accordance with relative benefits received.

*Condition / Cause:*

The Coast RTA included \$42,400 in its June 2015 draw request to provide a primary and budgeted source of funding for the purchase of two (2) Ford Explorers which were ordered in March 2015. These funds were also included in recorded grant funds receivable at June 30, 2015. The two (2) Explorers were delivered to the Coast RTA and acquired by title transfer in mid July 2015. Grant management oversight was not appropriately performed and internal controls were not followed appropriately at the time the grant funds were requested.

*Effect:*

The funds drawn under the 5311 Program in June 2015 were not in accordance with allowable cost provisions in accordance with OMB Circular A-87. Federal grant funds receivable and the related federal grant revenues were overstated by \$42,400.

*Questioned Costs:* \$42,400.

*Recommendations:*

Management of the Coast RTA should follow established cost principles in accordance with OMB Circular A-87 at all times and record revenues and obtain cost reimbursements when the service has been performed or the product or benefit received.

*Views of Responsible Officials / Corrective Action Plan:*

The Coast RTA's management agrees with the finding. The delay in the purchase and ultimately the draw for this expense was due to delays in the determination that the vehicles met FTA "Buy America" requirements. We were informed in May that the vehicles were ready and it took over 45 days for the manufacturer to return adequate documentation that the vehicles met "Buy America" regulations. Nevertheless, the revised chart of accounts and more timely draws will ensure future requests for all federal funding will be based on actual costs incurred for the period benefited. Grant management internal controls will be designed and monitored with specific grant management responsibilities assigned to current designated personnel for ensuring Coast RTA's compliance with the applicable compliance requirements for each of its federal programs.

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2015**

**SECTION III FINDINGS RELATED TO THE AUDIT OF FEDERAL AWARDS**

**FINDING NO: 2015-007**

**CFDA NO. 20.507**

**U.S. DEPARTMENT OF TRANSPORTATION**

**FEDERAL TRANSIT – FORMULA GRANTS (URBANIZED AREA FORMULA PROGRAM)**

**URBAN MASS TRANSPORTATION (5307 PROGRAM)**

**COMPLIANCE REQUIREMENT: CASH MANAGEMENT**

*Criteria:*

In accordance with OMB grant management rules and regulations, entities other than states, receiving reimbursement under grants and cooperative agreements are required to identify and maintain supporting documentation showing that the costs for which reimbursement was requested were paid or incurred prior to the date of the reimbursement request.

*Condition / Cause:*

In calculating the draw for the month ended April 2015 under the 5307 Program, the Coast RTA included an additional \$65,842 in its ECHO draw request which was not supported by reimbursable costs that were incurred prior to the request date. The documentation used for the draw request was not properly and adequately reviewed and approved prior to the draw request and contained an error that was not prevented or detected during the processing of the monthly draw request.

*Effect:*

The Coast RTA received funds in advance of the earnings period when the allowable costs were incurred. The error in the April 2015 ECHO draw request was discovered in the following month of May 2015. The Coast RTA received no reimbursement of funds and no draw was requested for operations for the month of May 2015. This was considered an isolated noncompliance instance in the last quarter of the fiscal year and not a systemic problem.

*Questioned Costs:* \$65,842.

*Recommendations:*

Management of the Coast RTA should follow established cash management policies and procedures at all times and only request reimbursement of federal funds for allowable costs in the period the costs were paid or incurred. Monitoring of internal controls over grant management should be performed and the results of the monitoring should be timely communicated and documented.

*Views of Responsible Officials / Corrective Action Plan:*

The Coast RTA's management agrees with the finding. Future requests for all federal funding will be based on actual costs incurred for the period benefited. The chart of accounts will be redesigned and journal entries will be monitored with specific grant management responsibilities assigned to current designated personnel for ensuring Coast RTA's compliance with the applicable compliance requirements for each of its federal programs.

**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, 2015**

**FINDINGS RELATED TO THE AUDIT OF THE FINANCIAL STATEMENTS**

**FINDING NO. 2014-001**

*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 Coast RTA'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.

*Status:*

A similar finding, Finding No. 2015-001, was reported for the year ended June 30, 2015, as it relates to valuation of capital assets.

**FINDING NO: 2014-002**

*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 Coast RTA'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.

*Status:*

A similar finding, Finding No. 2015-002, was reported for the year ended June 30, 2015, as it relates to insufficient segregation of duties over preparation, posting, review and approval of non-routine adjusting journal entries.



**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, 2015**

**FINDINGS RELATED TO THE AUDIT OF THE FINANCIAL STATEMENTS**

**FINDING NO: 2014-003**

*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 Coast RTA'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. Approximately \$111,000 of these expenses were not charged to federal or state grant and were not included in the preparation of the annual operating budget.

*Status:*

A similar finding, Finding No. 2015-003, was reported for the year ended June 30, 2015, as it relates to expense account misstatements not being corrected timely and coded to the appropriate expense accounts or account groups.