

WACCAMAW REGIONAL TRANSPORTATION AUTHORITY
(d/b/a THE COAST RTA)

AUDITED BASIC FINANCIAL STATEMENTS
REQUIRED SUPPLEMENTARY INFORMATION AND
SUPPLEMENTARY FEDERAL FINANCIAL ASSISTANCE REPORTS

FIFTEEN MONTHS ENDED SEPTEMBER 30, 2016

WITH

REPORT OF INDEPENDENT AUDITOR

WACCAMAW REGIONAL TRANSPORTATION AUTHORITY
(d/b/a THE COAST RTA)

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FIFTEEN MONTHS ENDED SEPTEMBER 30, 2016

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WACCAMAW REGIONAL TRANSPORTATION AUTHORITY
(d/b/a THE COAST RTA)

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REPORT OF INDEPENDENT AUDITOR

Board of Directors
Waccamaw Regional Transportation Authority
Conway, South Carolina

Report on the Financial Statements

I have audited the accompanying financial statements of the Waccamaw Regional Transportation Authority (the "WRTA"), which comprise the statement of net position as of fifteen months ended September 30, 2016, and the related statements of revenue, expenses and changes in fund net position and cash flows for the fifteen months then ended, and the related notes to the financial statements.

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. Management's responsibility also 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

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I 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 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, I 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. I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the WRTA as of September 30, 2016, and changes in its net position and its cash flows for the fifteen months then ended in accordance with accounting principles generally accepted in the United States of America.

— CONTINUED —



Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, and the Required Supplementary Information, as listed in the table of contents, 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. I 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 inquiries, the basic financial statements, and other knowledge obtained during the audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Financial Information

The Other Financial Information, as listed in the table of contents, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the 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 my opinion, the financial schedules listed in the table of contents as Other Financial Information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated March 15, 2017 on my consideration of the WRTA's internal control over financial reporting and on my 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 my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the WRTA's internal control over financial reporting and compliance.



March 15, 2017
Columbia, South Carolina

WACCAMAW REGIONAL TRANSPORTATION AUTHORITY
(d/b/a THE COAST RTA)

MANAGEMENT'S DISCUSSION AND ANALYSIS

FIFTEEN MONTHS ENDED SEPTEMBER 30, 2016

The management's discussion and analysis (MD&A) of the Waccamaw Regional Transportation Authority ("WRTA" or the "COAST RTA") is presented in accordance with Governmental Accounting Standards Statement No. 34, *Basic Financial Statements – Management's Discussion and Analysis – For State and Local Governments*, and other related standards, as 'required supplementary information'. The MD&A provides an overview of the WRTA's financial activities for the fifteen months ending September 30, 2016 (and the fiscal year ended June 30, 2015, as restated) and should be read in conjunction with the basic financial statements and the accompanying notes to those financial statements.

Operating and Financial Highlights

- The WRTA changed its fiscal year reporting period to September 30. Previously, WRTA reported on a fiscal year ended June 30. Accordingly, fifteen (15) months of operating activities is presented for 2016 herein.
- At September 30, 2016, total assets and deferred outflows of resources equaled \$3,762,576, and total liabilities and deferred inflows of resources equaled \$5,716,796. This results in a deficit of net position at September 30, 2016 equaling a negative \$1,954,220.
- Changes in total net position for the fifteen months ending September 30, 2016, resulted in a positive increase totaling \$165,555 after the accounting for capital contributions, which totaled \$2,397,265.
- Net position for the year ended June 30, 2015 has been restated to correct for prior-period reporting errors of accounting for the revolving fund with SCDOT (\$60,000), and the federal interest associated with prior capital impairments (\$271,901) (*See Note 13*).
- For the year ended June 30, 2015, WRTA implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, which results in an unfunded net pension liability owed to the South Carolina Public Employee Benefit Authority (PEBA) of \$3,566,354 at September 30, 2016 (*See Note 6*).

Overview of the Financial Statements

The MD&A serves as an introduction to the basic financial statements and represents management's examination and analysis of WRTA's financial condition and performance. WRTA reports its financial activities under standards promulgated by the Government Accounting Standards Board (GASB). Those standards require WRTA to present its financial statements as a Proprietary, or Enterprise Fund with accounting methods similar to those used by private sector companies.

Enterprise funds are used to account for operations that are (a) financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Three basic financial statements are required under proprietary (enterprise) fund reporting and include the Statement of Net Position (or balance sheet), Statement of Revenue, Expenses, and Changes in Fund Net Position, and the Statement of Cash Flows.

WACCAMAW REGIONAL TRANSPORTATION AUTHORITY
(d/b/a THE COAST RTA)

MANAGEMENT'S DISCUSSION AND ANALYSIS

— CONTINUED —

Overview of the Financial Statements (continued)

The Statement of Net Position presents information on all of WRTA's assets, deferred outflows of resources, liabilities, and deferred inflows of resources - with the difference between these amounts equaling the organization's net position. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of WRTA is improving or deteriorating. The Statement of Revenue, Expenses and Changes in Fund Net Position presents information showing how WRTA's net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. The Notes to the Financial Statements contain detail information about items presented in the financial statements.

Condensed Financial Information

Below is a condensed Statement of Net Position (or balance sheet) as of September 30, 2016 (with comparative amounts at June 30, 2015, as restated) which depicts the major components of WRTA's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position.

	September 30, 2016	RESTATED June 30, 2015
Assets:		
Cash and cash equivalents	\$ 321,866	\$ 189,149
Other assets	775,181	679,084
Capital assets not subject to depreciation	151,930	140,000
Capital assets subject to depreciation, net	1,910,545	2,165,364
Total assets	3,159,522	3,173,597
 Deferred outflows of resources:		
Deferred outflows related to pensions	603,054	298,653
Total assets and deferred outflows	\$ 3,762,576	\$ 3,472,250
 Liabilities:		
Current liabilities	\$ 774,457	\$ 612,458
Long term liabilities	4,323,671	4,664,150
Total liabilities	5,098,128	5,276,608
 Deferred inflows of resources:		
Deferred inflows related to pensions	618,668	315,417
 Net Position:		
Net investment in capital assets	2,027,824	2,228,213
Restricted for pensions	603,054	298,653
Restricted for transit operations	60,000	60,000
Unrestricted (deficit)	(4,645,098)	(4,706,641)
Total net position (deficit)	(1,954,220)	(2,119,775)
Total liabilities, deferred inflows and net position	\$ 3,762,576	\$ 3,472,250

WACCAMAW REGIONAL TRANSPORTATION AUTHORITY
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MANAGEMENT'S DISCUSSION AND ANALYSIS

— CONTINUED —

Condensed Financial Information (continued)

As stated earlier, net position may serve over time as a useful indicator of WRTA's financial position. At September 30, 2016, net position was a deficit \$1,954,220 (as compared to \$2,119,775 deficit at June 30, 2015). Of the total net position, \$2,027,824 represent net investment in capital assets at September 30, 2016, less any related debt used to acquire those assets that is still outstanding. The WRTA uses its capital assets to provide services to the citizens in Horry and Georgetown counties. These assets are not available for future spending.

Restricted net position, totaling \$663,054 at September 30, 2016, represents resources that are restricted as to use by external parties. In this case, restricted net position for pensions (which are administered by PEBA) totaled \$603,054, and restricted net position for transit operations by the SCDOT totaled \$60,000.

The WRTA has historically maintained a negative (or deficit) unrestricted net position. It is for this reason that the organization is dependent on funding from federal, state and local governments for both capital and operating needs (*see Note 8*).

The components of the changes in net position is displayed below in the condensed Statement of Revenue, Expenses, and Changes in Fund Net Position for the fifteen months ending September 30, 2016 (with comparative amounts for the fiscal year ended June 30, 2015, as restated)

	Fifteen Months Ended September 30, 2016	RESTATED Year Ended June 30, 2015
Operating revenue and expenses		
Operating revenue	\$ 659,824	\$ 462,892
Operating expenses	(6,588,724)	(4,901,900)
Net operating income (loss)	(5,928,900)	(4,439,008)
Non-operating revenue and expenses		
Non-operating revenue	3,698,366	2,289,147
Non-operating expenses	(1,176)	(364,405)
Net non-operating revenue and expenses	3,697,190	1,924,742
Income (loss) before capital contributions	(2,231,710)	(2,514,266)
Capital contributions	2,397,265	1,859,997
Change in net position	165,555	(654,269)
Beginning net position, as restated	(2,119,775)	(1,465,506)
Ending net position	\$ (1,954,220)	\$ (2,119,775)

Net change in net position totaled \$165,555 for the fifteen month period ended September 30, 2016 (and a negative change of \$654,269 for the fiscal year ended June 30, 2015). As previously stated, WRTA does not generate sufficient operating revenue (from fare boxes and advertising contracts, etc.) to cover the operating expenses of the transportation services provided. Therefore, WRTA is dependent upon government appropriations, non-operating grants, capital-related grants and other financing to fund its operations and capital needs.

WACCAMAW REGIONAL TRANSPORTATION AUTHORITY
(d/b/a THE COAST RTA)

MANAGEMENT'S DISCUSSION AND ANALYSIS

— CONTINUED —

Condensed Financial Information (continued)

Operating assistance from governments (\$3,630,546 for the fifteen month period ended September 30, 2016) accounted for approximately 83% of the total resources needed in 2016, while fare box, contract route revenue, and advertising revenue accounted for only 17% in 2016.

Salaries and wages and related benefits account for approximately 65% of total operating expenses in 2016, while operating costs of fuel, supplies, insurance, repairs and maintenance, and depreciation accounted for approximately 35% in 2016. Depreciation expenses is the allocation of capital asset costs over their respective estimated useful lives and totaled \$687,398 in 2016.

Capital Assets and Debt Administration

Capital Assets – The capital assets of the WRTA are those assets (land, buildings, furniture, fixtures, equipment and vehicles), valued at historical costs or the fair value of contributed/donated items at the date of transfer, that are used in the performance of the WRTA's services and functions. At September 30, 2016, total capital assets equaled \$6,244,092, which includes \$140,000 in land; \$1,610,030 in buildings and modular offices; \$3,217,514 in vehicles; and \$1,264,618 in other furniture, fixtures and equipment, plus \$11,930 in construction in process. Total accumulated depreciation at September 30, 2016 equaled \$4,181,617, leaving the balance of net capital assets totaling \$2,062,475. Additional information on the WRTA's capital assets can be found in *Note 4* of this report.

Long-Term Debt and Obligations – At September 30, 2016, the WRTA's long-term debt and other obligations consist of a note payable (\$151,176), installment purchase-capital lease obligation (\$34,651), accrued compensated absences (\$125,072), amounts due to other governments (\$840,652), plus employee net pension liability (\$3,566,354) which is more fully discussed in *Note 5* and *Note 6* of this report. It should be noted that resources needed to retire short and long-term indebtedness must come from both operating and non-operating sources.

Current Known Facts, Decisions or Conditions

The WRTA is a rural transportation provider for Georgetown and Horry counties and operates under an annual budget as approved by the governing body. The WRTA has gone through major changes to streamline its services provided, but continues to seek adequate funding for operations and vehicle replacements that have reached their useful lives.

In the upcoming year, WRTA's management will continue to work closely with its funding agencies (including the local governments as well as federal and state agencies (FTA and SCDOT) for operating and capital grants in order to continue providing transit services to the citizens of the region.

Request for Information

This financial report is designed to provide a general overview of the WRTA's finances for all those with an interest in its finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Waccamaw Regional Transportation Authority, Chief Financial Officer, 1418 Third Avenue, Conway, South Carolina 29526.

BASIC FINANCIAL STATEMENTS

WACCAMAW REGIONAL TRANSPORTATION AUTHORITY
(d/b/a THE COAST RTA)

STATEMENT OF NET POSITION

SEPTEMBER 30, 2016

	<u>September 30, 2016</u>
Assets and Deferred Outflows	
Current assets:	
Cash and cash equivalents	\$ 321,866
Receivables:	
Due from other governments	507,393
Other receivable	20,883
Inventory	145,862
Prepaid items	101,043
Total current assets	<u>1,097,047</u>
Non-current assets:	
Capital assets not subject to depreciation	151,930
Capital assets subject to depreciation, net	1,910,545
Total non-current assets	<u>2,062,475</u>
Total assets	<u>3,159,522</u>
Deferred outflows of resources:	
Deferred outflows related to pensions	603,054
Total deferred outflows of resources	<u>603,054</u>
Total Assets and Deferred Outflows	<u>\$ 3,762,576</u>
Liabilities, Deferred Inflows, and Net Position	
Current liabilities:	
Accounts payable	\$ 184,099
Accrued payroll and benefits	137,374
Accrued compensated absences - current portion	75,570
Unearned revenue	58,750
Due to other governments – current portion	137,488
Lease payable – current portion	30,000
Note payable - current portion	151,176
Total current liabilities	<u>774,457</u>
Long-term (non-current) liabilities:	
Accrued compensated absences	49,502
Due to other governments	703,164
Lease payable	4,651
Net pension liability	3,566,354
Total long-term liabilities	<u>4,323,671</u>
Total liabilities	<u>5,098,128</u>
Deferred inflows of resources:	
Deferred inflows related to pensions	618,668
Total deferred inflows of resources	<u>618,668</u>
Net position:	
Net investment in capital assets	2,027,824
Restricted for pensions	603,054
Restricted for transit operations	60,000
Unrestricted (deficit)	(4,645,098)
Total net position	<u>(1,954,220)</u>
Total Liabilities, Deferred Inflows, and Net Position	<u>\$ 3,762,576</u>

See accompanying notes to financial statements.

WACCAMAW REGIONAL TRANSPORTATION AUTHORITY
(d/b/a THE COAST RTA)

STATEMENT OF REVENUE, EXPENSES AND CHANGES IN FUND NET POSITION

FIFTEEN MONTHS ENDED SEPTEMBER 30, 2016

	Fifteen Months Ended September 30, 2016
Operating Revenue	
Fare box revenue	\$ 626,795
Advertising income	33,029
Total operating revenue	659,824
Operating Expenses	
Salaries and wages	2,984,994
Fringe benefits	1,329,689
Fuel, oil, tires and supplies	806,276
Insurance	199,062
Professional fees	90,424
Utilities and telephone	94,872
Advertising	22,273
Printing and supplies	144,640
Travel and training	60,966
Repair and maintenance	76,810
Non-capital equipment	30,578
Other	60,742
Depreciation	687,398
Total operating expenses	6,588,724
Operating (loss)	(5,928,900)
Non-Operating Revenue (Expenses)	
Operating assistance from governments:	
Federal	3,084,950
State	545,596
Interest income and other non-transit revenue	14,443
Insurance proceeds	53,377
Interest expense	(1,176)
Total non-operating revenue (expenses)	3,697,190
Income (loss) before capital contribution	(2,231,710)
Capital Contributions	
Federal and state grants	300,586
Local government appropriations	2,020,002
In-kind contributions	76,677
Total capital contributions	2,397,265
Change in net position	165,555
Beginning net position (deficit), as restated (<i>See Note 13</i>)	(2,119,775)
Ending net position (deficit)	\$ (1,954,220)

See accompanying notes to financial statements.

WACCAMAW REGIONAL TRANSPORTATION AUTHORITY
(d/b/a THE COAST RTA)

STATEMENT OF CASH FLOWS

FIFTEEN MONTHS ENDED SEPTEMBER 30, 2016

	Fifteen Months Ended September 30, 2016
Cash Flows from Operating Activities	
Cash received from/paid to (for):	
Fare boxes	\$ 626,795
Advertising and other revenue	28,432
Payments to employees and for benefits	(4,510,546)
Payments to suppliers and vendors	(1,674,383)
Net cash provided by (used in) operating activities	<u>(5,529,702)</u>
Cash Flows from Noncapital and Related Financing Activities	
Assistance from governments	3,611,534
Interest income and other non-transit revenue	14,443
Insurance proceeds	53,377
Proceeds from line-of-credit	150,000
Net cash provided by (used in) noncapital and related financing activities	<u>3,829,354</u>
Cash Flows from Capital and Related Financing Activities	
Acquisitions of property and equipment	(445,023)
Capital grants and contributions	2,320,588
Interest paid on long-term debt	—
Principal paid on long-term debt	(42,500)
Net cash provided by (used in) capital and related financing activities	<u>1,833,065</u>
Net increase (decrease) in cash and cash equivalents	132,717
Cash and cash equivalents, beginning of period	<u>189,149</u>
Cash and cash equivalents, end of period	<u><u>\$ 321,866</u></u>

— CONTINUED —

WACCAMAW REGIONAL TRANSPORTATION AUTHORITY
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STATEMENT OF CASH FLOWS

— CONTINUED —

	Fifteen Months Ended September 30, 2016
Reconciliation of Operating Loss to Net Cash Provided By (Used In) Operating Activities	
Operating loss	\$ (5,928,900)
Adjustments to reconcile operating (loss) to net cash provided by (used in) operating activities:	
Depreciation	687,398
Decrease (increase) in accounts receivable - contracts	(4,597)
Decrease (increase) in inventory	(64,782)
Decrease (increase) in prepaid expense	(46,031)
Decrease (increase) in deferred outflows related to pensions	(304,401)
Increase (decrease) in accounts payable	23,073
Increase (decrease) in accrued payroll and benefits	(91,079)
Increase (decrease) in unearned income	36,778
Increase (decrease) in accrued compensated absences	21,687
Increase (decrease) in pension liability	(162,099)
Increase (decrease) in deferred inflows related to pensions	303,251
Total adjustments	399,198
Net cash provided by (used in) operating activities	\$ (5,529,702)

See accompanying notes to financial statements.

WACCAMAW REGIONAL TRANSPORTATION AUTHORITY
(d/b/a THE COAST RTA)

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

1. Summary of Significant Accounting Policies

A. Reporting Entity

The Waccamaw Regional Transportation Authority Management, Inc. (WRTA) was created under the Regional Transportation Authority Law (Section 58-25 of the S.C. Code of Laws) on July 28, 2003 as a special-purpose, nonprofit corporation. The WRTA provides public and human service transportation services along the Grand Strand in Georgetown and Horry counties of South Carolina. The WRTA's eleven (11) member board consists of the following: one (1) member each from the City of Conway, Georgetown County, City of Myrtle Beach, City of North Myrtle Beach, and the City of Georgetown, while the Horry County Legislative Delegation and Horry County each appoint three (3 members). Members serve a term of three years.

The financial statements of WRTA have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant accounting policies.

B. Basis of Presentation

Proprietary Funds - Proprietary fund reporting primarily focuses on the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All activities of the WRTA are accounted for within a single proprietary (or enterprise) fund.

Enterprise Funds – The Enterprise Fund is used to account for operations that are (a) financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Three basic financial statements are required under proprietary (enterprise) fund reporting and include the Statement of Net Position (or balance sheet), Statement of Revenue, Expenses, and Changes in Fund Net Position, and the Statement of Cash Flows.

C. Measurement Focus and Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting is a conceptual description of the timing of the accounting measurements made.

Proprietary (enterprise) fund financial statements reflect revenues, expenses and changes in net position using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis concept, revenues are recognized when earned and expenses are recognized when incurred.

WACCAMAW REGIONAL TRANSPORTATION AUTHORITY
(d/b/a THE COAST RTA)

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting (continued)

Proprietary (enterprise) funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for Proprietary (enterprise) funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Private-sector standards of accounting and financial reporting are generally followed in the Proprietary Fund financial statements pursuant to GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This Statement codifies into GASB accounting and financial reporting standards the "legacy" standards from the private-sector.

A formal budget is prepared by management and approved by the Board annually. Budget revisions are prepared throughout the year to adjust actual funding and expense needs.

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

D. Assets, Liabilities, Net Position, Revenue and Expenses

Cash, Cash Equivalents and Investments

Cash and cash equivalents include currency on hand, demand deposits with financial institutions, and other accounts with an original maturity of three months or less when purchased. Deposits in the South Carolina Local Government Investment Pool have been treated as cash equivalents. Investments are recorded at fair value.

Accounts Receivable and Due from Other Governments

Grant revenues earned, but received subsequent to year end are recorded as receivables at year end. Other receivables are comprised of local contracts for which the services have been provided, but funds have not been collected at year end. No allowance for uncollectible accounts has been recorded as management has determined that any allowance for doubtful accounts is deemed not material.

Inventories

Inventories consist primarily of replacement parts for transit equipment and fuel. They are stated at the lower of cost or market using a first in first out method. Reportable inventory expenses are recognized when inventories are consumed.

WACCAMAW REGIONAL TRANSPORTATION AUTHORITY
(d/b/a THE COAST RTA)

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities, Net Position, Revenue and Expenses (continued)

Capital Assets and Depreciation

Capital assets include land, construction in process, buildings, improvements, vehicles, machinery and equipment, and furniture and fixtures. Capital assets are defined by the WRTA as those assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. In addition, computers are capitalized and depreciated regardless of cost.

All capital assets are valued at historical cost if purchased or constructed, or estimated historical cost if actual historical cost is not available. Donated assets are valued at their estimated fair value or the federal interest received on the date donated. The costs of normal repairs and maintenance that do not add to the value of the asset or materially extend asset lives are not capitalized.

Depreciation of all exhaustible capital assets has been provided based on the estimated useful lives of the class of assets, or individual assets using the straight line method with service lives as follows:

Building and improvements	10 to 30 years
Vehicles - buses, vans, cars, and trucks	5 to 12 years
Fare boxes	3 to 5 years
Communication equipment	3 to 5 years
Maintenance equipment	3 to 5 years
Furniture and fixtures	3 to 5 years

Estimated useful lives of used transportation vehicles purchased, donated or transferred to WRTA 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 or disposed, the asset and related accumulated depreciation accounts are adjusted and any gain or loss is reported as non-operating revenue or expense. Sales or disposals of assets acquired with federal funds may require the WRTA to repay the funding source a percentage of the sale proceeds, and/or apply credits toward future grant awards (*See Note 8* entitled Unearned Revenue).

Long-term Debt and Obligations

Long-term debt consist of obligations of the organization (i.e., bonds, notes, installment purchase contracts, capital leases, etc.) which require repayments of un-matured principal for periods greater than one (1) year, and are reported as long-term liabilities in the Statement of Net Position. Capital lease obligations and other long-term portions of claims or judgments outstanding are typically reported at their net present value. Liabilities arising from inter-fund activities do not constitute general long-term liabilities. Net pension liabilities and other post-employment benefit obligations, if applicable, are also considered to be long-term debt of the organization.

Additionally, the WRTA reports amounts “Due to Other Governments” as long-term debt for the ‘recapture’ portion of certain federal and state grants initially used to acquire capital assets, but due to subsequent disposal/retirement of applicable capital assets, such amounts are subject to being refunded or applied against future grant awards.

WACCAMAW REGIONAL TRANSPORTATION AUTHORITY
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NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

1. **Summary of Significant Accounting Policies (continued)**

D. Assets, Liabilities, Net Position, Revenue and Expenses (continued)

Compensated Absences

It is the WRTA's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since it is the WRTA's policy to record the cost of sick leave only when it is paid and no benefits vest upon termination. Vacation pay is accrued when earned and employees are entitled to carry forward up to two (2) weeks of earned, but used vacation time after one year of full-time service.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the South Carolina Retirement System (SCRS) and the Police Officers Retirement System (PORS) and additions to/deductions from the plans' fiduciary net positions have been determined on the same basis as they are reported by the related plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Net Position

Net position comprise the various net earnings from operating income, non-operating revenues and expenses, and capital contributions. Net position is classified in the following three components:

Net Investment in Capital Assets - This component of net position consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of capital assets, net of related debt. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

Restricted - This component of net position consists of constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted - This component of net position consists of net position that do not meet the definition of "restricted" or "net investment in capital assets."

Grant Revenue and Non-exchange Transactions

The WRTA receives both operating and capital grants from certain governmental agencies to be used for various purposes in connection with the planning, modernization, operation and expansion of transportation facilities and equipment. Pursuant to GASB Statement #33, *Accounting and Financial Reporting for Nonexchange Transactions*, operating grants are reported as non-operating revenue, while capital-related grants, equipment donations and other capital contributions are reported as Capital Contributions on the Statement of Revenue, Expenses and Changes in Fund Net Position.

WACCAMAW REGIONAL TRANSPORTATION AUTHORITY
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NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities, Net Position, Revenue and Expenses (continued)

Unearned Revenue

Certain assets are not recognized in connection with a transaction before the earnings process is complete. These assets are generally offset by a corresponding liability, entitled deferred or unearned revenue.

Deferred Inflows/Outflows of Resources

Pursuant to GASB Concepts Statement No. 4, “deferred outflow of resources” is a consumption of net position (assets minus liabilities) by the government that is applicable to a future period, while an ‘asset’ is a resource with present service capacity that the government presently controls. A “deferred inflow of resources” is an acquisition of net position (assets minus liabilities) by the government that is applicable to a future reporting period, while a ‘liability’ is a present obligation to sacrifice resources that the government has little or no discretion to avoid. Deferred outflows and inflows of resources are reported separate from assets and liabilities, respectively, in the Statement of Net Position.

Risk Management

The WRTA pays insurance premiums to certain agencies of the State of South Carolina to cover risks that may occur in normal operations including employee health insurance. Several State funds accumulate assets and the State itself assumes all risks for the following: claims of WRTA employees for unemployment compensation benefits and workers’ compensation benefits.

In addition, the WRTA pays premiums to the State’s Insurance Reserve Fund which accumulated assets to cover the following losses: buildings and contents, equipment and vehicles, and general tort claims. There have been no significant reductions in insurance coverage from the prior year. For the past three years settlements of claims have not exceeded insurance coverages.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Estimates are used to determine depreciation expense, and the allowance for doubtful accounts among other accounts. Actual results could differ from those estimates.

WACCAMAW REGIONAL TRANSPORTATION AUTHORITY
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NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

2. Deposits

As of September 30, 2016, the WRTA had the following cash and investment balances:

Cash on hand	\$ 1,643
Carrying amount of deposits	<u>320,223</u>
Totals	<u>\$ 321,866</u>

Deposits

Custodial credit risk of deposits is the risk that in the event of bank failure, the WRTA's deposits may not be returned to it. WRTA does not have a policy for custodial credit risk. At September 30, 2016, the carrying amount of the WRTA's deposits with financial institutions totaled \$320,223, and the financial institution balances were \$391,722. Of the financial institutions' balances, \$250,000 was covered by federal depository insurance and the remaining balance was covered by collateral held by the financial institutions' trust departments in the WRTA's name. Accordingly, the WRTA was not exposed to material custodial credit risk at September 30, 2016.

3. Receivables

Accounts receivable and amounts due from other governments at September 30, 2016, consists of the following:

Due from other governments:	
Federal	\$ 365,549
State	126,372
Local	<u>15,472</u>
	507,393
Other receivables	<u>20,883</u>
Total receivables	<u>\$ 528,276</u>

There were no material uncollectible accounts at September 30, 2016.

WACCAMAW REGIONAL TRANSPORTATION AUTHORITY
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NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

4. Capital Assets

Changes in the WRTA's capital assets during the fifteen months ended September 30, 2016, are as follows:

	<u>Balance 6/30/15</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance 9/30/16</u>
Capital assets not being depreciated:				
Land	\$ 140,000	\$ —	\$ —	\$ 140,000
Construction in process	—	11,930	—	11,930
Total capital assets not being depreciated	<u>140,000</u>	<u>11,930</u>	<u>—</u>	<u>151,930</u>
Capital assets being depreciated:				
Building and modular offices	1,610,030	—	—	1,610,030
Vehicles	3,374,144	349,594	(506,224)	3,217,514
Fare boxes	752,770	—	—	752,770
Communication equipment	109,278	26,347	—	135,625
Maintenance equipment	125,159	—	—	125,159
Furniture and fixtures	195,243	57,152	(1,331)	251,064
Total capital assets being depreciated	<u>6,166,624</u>	<u>433,093</u>	<u>(507,555)</u>	<u>6,092,162</u>
Less, accumulated depreciation	<u>(4,001,261)</u>	<u>(687,398)</u>	<u>507,042</u>	<u>(4,181,617)</u>
Total capital assets being depreciated, net	<u>2,165,363</u>	<u>(254,305)</u>	<u>(513)</u>	<u>1,910,545</u>
Capital assets, net	<u>\$2,305,363</u>	<u>\$ (242,375)</u>	<u>\$ (513)</u>	<u>\$2,062,475</u>

Depreciation expenses totaled \$687,398 for the fifteen months ended September 30, 2016. There were no material capitalized interest costs incurred for the period.

WACCAMAW REGIONAL TRANSPORTATION AUTHORITY
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NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

5. Long-Term Debt and Obligations

At September 30, 2016, long-term debt and obligations of WRTA consists of a note payable, installment purchase (capital lease) obligation, accrued compensated absences, and amounts due to other governments as described below.

Note Payable

The WRTA entered into a line-of-credit with a local financial institution for \$150,000 at five (5) percent interest to help ease cash flows resulting from the incurrence of actual operating expenses and receiving grant award reimbursements. The outstanding principal balance and accrued interest equaled \$151,176 at September 30, 2016, and is due on October 21, 2016.

Installment Purchase (Capital Lease) Obligation

The WRTA entered into an installment purchase financing arrangement (contract) with the S.C. Department of Health and Human Services (DHHS) for acquisition of certain vehicles. The note requires monthly payments of \$2,500 at zero percent interest. The WRTA has not reported the obligation at the net present value of the future installment payments, but due to the fact that the obligation has been substantially paid-down, management believes that imputed interest expense for the fifteen month period ending September 30, 2016 would be immaterial. The outstanding balance of the installment purchase obligation at September 30, 2016 equaled \$34,651.

A summary of changes in the note payable and installment purchase (capital lease) obligation follows:

	Balance June 30, 2015	Additions	Deductions	Balance September 30, 2016
Note payable (line-of-credit) – current portion	\$ 150,000	\$ 1,176	\$ —	\$ 151,176
Installment purchase (capital lease) obligation	\$ 77,151	\$ —	\$ (42,500)	\$ 34,651
Less, current portion	(35,000)			(30,000)
	\$ 42,151			\$ 4,651

Accrued Compensated Absences

The following is a summary of the changes in accrued compensated absences:

	Balance June 30, 2015	Additions	Deductions	Balance September 30, 2016
Accrued compensated absences	\$ 103,385	\$ 50,206	\$ (28,519)	\$ 125,072
Less, current portion	(28,519)			(75,570)
	\$ 74,866			\$ 49,502

WACCAMAW REGIONAL TRANSPORTATION AUTHORITY
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NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

5. Long-Term Debt and Obligations (continued)

Due to Other Governments

At September 30, 2016, the WRTA had amounts due to other governments for certain FTA and SCDOT grants totaling \$840,652 (\$137,488 reported as the current portion and \$703,164 as the long-term portion) which represents a combination of (i) federal portions subject to reimbursement of certain capital assets previously disposed of and/or impaired, (ii) disallowed costs, and (iii) certain insurance as described below.

Pursuant to federal award guidelines, any capital asset previously acquired with the use of federal award funds is to be identified as to the federal funded portion and returned back to the awarding agency, or (if allowed) be accounted for against future federal grant awards. Based on agreements reached with the respective agency, these amounts have been accounted for at September 30, 2016 as “Due to Other Governments” on the Statement of Net Position.

Federal Transit Administration (FTA)

The total due to the U.S. Department of Federal Transit Administration (FTA) for the federal interest in vehicles and equipment equals \$388,542 at September 30, 2016, and consist of the following events.

In August 2011, a 40-foot bus (#835), was destroyed by fire. The value of the bus after the fire damage was determined to be \$7,196, and the federal interest in the bus was calculated to be \$5,757. The WRTA received permission to carry over the disposed-asset’s federal interest against future federal award(s) to effectively reduce future grant funds by this amount.

In June 2015, the WRTA disposed of a 2002 Opus bus (#811) with a remaining federal interest of \$88,942. Subsequent to the sale, the WRTA received permission to carry over the disposed-asset’s federal interest against future federal award(s) to effectively reduce future grant funds by this amount.

In June 2015, the WRTA removed two 2011 International buses from service due to potential mechanical defects that could cause the buses to operate unsafely. Both buses were acquired with FTA grant funds 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 WRTA recognized an impairment loss for the remaining net book value totaling \$271,901 for both buses. The WRTA management also believes the net book value approximates the remaining federal interest in both buses and has informed FTA of the current situation and status of these buses.

Additionally, WRTA received insurance proceeds from prior-year fire damage of two fare boxes totaling \$21,942. The federal interest in the insurance recoveries is 100%. The WRTA intends to use these funds in future period(s) to acquire similar assets, or has received permission to carry-over the disposed-asset’s federal interest against future federal award(s) to effectively reduce future grant funds by this amount.

WACCAMAW REGIONAL TRANSPORTATION AUTHORITY
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NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

5. Long-Term Debt and Obligations (continued)

S.C. Department of Transportation (SCDOT)

As a result of various audits by the South Carolina Department of Transportation (SCDOT), the WRTA received notice that certain State Mass Transit Funds (SMTF) received in prior periods must be returned back to the awarding agency, or be accounted for against future grant awards. The repayment terms established with SCDOT has resulted in the reduction of future SMTF grants, totaling \$452,110 at September 30, 2016, for the following events.

On September 30, 2009, the WRTA and the SCDOT entered into an agreement whereby the WRTA is obligated for certain costs that were determined not to be allowable under the SMTF program for periods prior to year 2007. The unallowable (or recoverable) amount due back to SCDOT totaled \$305,526 and is to be amortized annually over a nine (9) year period against future SMTF grants: \$34,924 for the first eight (8) years with the final year equaling \$26,134. The balance outstanding as of September 30, 2016 is \$95,982.

During fiscal year 2012, the WRTA recorded a liability of \$161,944 for early disposal of the six (6) Blue Bird buses that were purchased with SMTF grant funds. On August 1, 2012, the WRTA held a public auction to reduce the reimbursable amount on the six (6) Blue Bird vehicles. Auction proceeds received totaled \$26,624 and was paid to SCDOT leaving a remaining balance of \$135,320. Subsequently, the WRTA and the SCDOT entered into an agreement whereby the SCDOT will reduce funding under the SMTF program over a five (5) year period of \$27,064 per year. The balance outstanding as of September 30, 2016 is \$54,128.

By letter dated December 31, 2014, the WRTA was notified by SCDOT of certain costs totaling \$377,500 associated with the Bus Shelter and Signage Project capital projects that were determined not to be allowable under the SMTF program. As a result, the WRTA and the SCDOT entered into an agreement whereby the recoverable amount is to be amortized annually over a five (5) year period against future SMTF grants of \$75,500 per year. The balance outstanding as of September 30, 2016 is \$302,000.

The remaining amortization of SCDOT grant reimbursements at September 30, 2016 follows:

<u>Year Ended September 30,</u>	<u>2009 Disallowed Costs</u>	<u>2012 Blue Bird Bus Disposal</u>	<u>2014 Bus Shelter Costs</u>	<u>Totals</u>
2017	\$ 34,924	\$ 27,064	\$ 75,500	\$ 137,488
2018	34,924	27,064	75,500	137,488
2019	26,134	—	75,500	101,634
2020	—	—	75,500	75,500
Totals	\$ 95,982	\$ 54,128	\$ 302,000	\$ 452,110

WACCAMAW REGIONAL TRANSPORTATION AUTHORITY
(d/b/a THE COAST RTA)

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

5. Long-Term Debt and Obligations (continued)

The change in the combined reimbursements to SCDOT for the year ended September 30, 2016 is as follows:

	Balance June 30, 2015	Additions	Deductions	Balance September 30, 2016
Combined SCDOT obligation	\$ 589,598	\$ —	\$ (137,488)	\$ 452,110

6. Employee Retirement

The WRTA’s retirement program for its employees is summarized as follows:

Plan Description

The South Carolina Retirement System (SCRS) is a defined benefit retirement plan for employees of state agencies, public and charter school districts, public higher education institutions and other local subdivisions of government that participate in SCRS. All non-temporary WRTA employees, who are eligible for membership, are required to participate in the SCRS, a cost-sharing, multiple employer public employee retirement system administered by the South Carolina Public Employee Benefit Authority (PEBA).

The SCRS offers retirement and disability benefits, cost of living adjustments on an ad-hoc basis, life insurance benefits and survivor benefits. The Plan’s provisions are established under Title 9 of the SC Code of Laws. Actuarial determinations are made by the Administrator (PEBA) for the plan.

Benefits

Benefits of the retirement system are established by state statutes. Member employees who retire at age 65 or after 28 years of credited service are entitled to an annual full service retirement benefit, payable monthly for life, equal to 1.82 percent of the employee’s highest twelve consecutive quarters of compensation. Member employees who are at least 55 years of age may elect early retirement with reduced benefits. In either case, any unrecovered contributions are payable upon death and benefit payments increase 4 percent each year following an increase in the consumer price index of at least 3 percent. Full service or early retirees may elect other optional methods of benefit distributions, including lump sum distributions, benefit levels coordinated with the retiree’s social security benefits and distributions to a named beneficiary. Benefits are fully vested on reaching five years of service. The retirement system also provides death and disability benefits to all member employees.

WACCAMAW REGIONAL TRANSPORTATION AUTHORITY
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NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

6. Employee Retirement (continued)

Funding Policy

WRTA's total "pensionable" wages for the Plan years ended June 30, 2016, 2015, and 2014, were approximately \$2,109,337, \$1,765,852, and \$1,940,771, respectively. State statutes also determine the levels of contributions required by both employers and employees.

For the plan year ended June, 30, 2016, SCRS contribution rates for non-public safety employees and the employer were 8.16 percent and 11.06 percent, respectively. Effective July 1, 2016, the employee contribution rate increased to 8.66 percent and the employer required contribution increased to 11.56 percent, which includes .15 percent of group life coverage. WRTA contributed 100% of the required contribution for each of the plan for the years ending June 30, 2016, 2015, and 2014, as shown in the table below.

	SCRS		
	2016	2015	2014
Wages:			
Pensionable	\$ 2,109,337	\$ 1,734,709	\$ 1,919,134
Contribution rates:			
Employees	8.16%	8.00%	7.50%
Employer	11.06%	10.90%	10.60%
Contributions:			
Employees	\$ 233,293	\$ 138,777	\$ 143,935
Employer	\$ 172,116	\$ 189,083	\$ 203,428

For the plan year ended June, 30, 2016, PORS contribution rates for public safety employees and the employer were 8.74 percent and 13.74 percent, respectively. Effective July 1, 2016, the PORS employee contribution rate increased to 9.24 percent and the employer required contribution increased to 14.24 percent, which includes .20 percent of group life coverage and .20 percent of accidental death coverage.

	PORS		
	2016	2015	2014
Wages:			
Pensionable	\$ 6,483	\$ 31,143	\$ 21,637
Contribution rates:			
Employees	8.74%	8.41%	7.84%
Employer	13.74%	13.41%	12.84%
Contributions:			
Employees	\$ 587	\$ 2,619	\$ 1,696
Employer	\$ 891	\$ 3,978	\$ 2,778

WRTA contributed 100% of the required contribution for each of the plan for the years ending June 30, 2016, 2015, and 2014, as shown in the tables above. In addition as of September 30, 2016, the WRTA had contributed 100% of the required contributions for that quarter.

WACCAMAW REGIONAL TRANSPORTATION AUTHORITY
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NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

6. Employee Retirement (continued)

Net Pension Liability, Pension Expense, Deferred Outflows/Inflows of Resources

The net pension liability was measured by PEBA as of June 30, 2015 (the “measurement date”) and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. WRTA’s proportion of the net pension liability was based on a projection of WRTA’s long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2015, PEBA reported WRTA’s proportion share of the net pension liability for SCRS to equal 0.0185160% for SCRS and 0.002510% for PORS, which totaled \$3,566,354 (comprised of \$3,511,649 for SCRS and \$54,705 for PORS).

For the plan year ended June 30, 2015, WRTA recognized pension expense of \$134,687, of which \$126,703 was for SCRS and \$7,984 was for PORS.

Changes in the net pension liability for the measurement period, June 30, 2015, follows:

	<u>SCRS</u>	<u>PORS</u>	<u>TOTAL</u>
Components of Change in Net Pension Liability (NPL)			
Pension expense:			
Service cost	\$ 137,796	\$ 3,868	\$ 141,664
Interest on total pension liability	582,900	10,927	593,827
Changes in plan benefits	—	—	—
Plan administrative costs	2,324	56	2,380
Plan member contributions	(132,594)	(2,682)	(135,276)
Expected return on plan assets	(350,620)	(7,434)	(358,054)
Recognition of deferred outflows - current year amortization	25,955	368	26,323
Recognition of deferred inflows - current year amortization	(139,304)	2,908	(136,396)
Other	246	(27)	219
Total pension expense	<u>126,703</u>	<u>7,984</u>	<u>134,687</u>
PEBA reported employer contribution	<u>(189,235)</u>	<u>(4,263)</u>	<u>(193,498)</u>
Changes in deferred items (net of amortization):			
Outflow – plan performance	(42,283)	167	(42,116)
Outflow – investment experience	225,074	4,776	229,850
Outflow – allocated proportion change	—	11,792	11,792
Inflow – plan performance	(6,280)	—	(6,280)
Inflow – investment experience	109,863	(192)	109,671
Inflow – allocated proportion change	(406,205)	—	(406,205)
Total change in net pension liability	<u>\$ (182,363)</u>	<u>\$ 20,264</u>	<u>\$ (162,099)</u>

WACCAMAW REGIONAL TRANSPORTATION AUTHORITY
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NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

6. Employee Retirement (continued)

Net Pension Liability, Pension Expense, Deferred Outflows/Inflows of Resources (continued)

The PEBA pension expense above is computed for a twelve month period, therefore an additional \$33,672 of expense was accrued in employee benefits, (of which \$31,676 was for SCRS and \$1,996 was for PORS) resulting in a total \$168,359 in pension expense for the fifteen months period ended September 30, 2016.

At September 30, 2016, WRTA reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources		
	SCRS	PORS	TOTAL
Differences between expected and actual plan performance	\$ 62,390	\$ 1,086	\$ 63,476
Changes of assumptions	—	—	—
Net difference between projected and actual earnings on pension plan investments	225,074	4,776	229,850
Changes in proportion and differences between WRTA contributions and proportionate share of contributions	—	11,792	11,792
WRTA contributions subsequent to the measurement date	297,045	891	297,936
Total	\$ 584,509	\$ 18,545	\$ 603,054

The \$297,936 reported as deferred outflows of resources related to pensions resulting from WRTA contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be amortized to subsequent pension expense as follows:

	Deferred Outflows of Resources		
	SCRS	PORS	TOTAL
Fiscal Year Ended September 30:			
2017	\$ 86,876	\$ 4,721	\$ 91,597
2018	86,876	4,721	91,597
2019	65,446	4,702	70,148
2020	48,266	3,510	51,776
	\$ 287,464	\$ 17,654	\$ 305,118

WACCAMAW REGIONAL TRANSPORTATION AUTHORITY
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NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

6. Employee Retirement (continued)

Net Pension Liability, Pension Expense, Deferred Outflows/Inflows of Resources (continued)

	Deferred Inflows of Resources		
	SCRS	PORS	TOTAL
Differences between expected and actual plan performance	\$ 6,280	\$ —	\$ 6,280
Changes of assumptions	—	—	—
Net difference between projected and actual earnings on pension plan investments	201,569	4,177	205,746
Changes in proportion	406,205	—	406,205
Differences between WRTA contributions and proportionate share of contributions	152	285	437
Total	\$ 614,206	\$ 4,462	\$ 618,668

	Deferred Inflows of Resources		
	SCRS	PORS	TOTAL
Fiscal Year Ended September 30:			
2017	\$ 200,273	\$ 1,368	\$ 201,641
2018	200,273	1,368	201,641
2019	200,273	1,369	201,642
2020	13,387	357	13,744
	\$ 614,206	\$ 4,462	\$ 618,668

WACCAMAW REGIONAL TRANSPORTATION AUTHORITY
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NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

6. Employee Retirement (continued)

Actuarial Assumptions

The total pension liabilities in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	<u>SCRS</u>	<u>SCRS</u>
	Entry age normal	Entry age normal
Actuarial cost method		
Inflation	2.75%	2.75%
Projected salary increases	3.5% to 12.5% (varies by service)	4.0% to 10.0% (varies by service)
Benefit adjustments	Lesser of 1% or \$500 annually	Lesser of 1% or \$500 annually
Investment rate of return	7.5%, net of pension plan investment expense, including inflation	7.5 %, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2000 Mortality Table for Males or Females by job class, as appropriate, with adjustments for mortality improvements based on Scale AA, projected from the year 2000.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study on data through June 30, 2010. The next actuarial experience study is scheduled to be conducted after the June 30, 2016 annual valuation is completed.

Long-term Expected Rate of Return

The long-term expected rate of return on pension plan investments, as used in the July 1, 2014 actuarial valuations, is based upon the 30 year capital market outlook at the end of the fourth quarter 2013, as developed by the Retirement Systems Investment Commissions (RSIC) in collaboration with its investment consultants, AON Hewitt. The long-term expected rates of return represent assumptions developed using an arithmetic building block approach, reflecting observable inflation and interest rate information available in the fixed income markets as well as Consensus Economic forecasts. The long-term assumptions for other asset classes are based on historical results, current market characteristics and professional judgment.

WACCAMAW REGIONAL TRANSPORTATION AUTHORITY
(d/b/a THE COAST RTA)

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

6. Employee Retirement (continued)

Long-term Expected Rate of Return (continued)

The RSIC has exclusive authority to invest and manage the retirement trust funds' assets. As co-fiduciary of the SCRS, 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 on the following page. 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 as adopted by the Investment Commission for 2015.

Asset Class	Target Asset Allocation	Expected Arithmetic Real Rate of Return	Long Term Expected Portfolio Real Rate of Return
Short Term:			
Cash	2.0%	1.90%	0.04%
Short Duration	3.0%	2.00%	0.06%
Domestic Fixed Income:			
Core Fixed Income	7.0%	2.70%	0.19%
Mixed Credit	6.0%	3.80%	0.23%
Global Fixed Income:			
Global Fixed Income	3.0%	2.80%	0.08%
Emerging Markets Debt	6.0%	5.10%	0.31%
Global Public Equity	31.0%	7.10%	2.20%
Global Tactical Asset Allocation	10.0%	4.90%	0.49%
Alternatives:			
Hedge Funds (Low Beta)	8.0%	4.30%	0.34%
Private Debt	7.0%	9.90%	0.69%
Private Equity	9.0%	9.90%	0.89%
Real Estate (Broad Market)	5.0%	6.00%	0.30%
Commodities	3.0%	5.90%	0.18%
Total expected real return	<u>100.0%</u>		6.00%
Inflation for actuarial purposes			<u>2.75%</u>
Total expected nominal return			<u>8.75%</u>

WACCAMAW REGIONAL TRANSPORTATION AUTHORITY
(d/b/a THE COAST RTA)

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

6. Employee Retirement (continued)

Discount Rate

The discount rate used to measure the total pension liability at June 30, 2015, was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers in SCRS will be made based on the actuarially determined rates based on provisions in the South Carolina 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 presents WRTA's proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what WRTA's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.5 percent) or one percentage point higher (8.5 percent) than the current rate.

	WRTA's proportionate share of the net pension liability to changes in the discount rate		
	1% decrease (6.5%)	Current discount rate (7.5%)	1% increase (8.5%)
SCRS	\$ 4,427,186	\$ 3,511,649	\$ 2,744,312
PORS	74,640	54,705	37,050
	<u>\$ 4,501,826</u>	<u>\$ 3,566,354</u>	<u>\$ 2,781,362</u>

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued PEBA financial report. A comprehensive annual financial report containing financial statements and required supplementary information for the SCRS, which is issued and publicly available on the website www.retirement.sc.gov, or a copy may be obtained by submitting in writing a request to the South Carolina Retirement System, P. O. Box 11960, Columbia, SC 29211-1960.

WACCAMAW REGIONAL TRANSPORTATION AUTHORITY
(d/b/a THE COAST RTA)

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

7. Unearned Revenue

The WRTA had unearned revenue at September 30, 2016 totaling \$58,750 and consists of the following.

Georgetown County Appropriations

The WRTA reports \$58,750 as its unearned revenue which represents the advanced receipt of appropriation revenues from Georgetown County. While it is unclear under the current agreements with the counties being served, the WRTA has a policy of recognizing annual county appropriations received on a monthly basis.

8. Economic Dependency

A material part of the WRTA's revenue is dependent upon the funding from federal and state grants as well as from local government appropriations for both operating and capital needs, the loss of which could have a materially adverse effect on the operations of WRTA.

9. Operating Lease Commitments

Operating Lease Commitments

The WRTA 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, 2021.

The WRTA also has a lease agreement with JJC Conway Shopping Center, Inc. to lease a vehicle parking lot adjacent to the administration building for \$931 per month for July 2015 – June 2016 and \$959 for July 2016 through June 2017 for a total of \$14,049 for the fifteen month period. This agreement is renewed annually between the WRTA and JJC Conway Shopping Center, Inc.

WACCAMAW REGIONAL TRANSPORTATION AUTHORITY
(d/b/a THE COAST RTA)

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

10. Commitments and Contingencies

Litigation

The WRTA is party to legal proceedings that normally occur in governmental operations. WRTA officials believe the legal proceedings are not likely to have a material adverse impact on the net position of the WRTA at September 30, 2016.

Federal and State Assisted Programs

In the normal course of operations, the WRTA receives grant funds from various federal and state agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to insure compliance with conditions precedent to the granting of funds.

Such audits could result in the refund of grant monies to the grantor agencies. Other than the amounts reported as “Due to Other Governments” (*See Note 5*), management believes that any un-allowed costs would be immaterial and no provision has been made in the accompanying financial statements for the refund of grant funds.

11. Risk Management

The WRTA is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The WRTA carries commercial property insurance coverage; general liability coverage; inland marine and automobile liability; professional and public official’s liability; and various Fidelity bond coverages for its employees. There have been no significant reductions in insurance coverage in the current year, and settled claims have not exceeded coverage in any of the last three fiscal years.

During the fiscal \$5.0 million general liability for property and casualty and up to \$1 million general liability for persons or property per occurrence

12. Subsequent Events

Management has evaluated subsequent events which may require disclosure through the date of this report.

WACCAMAW REGIONAL TRANSPORTATION AUTHORITY
(d/b/a THE COAST RTA)

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

13. Restatement of Prior Year Balances

SCDOT Agreement

The WRTA has determined that the prior-year's reporting of a \$60,000 receipt of funds from the S.C. Department of Transportation (SCDOT), previously reported as a current liability, was in error. Pursuant to agreements dated in 1983, the SCDOT paid the \$60,000 for WRTA to establish an 'internal' revolving fund account in order to help relieve WRTA's cash flow problems, but WRTA is not required to repay the funds back to the SCDOT, but is to maintain an accounting of the monies.

Impaired Vehicles

The WRTA has determined that the prior-year's reporting of impairment losses on certain vehicles acquired previously with federal funds was also to be reported as amounts due to other governments (*see Note 5*).

Accordingly, the beginning net position has been restated as follows:

Net Position (deficit), previously reported at June 30, 2015	\$ (1,907,874)
Correction of an error – SCDOT revolving fund	60,000
Correction of an error – Due to other governments	<u>(271,901)</u>
Net Position (deficit), as restated	<u>\$ (2,119,775)</u>

REQUIRED SUPPLEMENTARY INFORMATION

WACCAMAW REGIONAL TRANSPORTATION AUTHORITY
(d/b/a THE COAST RTA)

SCHEDULE OF WRTA'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

SOUTH CAROLINA RETIREMENT SYSTEM (SCRS)

LAST TEN FISCAL YEARS*(1)

	2016**	2015	2014	2013	2012	2011	2010	2009	2008	2007
WRTA's proportion of the net pension liability	N/A	0.018516%	0.021456%	N/A	N/A	N/A	N/A	N/A	N/A	N/A
WRTA's proportionate share of the net pension liability	N/A	\$3,511,649	\$3,694,012	\$3,848,441	N/A	N/A	N/A	N/A	N/A	N/A
WRTA's covered-employee payroll	\$2,660,827	\$1,734,709	\$1,919,134	N/A	N/A	N/A	N/A	N/A	N/A	N/A
WRTA's proportion share of the net pension liability as a percentage of its covered-employee payroll	N/A	202.4%	192.5%	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 liability	N/A	57.0%	59.9%	N/A	N/A	N/A	N/A	N/A	N/A	N/A

*The amounts presented for each fiscal year determined as of measurement year that occurred within the fiscal year.

**2016 was a fifteen month fiscal year.

(1) Because prior year data is unavailable, WRTA has elected to present information prospectively.

N/A - Not available

WACCAMAW REGIONAL TRANSPORTATION AUTHORITY
(d/b/a THE COAST RTA)

SCHEDULE OF WRTA'S CONTRIBUTIONS

SOUTH CAROLINA RETIREMENT SYSTEM (SCRS)

LAST TEN FISCAL YEARS*(1)

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Contractually required contribution	\$ 297,045	\$ 138,777	\$ 143,935	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contributions in relation to the contractually required contribution	\$ 297,045	\$ 138,777	\$ 143,935	N/A	N/A	N/A	N/A	N/A	N/A	N/A
33 Contribution deficiency (excess)	\$ —	\$ —	\$ —	N/A	N/A	N/A	N/A	N/A	N/A	N/A
WRTA' s covered-employee payroll	\$ 2,660,827	\$ 1,734,709	\$ 1,919,134	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contributions as a percentage of covered-employee wages	11.2%	8.0%	7.5%	N/A	N/A	N/A	N/A	N/A	N/A	N/A

(1) Because prior year data is unavailable, WRTA has elected to present information prospectively.

N/A – Not available

WACCAMAW REGIONAL TRANSPORTATION AUTHORITY
(d/b/a THE COAST RTA)

SCHEDULE OF WRTA'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

POLICE OFFICERS RETIREMENT SYSTEM (PORS)

LAST TEN FISCAL YEARS*(1)

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
WRTA's proportion of the net pension liability	N/A	0.002510%	0.01800%	N/A	N/A	N/A	N/A	N/A	N/A	N/A
WRTA's proportionate share of the net pension liability	N/A	\$ 54,705	\$ 34,441	\$ 37,293	N/A	N/A	N/A	N/A	N/A	N/A
WRTA's covered-employee payroll	\$ 6,483	\$ 31,143	\$ 21,637	N/A	N/A	N/A	N/A	N/A	N/A	N/A
WRTA's proportion share of the net pension liability as a percentage of its covered-employee payroll	N/A	175.7%	159.2%	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 liability	N/A	64.6%	67.5%	N/A	N/A	N/A	N/A	N/A	N/A	N/A

*The amounts presented for each fiscal year determined as of measurement year that occurred within the fiscal year.

**2016 was a fifteen month fiscal year.

(1) Because prior year data is unavailable, WRTA has elected to present information prospectively.

N/A - Not available

WACCAMAW REGIONAL TRANSPORTATION AUTHORITY
(d/b/a THE COAST RTA)

SCHEDULE OF WRTA'S CONTRIBUTIONS

POLICE OFFICERS RETIREMENT SYSTEM (PORS)

LAST TEN FISCAL YEARS*(1)

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Contractually required contribution	\$ 891	\$ 2,619	\$ 1,696	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contributions in relation to the contractually required contribution	\$ 891	\$ 2,619	\$ 1,696	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
WRTA's covered-employee payroll	\$ 6,483	\$ 31,143	\$ 21,637	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contributions as a percentage of covered-employee wages	13.7%	8.4%	7.8%	N/A	N/A	N/A	N/A	N/A	N/A	N/A

(1) Because prior year data is unavailable, WRTA has elected to present information prospectively.

N/A – Not available

WACCAMAW REGIONAL TRANSPORTATION AUTHORITY
(d/b/a THE COAST RTA)

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

SEPTEMBER 30, 2016

A. Pensions

Changes of benefit terms: None

Changes to assumptions: None

OTHER FINANCIAL INFORMATION

WACCAMAW REGIONAL TRANSPORTATION AUTHORITY
(d/b/a THE COAST RTA)

SCHEDULES OF BUDGET TO ACTUAL COSTS - SCDOT

FIFTEEN MONTHS ENDED SEPTEMBER 30, 2016

OPT Contract #PT-60911-55 Contract Period July 1, 2015 – September 30, 2016						
	Section 5311		SMTF		Local	
	Budget	Current Period 7/1/15 – 9/30/16	Current Period 7/1/15 – 9/30/16	Current Period 7/1/15 – 9/30/16	Variance	
Expenditures						
I. Project Administration						
501.02 Other Salaries & Wages	\$ 199,127	\$ 159,879	\$ —	\$ 53,202	\$ (13,954)	
502.02 Fringe Benefits	61,075	50,494	—	16,802	(6,221)	
503.02 Advertising Fees	6,170	2,368	—	788	3,014	
503.03 Professional & Technical Service						
a. Auditor/Internal Controls	26,676	5,186	—	1,725	19,765	
b. Legal	13,897	4,823	—	1,606	7,468	
c. Accounting Software Support	5,805	1,084	—	360	4,361	
503.99 Other Services (identify expenses)						
a. Pest Control	569	557	—	186	(174)	
b. Fire Ext Inspection	667	655	—	217	(205)	
505 Utilities	8,095	18,587	—	6,186	(16,678)	
506 Casualty & Liability	4,035	3,816	—	1,270	(1,051)	
509.01 Dues and Subscriptions	3,208	2,870	—	955	(617)	
509.02(a) In-State Travel & Meetings	4,936	6,288	—	2,093	(3,445)	
509.99 Other Miscellaneous (identify expenses)						
a. Fuel for Admin Vehicles	1,234	1,374	—	457	(597)	
b. Office Supplies	6,170	14,663	—	4,879	(13,372)	
512 Lease & Rentals (Specify)				0		
a. Additional Parking	2,715	3,310	—	1,102	(1,697)	
Sub-Total Administration	<u>344,379</u>	<u>275,954</u>	<u>—</u>	<u>94,828</u>	<u>(23,403)</u>	
II. Operating						
501.01 Operating & Wages	310,930	167,100	83,550	222,453	(162,173)	
501.01 Operations Overtime	20,508	14,891	7,445	19,823	(21,651)	
502.01 Operations Fringe Benefits	125,304	66,432	33,216	88,438	(62,782)	
504.01 Fuel & Lubricants	125,837	40,672	20,336	54,145	10,684	
506 Casualty & Liability	45,361	17,032	8,516	22,673	(2,860)	
504.99 Other Materials and Supplies	—	7,844	3,922	10,442	(22,208)	
Sub-Total Operating	<u>627,940</u>	<u>313,971</u>	<u>156,985</u>	<u>417,974</u>	<u>(260,990)</u>	
III. Capital						
11.7A.00 Preventive Maintenance						
a. Salaries, Overtime and Fringe	234,383	195,456	22,746	34,769	(18,588)	
b. Contract Maintenance	21,607	6,054	705	1,077	13,771	
c. Other	128,703	106,243	12,364	18,899	(8,803)	
11.12.15 Van-Replacement (85% Federal)	65,000	49,892	—	13,666	1,442	
Sub-Total Capital	<u>449,693</u>	<u>357,645</u>	<u>35,815</u>	<u>68,411</u>	<u>(12,178)</u>	
TOTALS	<u>\$ 1,422,012</u>	<u>\$ 947,570</u>	<u>\$ 192,800</u>	<u>\$ 578,213</u>	<u>\$ (296,571)</u>	
Approved Budget:						
Federal (5311)	\$ 952,478					
State (SMTF)	192,800					
Local	276,734					
Total Budget	<u>\$ 1,422,012</u>					

WACCAMAW REGIONAL TRANSPORTATION AUTHORITY
(d/b/a THE COAST RTA)

SCHEDULES OF BUDGET TO ACTUAL COSTS – SCDOT

— CONTINUED —

	OPT Contract #PT-70911-22				Variance
	Contract Period July 1, 2016 – June 30, 2017				
	Section 5311	SMTF	Local		
	Current Period 7/1/15 – 9/30/16	Current Period 7/1/15 – 9/30/16	Current Period 7/1/15 – 9/30/16		
Budget					
Expenditures					
I. Project Administration					
509.99 Other Miscellaneous (list):					
A. Indirect Cost	\$ 340,991	\$ 69,364	\$ —	\$ 17,453	\$ 254,174
Sub-Total Administration	<u>340,991</u>	<u>69,364</u>	<u>—</u>	<u>17,453</u>	<u>254,174</u>
II. Operating					
501.01 Operating & Wages	574,290	58,643	58,643	2	457,002
502.01 Operations Fringe Benefits	200,153	23,392	23,392	1	153,368
503.02 Advertising Fee	9,935	—	—	—	9,935
503.03 Professional & Tech Service	13,912	289	289	—	13,334
504.01 Fuel & Lubricants	170,471	14,324	14,324	—	141,823
504.02 Tires & Tubes	14,000	17	17	—	13,966
504.99 Other Materials & Supplies	24,301	707	707	—	22,887
505 Utilities	15,918	1,397	1,397	—	13,124
506 Casualty & Liability	55,594	2,227	2,227	—	51,140
509 Miscellaneous					—
A. Common Cost Distribution	(200,000)	—	—	—	(200,000)
Sub-Total Operating	<u>878,574</u>	<u>100,996</u>	<u>100,996</u>	<u>3</u>	<u>676,579</u>
III. Capital					
11.7A.00 Preventive Maintenance	375,620	101,500	25,376	—	248,744
Sub-Total Capital	<u>375,620</u>	<u>101,500</u>	<u>25,376</u>	<u>—</u>	<u>248,744</u>
TOTALS	<u>\$ 1,595,185</u>	<u>\$ 271,860</u>	<u>\$ 126,372</u>	<u>\$ 17,456</u>	<u>\$1,179,497</u>
Approved Budget:					
Federal (5311)	\$ 721,624				
State (SMTF)	242,910				
Local	<u>630,651</u>				
Total Budget	<u>\$ 1,595,185</u>				

WACCAMAW REGIONAL TRANSPORTATION AUTHORITY
(d/b/a THE COAST RTA)

SCHEDULES OF BUDGET TO ACTUAL COSTS – SCDOT

— CONTINUED —

	OPT Contract #PT-60999-30					Variance
	Contract Period July 1, 2015 – June 30, 2016					
	Section 5307	SMTF	Local			
	Current	Current	Current			
Budget	Period 7/1/15 – 6/30/16	Period 7/1/15 – 6/30/16	Period 7/1/15 – 6/30/16			
<u>Expenditures</u>						
I. Project Administration						
501.02 Other Salaries & Wages	\$ 429,564	\$ 192,217	\$ —	\$ 149,857	\$ 87,490	
502.02 Fringe Benefits	131,609	60,707	—	47,329	23,573	
503.02 Advertising & Promotion Media	17,083	2,847	—	2,220	12,016	
503.03 Professional & Tech Service	25,967	13,337	—	10,398	2,232	
503.99 Other Services						
A. Facility Maintenance	3,417	1,457	—	1,136	824	
504 Materials & Supplies	17,083	17,629	—	13,744	(14,290)	
505 Utilities	22,413	22,347	—	17,422	(17,356)	
506 Casualty Insurance	11,173	4,588	—	3,577	3,008	
509.01 Dues and Subscriptions	8,883	3,450	—	2,690	2,743	
509.02 Travel and Meeting Expenses						
A. In-State Travel & Meetings	13,667	7,560	—	5,894	213	
509.99 Other Miscellaneous (List)						
A. Fuel for Admin Vehicles	3,417	1,651	—	1,287	479	
512 Lease & Rentals (Specify)						
A. Parking Lot	7,517	3,980	—	3,103	434	
Sub-Total Administration	<u>691,793</u>	<u>331,770</u>	<u>—</u>	<u>258,657</u>	<u>101,366</u>	
II. Operating						
501.01 Operating & Wages	577,446	375,265	50,801	422,967	(271,587)	
501.01 Operations Overtime	27,396	33,440	—	37,691	(43,735)	
502.01 Operations Fringe Benefits	232,410	149,190	—	168,154	(84,934)	
504.01 Fuel & Lubricants	234,986	91,339	—	102,950	40,697	
506 Casualty & Liability	84,706	38,249	—	43,111	3,346	
509 Miscellaneous						
A. Tires/Supplies/Travel/Other						
Operation	—	17,615	—	19,854	(37,469)	
Sub-Total Operating	<u>1,156,944</u>	<u>705,098</u>	<u>50,801</u>	<u>794,727</u>	<u>(393,682)</u>	
III. Capital***						
11.7A.00 Preventive Maintenance	556,996	415,128	9,783	277,047	(144,962)	
Sub-Total Capital	<u>556,996</u>	<u>415,128</u>	<u>9,783</u>	<u>277,047</u>	<u>(144,962)</u>	
TOTALS	<u>\$ 2,405,733</u>	<u>\$ 1,451,996</u>	<u>\$ 60,584</u>	<u>\$ 1,330,431</u>	<u>\$ (437,278)</u>	
<u>Approved Budget:</u>						
Federal (5307)**	\$ 1,369,965					
State (SMTF)*	60,584					
Local	975,184					
Total Budget	<u>\$ 2,405,733</u>					

* While a direct federal grant, budget required a state match for the urban program.

** Amended federal awards for SC-90-X282-00 equaled \$1,515,594, and for SC-90-X-282-01 equaled \$1,223,800.

*** The federal grant was subsequently amended to include a federal budget of \$16,000 to acquire ADP software of which \$12,800 was expended in federal funds in FY 2015-16. However the OPT contract was not amended.

WACCAMAW REGIONAL TRANSPORTATION AUTHORITY
(d/b/a THE COAST RTA)

SCHEDULES OF BUDGET TO ACTUAL COSTS – SCDOT

— CONTINUED —

	OPT Contract #PT-70999-55 Contract Period July 1, 2016 – June 30, 2017				Variance
	Section 5307	SMTF	Local		
	Budget	Current Period 7/1/16 – 9/30/16	Current Period 7/1/16 – 9/30/16	Current Period 7/1/16 – 9/30/16	
Expenditures					
I. Project Administration					
509.99 Other Miscellaneous (List)					
A. Indirect Cost (Operations Only)	\$ 378,609	\$ 59,004	\$ —	\$ 59,004	\$ 260,601
B. Indirect Cost (Preventative Maintenance)	139,908	32,915	—	8,229	98,764
Sub-Total Administration	<u>518,517</u>	<u>91,919</u>	<u>—</u>	<u>67,233</u>	<u>359,365</u>
II. Operating					
501.01 Operating & Wages	871,921	100,072	99,326	105,265	567,258
502.01 Operations Fringe Benefits	303,885	39,918	—	41,989	221,978
503.02 Advertising Fee	15,073	—	—	—	15,073
503.03 Professional & Tech Service	21,000	493	—	518	19,989
504.01 Fuel & Lubricants	258,818	24,444	—	25,713	208,661
504.02 Tires & Tubes	21,102	30	—	31	21,041
504.99 Other Materials & Supplies	36,892	1,207	—	1,271	34,414
505 Utilities	28,563	2,383	—	2,507	23,673
506 Casualty & Liability	84,406	3,800	—	3,997	76,609
509 Miscellaneous:					
A. Fare Revenues	(300,000)	—	—	—	(300,000)
Sub-Total Operating	<u>1,341,660</u>	<u>172,347</u>	<u>99,326</u>	<u>181,291</u>	<u>888,696</u>
III. Capital**					
11.7A.00 Preventive Maintenance	592,551	184,067	—	46,016	362,468
Sub-Total Capital	<u>592,551</u>	<u>184,067</u>	<u>—</u>	<u>46,016</u>	<u>362,468</u>
TOTALS	<u>\$ 2,452,728</u>	<u>\$ 488,333</u>	<u>\$ 99,326</u>	<u>\$ 294,540</u>	<u>\$ 1,610,529</u>
Approved Budget:					
Federal (5307)	\$ 1,446,102				
State (SMTF)*	99,326				
Local	907,303				
Total Budget	<u>\$ 2,452,728</u>				

* While a direct federal grant, budget required a state match for the urban program.

** The OPT contract #PT-70999-55 did not include a federal fund disbursement of \$21,077 in FY 2015-16.

WACCAMAW REGIONAL TRANSPORTATION AUTHORITY
(d/b/a THE COAST RTA)

SCHEDULES OF BUDGET TO ACTUAL COSTS – SCDOT

— CONTINUED —

	OPT Contract #PT-50911-33				Variance
	Contract Period July 1, 2014 – June 30, 2015				
	Section 5310	SMTF	Local		
Budget	Current Period 1/1/16 – 9/30/16	Current Period 1/1/16 – 9/30/16	Current Period 1/1/16 – 9/30/16		
<u>Expenditures</u>					
III. Capital					
11.42.11 Support Vehicle (Replacement)	\$ 53,000	\$ 42,400	\$ —	\$ 14,466	\$ (3,866)
Sub-Total Capital	<u>53,000</u>	<u>42,400</u>	<u>—</u>	<u>14,466</u>	<u>(3,866)</u>
TOTAL	<u>\$ 53,000</u>	<u>\$ 42,400</u>	<u>\$ —</u>	<u>\$ 14,466</u>	<u>\$ (3,866)</u>
<u>Approved Budget:</u>					
Federal (5311)	\$ 42,400				
State (SMTF)*	—				
Local	<u>10,600</u>				
Total Budget	<u>\$ 53,000</u>				

* Waccamaw RTA took delivery for two Ford Explorers in July 2015. A draw for FY 15 funds was completed in September of 2015 on the above mentioned grant that technically expired on July 30, 2015. This was a finding in the audit for the period ending June 30, 2015 with a resolution with the State that Waccamaw RTA should have applied for an extension to the contract. This OPT schedule is being provided for information purposes but also to tie out to actual federal awards in FY 2016 show on Page 37.

WACCAMAW REGIONAL TRANSPORTATION AUTHORITY
(d/b/a THE COAST RTA)

SCHEDULE OF BUDGET TO ACTUAL COSTS – GSATS

FIFTEEN MONTHS ENDED SEPTEMBER 30, 2016

GSATS Contract #SC-16-X018
Grand Stand Area Transportation Study (GSATS)
Waccamaw Regional Council of Governments (WRCOG)
Contract Period March 21, 2016 – March 30, 2018

	<u>Budget</u>	<u>Section 5310</u>	<u>SMTF</u>	<u>Local</u>	<u>Variance</u>
		<u>Current Period 1/1/16 – 9/30/16</u>	<u>Current Period 1/1/16 – 9/30/16</u>	<u>Current Period 1/1/16 – 9/30/16</u>	
<u>Expenditures</u>					
I. Project Administration					
Sub-Total Administration	\$ —	\$ —	\$ —	\$ —	\$ —
II. Operating					
Sub-Total Operating	—	—	—	—	—
III. Capital					
11.12.04Bus 30 Ft (Replacement)	119,746	101,784	—	25,332	(7,370)
Sub-Total Capital	119,746	101,784	—	25,332	(7,370)
TOTAL	\$ 119,746	\$ 101,784	\$ —	\$ 25,332	\$ (7,370)
<u>Approved Budget:</u>					
Federal (5310)	\$ 101,784				
State (SMTF)*	—				
Local	17,962				
Total Budget	<u>\$ 119,746</u>				

SUPPLEMENTARY FEDERAL FINANCIAL ASSISTANCE REPORTS

WACCAMAW REGIONAL TRANSPORTATION AUTHORITY
(d/b/a THE COAST RTA)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FIFTEEN MONTHS ENDED SEPTEMBER 30, 2016

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Federal Expenditures
U.S. Department of Transportation		
Federal Transit Administration		
<u>Direct Federal Grant Funding:</u>		
Federal Transit Formula Grants (Section 5307)		
Urbanized Area Formula Program:		
SC-90-X282-00	20.507	\$ 342,608
SC-90-X282-01	20.507	1,223,800
SC-2016-017-00	20.507	<u>367,799</u>
Total Federal Transit-Formula Grants (Urbanized Areas)		<u>1,934,207</u>
Total Direct Federal Financial Assistance		<u>1,934,207</u>
 <u>Passed through the S.C. Department of Transportation - Office of Public Transit:</u>		
Formula Grants for Other Than Urbanized Areas (Section 5311)		
Rural Area Program PT-50911-33	20.509	42,400
Formula Grants for Other Than Urbanized Areas (Section 5311)		
Rural Area Program PT-60911-55	20.509	947,570
Formula Grants for Other Than Urbanized Areas (Section 5311)		
Rural Area Program PT-70911-22	20.509	<u>271,860</u>
Total Formula Grants for Other Than Urbanized Areas		<u>1,261,830</u>
 <u>Passed through the S.C. Department of Transportation - Division of Intermodal & Freight Programs:</u>		
Office of Public Transit/Rural Transit Assistance Program RTAP Training Funds	20.509	<u>15,082</u>
 <u>Passed through the Waccamaw Regional Council of Governments d/b/a Grand Strand Area Transportation Study (GSATS):</u>		
Enhanced Mobility Program (Section 5310)		
SC-16-X018	20.526	<u>101,784</u>
Total Pass-Through Grant Funding		<u>1,378,696</u>
 Total Federal Transit Cluster		 <u>\$ 3,312,903</u>
 Total Federal Financial Assistance-Primary Government		 <u>\$ 3,312,903</u>

WACCAMAW REGIONAL TRANSPORTATION AUTHORITY
(d/b/a THE COAST RTA)

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FIFTEEN MONTHS ENDED SEPTEMBER 30, 2016

1. Basis of Presentation

The Schedule of Expenditures of Federal Awards (the "Schedule") is a summary of federal award programs and is presented in accordance with the requirement of OMB Uniform Grant Guidance, Subpart F.

2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Uniform Grant Guidance, wherein certain types of expenditures are not allowable or are limited to reimbursement.

Pass-through entity identifying numbers are presented where available.

WACCAMAW REGIONAL TRANSPORTATION AUTHORITY
(d/b/a THE COAST RTA)

ROBERT E. MILHOUS, C.P.A., P.A. & ASSOCIATES

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Board of Directors
Waccamaw Regional Transportation Authority
Conway, South Carolina

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*

I have audited in accordance with the 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 basic financial statements of the Waccamaw Regional Transportation Authority (the "WRTA"), as of and for the fifteen month period ended September 30, 2016, and have issued my report thereon dated March 15, 2017. I conducted my audit in accordance with auditing standards generally accepted in United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered the WRTA's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the WRTA's internal control. Accordingly, I do not express an opinion on the effectiveness of the WRTA's internal control. Accordingly, I do not express an opinion on the effectiveness of the WRTA's internal control over financial reporting.

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

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during my audit I did not identify any deficiency in internal control over financial reporting that I consider to be a material weakness. I did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs that I consider to be significant deficiencies as items #2016-001, #2016-002, and #2016-003.

— CONTINUED —



Compliance and Other Matters

As part of obtaining reasonable assurance about whether the WRTA's basic financial statements are free of material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

WRTA's Response to Findings

WRTA's response to the findings identified in my audit are described in the accompanying corrective action plan. WRTA's response was not subject to the auditing procedures applied in the audit of the financial statements and accordingly, I express no opinion on it.

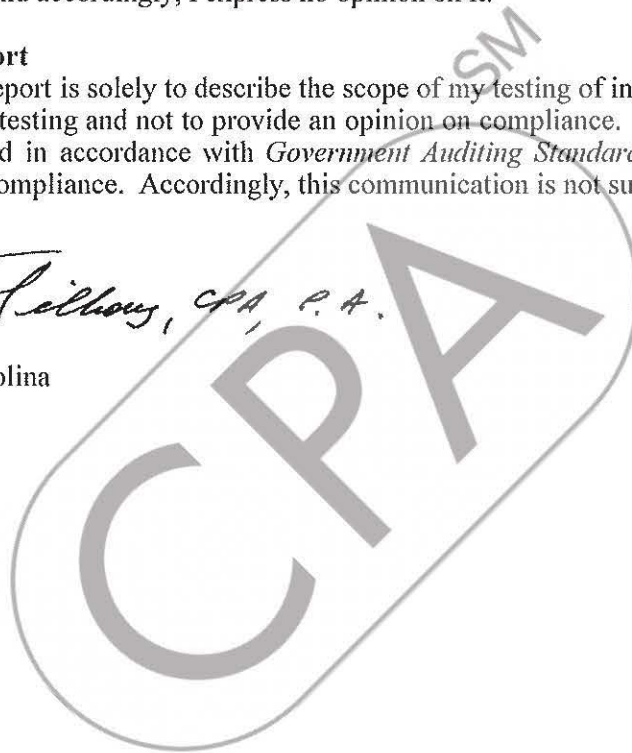
Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the result of that testing and not to provide an opinion 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.



Robert E. McElhenny, CPA, P.A.

March 15, 2017
Columbia, South Carolina



ROBERT E. MILHOUS, C.P.A., P.A. & ASSOCIATES

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Report on Compliance For Each Major Federal Program; Report on Internal Control Over Compliance Required by the Uniform Guidance; and Report on the Schedule of Expenditures of Federal Awards

Report on Compliance for Each Major Federal Program

I have audited Waccamaw Regional Transportation Authority's ("WRTA") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of WRTA's major federal programs for the fifteen month period ended September 30, 2016. WRTA's major federal programs are identified in the summary of auditor's 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

My responsibility is to express an opinion on compliance for each of WRTA's major federal programs based on my audit of the types of compliance requirements referred to above. I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Those standards and the Uniform Guidance require that I 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 WRTA's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

I believe that my audit provides a reasonable basis for my opinion on compliance for each major federal program. However, my audit does not provide a legal determination of WRTA's compliance.

— CONTINUED —



Opinion on Each Major Federal Program

In my opinion, WRTA complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the fifteen month period ended September 30, 2016.

Report on Internal Control Over Compliance

Management of WRTA is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing my audit of compliance, I considered WRTA'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 Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of WRTA's internal control over compliance.

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

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses. However, I identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as items #2016-001, #2016-002, and #2016-003 that I consider to be significant deficiencies.


WRTA's response to the internal control over compliance findings identified in my audit are described in the corrective action plan. WRTA's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, I express no opinion on the response.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of my testing of internal control over compliance and the results of that testing based on the requirements of Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

I have audited the financial statements of WRTA as of and for the fifteen month period ended September 30, 2016, and have issued my report thereon dated March 15, 2017, which contained an unmodified opinion on those financial statements. My audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the Schedule of Expenditure of Federal Awards is fairly stated in all material respects in relation to the financial statements as a whole.


March 15, 2017
Columbia, South Carolina



WACCAMAW REGIONAL TRANSPORTATION AUTHORITY
(d/b/a THE COAST RTA)

WACCAMAW REGIONAL TRANSPORTATION AUTHORITY
(d/b/a THE COAST RTA)

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FIFTEEN MONTHS ENDED SEPTEMBER 30, 2016

Part I— Summary of Auditor’s Results

Financial Statements:

I have issued an unmodified opinion dated March 15, 2017 on the financial statements of the Waccamaw Regional Transportation Authority, (the “WRTA”).

Internal control over financial reporting:

- Material weakness identified? No
- Significant deficiencies identified? Yes
- Noncompliance material to financial statements noted? No

Federal Awards:

I have issued an unmodified opinion dated March 15, 2017 on the compliance for major programs.

Internal control over major programs:

- Material weakness identified? No
- Significant deficiencies identified? Yes
- Any audit findings disclosed that are required to be reported in accordance with OMB Uniform Guidance (Subpart F)? Yes

Identification of Major Programs:

CFDA #20.507 – Federal Transit Formula Grants (Section 5307) for Urbanized Area Program
Agreements SC-90-X282-00, SC-90-X282-01 and SC-2016-017-00
CFDA #20.509 – Formula Grants for Other Than Urbanized Areas (Section 5311)
Agreements for Rural Area Programs PT-60911-55 and PT- 70911-22

Dollar threshold used to distinguish between type A and type B programs: \$750,000
Auditee qualified as low-risk auditee? No

— CONTINUED —

WACCAMAW REGIONAL TRANSPORTATION AUTHORITY
(d/b/a THE COAST RTA)

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

— CONTINUED —

Part II — Financial Statement Findings and Questioned Costs

We noted the following to be significant internal control deficiencies over financial statements and federal awards.

#2016-001 WRTA’s Compliance Requirement – Cash Management
(A repeat and updated finding from 2015)

Condition

There were instances in FY 2016, where WRTA was not in compliance with drawdown calculations for federal reimbursement of costs. There were two months (May/June 2016) where the drawdown calculations for preventive maintenance under grant number SC-2016-017-00 did not include the use of the provisional indirect cost rate of 32.15%. Secondly, WRTA incorrectly drew 80% of non-fixed route ADA operating assistance under grant number SC90-X282-01. Thirdly, supporting documentation for expenses did not indicate proper account coding on the source document. All three of these deficiencies were identified, among other findings, in the “Full Scope Systems Review” performed under the Financial Management Oversight (FMO) program for the USDOT, FTA dated October 25, 2016.

Criteria

The WRTA is the recipient of capital, operating, and preventive maintenance (capital) grant funds from a variety of direct federal, pass-through federal, state, and pass-through local funds. In accordance with the OMB grant management rules and federal 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 is requested from a specific grant award were paid or incurred in the appropriate request period. A complete understanding of agreements, contracts and grant awards is fundamental to an internal control system to support both internal and external accounting and financial reporting requirements. Furthermore, federal regulations and *Government Auditing Standards* (GAS) requires management to not only provide for an effective internal control environment, but be responsible for the completeness and timeliness of the general ledger, its supporting subsidiary ledgers and related reports .

WACCAMAW REGIONAL TRANSPORTATION AUTHORITY
(d/b/a THE COAST RTA)

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

— CONTINUED —

Part II — Financial Statement Findings and Questioned Costs (continued)

#2016-001 WRTA's Compliance Requirement – Cash Management (continued)

Cause and Effect

WRTA does not maintain an effective and efficient system for appropriately determining what portion of individual expenditures are used for supporting drawdowns to specific federal and state grants. The monthly drawdown requests were computed by aggregating total actual costs (per the general ledger), less known unallowable costs, then applying percentages to allocate expenses to the various federal and state grants for reimbursement.

For example, the FTA Section 5307 grant #SC-2016-017-00 award required the use of an estimated indirect cost rate. This requirement was not used in the drawdown supporting calculations as WRTA used direct costs allocations to compute the drawn amounts.

The WRTA uses a complex process to compute and allocate the grant drawdowns from each source. While WRTA management uses a methodology to allocate costs between rural and urban grant programs, support for reporting monthly and cumulative federal and state grant draws were prepared using a percentage of direct cost allocation analysis during the year. Although general ledger expenditures are used as the initial basis for supporting the drawdown of grant awards, such costs are not initially recorded into individual grant cost reports comparing the period's (and cumulative) costs to budget to ensure that grant funds were not overdrawn throughout the year. Additionally, such identification is not readily available on source documents which supports the actual disbursement, nor are the general ledger chart-of-accounts specific as to individual grants.

Recommendation

We recommend the WRTA establish policy and procedures to strengthen internal controls surrounding its accounting and financial reporting of grants, contracts and agreements. Proper internal controls over grant award draws, and their reporting, should require that procedures be designed and followed at all times to prevent or detect and correct misstatements on a timely basis and to ensure that interim and annual federal financial reports (FFR), as well as the required schedules to audited financial statements are accurate, complete and presented in accordance with the appropriate financial reporting framework under the grant awards and applicable accounting standards. Specifically, coding of all required grant and general ledger information for disbursement transactions should be included with the supporting documentation prior to the information being provided to accounts payable for processing. Cost reports at the grant's budget level should also be prepared and reconciled monthly to the general ledger expense accounts, supported by appropriately identified supporting documents.

WACCAMAW REGIONAL TRANSPORTATION AUTHORITY
(d/b/a THE COAST RTA)

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

— CONTINUED —

Part II—Financial Statement Findings and Questioned Costs (continued)

#2016-002 WRTA's Compliance Requirement – Cash Management

(A repeat and updated finding from 2015)

Condition

WRTA did not develop the required SCDOT, Office of Public Transit, (OPT) schedules correctly in two ways. Actual costs were distributed between line items using blended percentages from period ending trial balances rather than using layered monthly draw calculations. Secondly, the federal portion by line items were developed from budgetary amounts found in the specific contracts for each respective OPT schedule rather than federal amounts used in monthly draw calculations. Accordingly, OPT schedules did not correspond to federal amounts reported in the Schedule of Expenditures of Federal Awards (SEFA) and vice-versa.

Criteria

The WRTA is the recipient of capital, operating, and preventive maintenance (capital) grant funds from a variety of direct federal, pass-through federal, state, and pass-through local funds. In accordance with the OMB grant management rules and federal regulations, and SCDOT grant award requirements, WRTA is required to identify and maintain supporting documentation including budget-to-actual reports showing that costs for which reimbursement is requested from a specific grant award were paid or incurred for that grant award in the appropriate request period.

Cause and Effect

The annual FTA Section 5307 and pass-through Section 5311 (State 5311 OPT reports and the resulting SEFA report) were prepared by management taking the total draw amounts and allocating them back to line items based upon percentage of total general ledger expenses – which was found initially to have included unallowable costs. As a result, multiple versions of the SEFA and other supplemental information of federal and state awards were prepared by management.

Corrected SEFA and OPT records were not available until well into the subsequent fiscal year period, which caused delays in the audit. Initially produced schedules reflected differences which required analysis, reconciliation and adjustments to be performed.

WRTA does not maintain an effective and efficient system for appropriately determining what portion of individual expenditures are charged to specific federal and state grants. Accordingly, WRTA is inconsistent in its methodology for preparing required OPT schedules and the preparation of the annual Schedule of Expenditures of Federal Awards (SEFA).

WACCAMAW REGIONAL TRANSPORTATION AUTHORITY
(d/b/a THE COAST RTA)

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

— CONTINUED —

Part II —Financial Statement Findings and Questioned Costs (continued)

#2016-002 WRTA’s Compliance Requirement – Cash Management (continued)
(A repeat and updated finding *Recommendation*)

Recommendation

We recommend the WRTA establish policy and procedures to strengthen internal controls surrounding its accounting and financial reporting of grants, contracts and agreements. Proper internal controls over grant award draws, and their reporting, should require procedures be designed and followed at all times to prevent or detect and correct misstatements on a timely basis and to ensure that interim and annual federal financial reports including the SEFA and OPT schedules are accurate, complete and presented in accordance with the appropriate financial reporting framework under the grant awards and applicable accounting standards. Specifically, grant budget coding of all required grant and general ledger information for disbursement transactions should be included with the supporting documentation prior to the information being provided to accounts payable for processing. Cost reports at the grant’s budget level should also be prepared and reconciled monthly to the general ledger expense accounts, supported by appropriately identified supporting documents.

#2016-003 WRTA’s Internal Control Surrounding Capital Asset Accounting
(A repeat and updated finding from 2015)

Condition

There were instances where the WRTA capital assets accounting system was not used to produce a comprehensive schedule of asset costs and related depreciation to support amounts recorded in the general ledger. Additionally, there were instances where the reconciliation between the capital asset system and general ledger was either not completed or not reviewed.

Furthermore, WRTA received a “Full-Scope Systems Review” performed under the Financial Management Oversight (FMO) program for the U.S. Department of Transportation, Federal Transit Administration (FTA), dated October 25, 2016. The report cited, among other findings, significant deficiencies that WRTA did not maintain adequate procedures to ensure that capital asset data entered into the capital assets accounting system was complete and accurate, and that it was independently reviewed. Additionally, the report cited a significant deficiency surrounding required FTA information, (i.e., grant number, funding percentage, and holder of title, etc.), which was not specifically identified in WRTA’s capital asset accounting system.

Criteria

An effective general ledger and capital assets system is fundamental to an internal control system to support both internal and external accounting and financial reporting requirements. Generally accepted account principles (GAAP) along with Governmental Accounting Standards Board (GASB) pronouncements requires all financially-related transactions be recorded in the general ledger timely, completely, and at proper values. Furthermore, federal regulations and *Government Auditing Standards* (GAS) requires management to not only provide for an effective internal control environment, but be responsible for the completeness and timeliness of the general ledger and its supporting subsidiary ledgers.

WACCAMAW REGIONAL TRANSPORTATION AUTHORITY
(d/b/a THE COAST RTA)

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

— CONTINUED —

Part II—Financial Statement Findings and Questioned Costs (continued)

#2016-003 WRTA's Internal Control Surrounding Capital Asset Accounting (continued)
(A repeat and updated finding from 2015)

Cause and Effect

Complete capital asset records were not available until well into the subsequent fiscal year period, which caused delays in the audit. Initially produced reports reflected differences which required analysis, reconciliation and adjustments to be performed.

Recommendation

We recommend the WRTA establish policy and procedures to strengthen internal controls surrounding its accounting and financial reporting of its capital assets system. Such policy and procedures would include the monthly routine of producing complete capital asset reports and reconcile such reports with the general ledger to properly report costs and depreciation by asset and asset class.

WACCAMAW REGIONAL TRANSPORTATION AUTHORITY
(d/b/a THE COAST RTA)

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

— CONTINUED —

Part III — Federal Award Findings and Questioned Costs

We noted the following to be significant internal control deficiencies and non-compliance over federal awards.

#2016-004 WRTA’s Compliance Requirement – Cash Management

(See #2016-001)

There were instances in FY 2016, where WRTA was not in compliance with drawdown calculations for federal reimbursement of costs. There were two months (May/June 2016) where the drawdown calculations for preventive maintenance under grant number SC-2016-017-00 did not include the use of the provisional indirect cost rate of 32.15%. Secondly, WRTA incorrectly drew 80% of non-fixed route ADA operating assistance under grant number SC90-X282-01. Thirdly, supporting documentation for expenses did not indicate proper account coding on the source document. All three of these deficiencies were identified, among other findings, in the “Full Scope Systems Review” performed under the Financial Management Oversight (FMO) program for the USDOT, FTA dated October 25, 2016.

#2016-005 WRTA’s Compliance Requirement – Cash Management

(See #2016-002)

WRTA did not develop the required SCDOT-OPT schedules correctly in two ways. Actual costs were distributed between line items using blended percentages from period ending trial balances rather than using layered monthly draw calculations. Secondly, the federal portion by line item were developed from budgetary amounts found in the specific contracts for each respective OPT schedule rather than federal amounts used in monthly draw calculations. The result was that OPT schedules did not correspond to federal amounts reported in the SEFA and vice versa.

#2016-006 WRTA’s Internal Control Surrounding Capital Asset Accounting

(See #2016-003)

There were instances where the WRTA capital assets accounting system was not used to produce a comprehensive schedule of asset costs and related depreciation to support amounts recorded in the general ledger. Additionally, there were instances where the reconciliation between the capital asset system and general ledger was either not completed or not reviewed.

Furthermore, WRTA received a “Full-Scope Systems Review” performed under the Financial Management Oversight (FMO) program for the U.S. Department of Transportation, Federal Transit Administration (FTA), dated October 25, 2016. The report cited, among other findings, significant deficiencies that WRTA did not maintain adequate procedures to ensure that capital asset data entered into the capital assets accounting system was complete and accurate, and that it was independently reviewed. Additionally, the report cited a significant deficiency surrounding required FTA information, (i.e., grant number, funding percentage, and holder of title, etc.), which was not specifically identified in WRTA’s capital asset accounting system.

CORRECTIVE ACTION PLAN



March 20, 2017

Board of Directors
Waccamaw Regional Transportation Authority

Reference: FY 2016 Corrective Action Plan for Audit Schedule of Findings and Questioned Costs

Dear Board:

The following information outlines the Corrective Action Plan developed by management to address the findings in the audit documentation for the year ended September 30, 2016.

Finding 2016-001 – WRTA agrees with the finding. As it relates to the use or lack thereof, of the provisional indirect cost rate, this came about because of overlapping urban grants (SC-90-X282-01 and SC-2016-017-00). There was a lag time between period of performance for the new grant which was executed in September 2016 but included retroactive Preventive Maintenance (PM) expense back to May 1, 2016. We had the problem where the operating expenses for May/June 2016 were drawn on the old grant using the former indirect cost allocation method and then drawing PM under the new grant. We were faced with the issue of drawing expenses for the same month but could not use two distinct methods for calculating overhead. We could have applied the provisional rate to the old grant but chose not to for the simple fact that the rate was provisional and we would most likely have to perform a truing of costs for the next fiscal year per FTA guidelines. Therefore, the differences in indirect cost reimbursement between methods will be incorporated into the "true-up" process for the FY 17.

The Non-fixed route ADA provision for 80% reimbursement was an FMO finding. We have subsequently, modified the grant to reflect the change in reimbursement with no change in federal assistance incorporated in grant number SC-90-X282-01. Moving forward, WRTA will have the proper Account Line Item (ALI) code in our grant applications when we want to take advantage of the FTA provision of 80% reimbursement on non-fixed route ADA operating expense.

Accounts payable procedures will be adjusted to ensure that both grant number and ledger account number will be assigned to purchase orders prior to processing for capital expense. As it relates to operating and maintenance expenditures, individual invoices must go through the cost allocation process before we know which grant(s) will be funding reimbursement. While we will be assigning ledger account numbers during the PO process for these expenditures, the grant number assignment will be made to the pool of expenditures (O&M only) as part of the draw calculation procedure. By adding the grant number to the draw calculation sheet, all individual expenditures that comprise the cost pool in the specific draw calculation will be assigned to those specific grants.

Finding 2016-002 – WRTA agrees with the finding, however, we do not believe it is a repeat finding since there were no issues related to OPT schedules in our FY 2015 audit. It is our understanding that the primary focus of the OPT schedules is for providing SCDOT with information about how State Mass Transit Funds are expended during the course of our operation. In the development of these schedules, we found a number of issues that relate to our cost allocation methodology; how our draws are reported via Form 600s to SCDOT on a monthly basis; and, problems inherent to overlapping urban

grants. In years past, we have developed the OPT schedules using aggregate cost numbers that are distributed between the line items that are used in the budgets incorporated into our contracts with the State. This also makes it difficult to trace the path of any individual invoice/expense, especially operating or preventive maintenance expenses, to the reimbursement from a specific grant award.

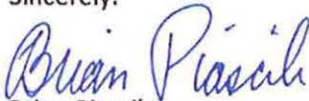
Moving forward, WRTA proposes to add procedures to our month end close that maintain the OPT schedules with year to date amounts on a monthly basis. This will ensure that real costs and real federal draw amounts are used. In addition, we will distribute costs to line items on a month to date basis. We feel that this will increase the accuracy of the OPT schedules at the end of the year and make individual expenses more traceable.

Finding 2016-003 – WRTA agrees with the finding. The cited asset module issues are related to the limitation in Sage to 13 periods per year, complicated by the fact that we had a 15 month fiscal year. In effect, the 13th period was from July 1 through September 30th during which staff had difficulty performing individual monthly asset reconciliations with the general ledger. At any rate, WRTA is focused on changes in our procedures to ensure that the reconciliations of the asset management system are completed and reviewed monthly by appropriate personnel. Reconciliations will be expanded to include cost, current depreciation as well as accumulated depreciation by asset class each month. Current practice only includes a cost reconciliation. A one-page list of asset activities including acquisitions and disposals will be added to the reconciliation as supporting documentation

Finding 2016-004 through 006 – WRTA agrees with these finding. See responses to findings 001 through 003, accordingly.

If you have any questions, please contact me at 843-488-6060 or Ron Prater, CFO, at 843-488-6062.

Sincerely:



Brian Piascik

GM/CEO

Waccamaw Regional Transportation Authority

cc Robert Milhous, CPA CGFM

WACCAMAW REGIONAL TRANSPORTATION AUTHORITY
(d/b/a THE COAST RTA)

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS AND QUESTIONED COSTS

FIFTEEN MONTHS ENDED SEPTEMBER 30, 2016

Summary Schedule of Prior Year Audit Findings and Questioned Costs:

2015-001

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.

Status: WRTA management responded that monitoring controls have been implemented to address potential variances between the fair value and carrying value of capital assets subject to impairment losses.

2015-002

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.

Status: WRTA management responded that improved review and approval controls during fiscal 2016 were implemented and new staff were hired and trained to improve segregation of duty controls.

2015-003

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.

Status: WRTA management responded that new general ledger accounts have been created in the SAGE accounting system. Review of budget to actual reports has been implemented to detect any "parked" expenses.

2015-004

Condition: During the performance of our audit procedures, we discovered five (5) used buses were acquired by the WRTA 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 WRTA on the last day of the fiscal year. The June 30, 2015, financial statements of the WRTA 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.

Status: WRTA management responded that the appropriate transactions were recorded and the capital asset ledger was properly updated. Internal review controls over capital asset additions have been implemented to detect and correct any such errors in the future.

WACCAMAW REGIONAL TRANSPORTATION AUTHORITY
(d/b/a THE COAST RTA)

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS AND QUESTIONED COSTS

— CONTINUED —

Summary Schedule of Prior Year Audit Findings and Questioned Costs (continued):

2015-005

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.

Status: WRTA management responded that internal controls over year end financial reporting have been implemented. The WRTA is in the process of formalizing an agreement with the FTA to utilize Federal 5307 funds to relieve the WRTA of the liability.

2015-006

Condition: The WRTA 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 WRTA 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. Question Costs = \$42,400.

Status: WRTA management responded that future request for all federal funding will be based on actual costs incurred for the benefit period, and will ensure compliance with applicable requirements for each federal program. Similar findings were identified for the fifteen month period ended September 30, 2016.

2015-007

Condition: In calculating the draw for the month ended April 2015 under the 5307 Program, the WRTA 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. Questioned Costs = \$65,842.

Status: WRTA management responded that future request for all federal funding will be based on actual costs incurred for the benefit period, and will ensure compliance with applicable requirements for each federal program. Similar findings were identified for the fifteen months ended September 30, 2016.

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