

**WACCAMAW REGIONAL
TRANSPORTATION AUTHORITY**

FINANCIAL REPORT

**FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2019**

WACCAMAW REGIONAL TRANSPORTATION AUTHORITY

FINANCIAL REPORT FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019

TABLE OF CONTENTS

Page

INDEPENDENT AUDITOR'S REPORT	1 - 3
MANAGEMENT'S DISCUSSION AND ANALYSIS.....	4 - 11
FINANCIAL STATEMENTS	
Statement of Net Position.....	12
Statement of Revenues, Expenses, and Changes in Net Position.....	13
Statement of Cash Flows.....	14
Notes to Financial Statements	15 - 37
REQUIRED SUPPLEMENTARY INFORMATION	
Schedules of Authority's Proportionate Share of the Net Pension Liability.....	38
Schedules of Authority Contributions	39 and 40
SUPPLEMENTARY INFORMATION	
Schedule of Revenues, Expenses, and Changes in Net Position – Budget (Non-GAAP Basis) and Actual	41
Schedule of Budgeted to Actual Costs – SCDOT Grants	42 - 47
COMPLIANCE SECTION	
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	48 and 49
Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance.....	50 and 51
Schedule of Expenditures of Federal Awards.....	52
Note to Schedule of Expenditures of Federal Awards	53
Schedule of Findings and Questioned Costs.....	54 and 55



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the
Waccamaw Regional Transportation Authority
Conway, South Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the **Waccamaw Regional Transportation Authority** (the "Authority") as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Waccamaw Regional Transportation Authority as of September 30, 2019, and the changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (on pages 4 through 11), the Schedules of Authority's Proportionate Share of the Net Pension Liability (on page 38), and the Schedules of Authority Contributions (on page 39) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Waccamaw Regional Transportation Authority's basic financial statements. The Schedule of Revenues, Expenses, and Changes in Net Position – Budget (Non-GAAP Basis) and Actual; the Schedules of Budgeted to Actual Costs – SCDOT Grants; the Schedule of Budgeted to Actual Costs – WRCG (GSATS); and the Schedule of Expenditures of Federal Awards (as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Revenues, Expenses, and Changes in Net Position – Budget (Non-GAAP Basis) and Actual; the Schedules of Budgeted to Actual Costs – SCDOT Grants; the Schedule of Budgeted to Actual Costs – WRCG (GSATS); and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Revenues, Expenses, and Changes in Net Position – Budget (Non-GAAP Basis) and Actual; the Schedules of Budgeted to Actual Costs – SCDOT Grants; the Schedule of Budgeted to Actual Costs – WRCG (GSATS); and the Schedule of Expenditures of Federal Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 16, 2020, on our consideration of the Waccamaw Regional Transportation Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Waccamaw Regional Transportation Authority's 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 Waccamaw Regional Transportation Authority's internal control over financial reporting and compliance.



Columbia, South Carolina
March 16, 2020

WACCAMAW REGIONAL TRANSPORTATION AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis (MD&A) of the Waccamaw Regional Transportation Authority (the "Authority") provides an overview of the major financial activities affecting the operations of the Authority. This overview encompasses the financial performance and financial statements of the Waccamaw Regional Transportation Authority for the fiscal year ended September 30, 2019. The information contained in this MD&A is prepared by management and should be considered in conjunction with the information contained in the Independent Auditor's Report and notes to the financial statements. Following this MD&A are the basic financial statements of the Authority, together with the notes, which are essential to a full understanding of the data contained in the financial statements.

Financial Highlights

Key financial highlights for fiscal year 2019 are as follows:

- At September 30, 2019, total assets and deferred outflows of resources equaled \$4,564,583, and total liabilities and deferred inflows of resources equaled \$6,980,269. This results in a deficit of net position at September 30, 2019 in the amount of (\$2,415,686).
- Changes in total net position for the fiscal year ending September 30, 2019, resulted in a decrease totaling \$667,383 after the accounting for capital contributions, which totaled \$378,149.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. The notes to the financial statements contain more detail on some of the information presented in the financial statements. The financial statements of the Authority report information about the Authority using accounting methods similar to those used by private sector companies. These statements offer short and long-term financial information about its activities. The Statement of Net Position presents information on all of the Authority's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating. The Statement of Net Position can be found on page 12 of this report.

The Statement of Revenues, Expenses and Changes in Net Position presents information showing how the Authority's net position changed during the fiscal year ended September 30, 2019. 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. Thus revenues and expenses are recorded in this statement for some items that will only result in cash flows in future fiscal periods (for example, earned but unused vacation leave). The Statement of Revenues, Expenses, and Changes in Net Position can be found on page 13 of this report.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Overview of the Financial Statements (Continued)

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided within the financial statements. The notes to the financial statements can be found on pages 15 through 37 of this report.

Financial Statements

Net Position: The following table summarizes the changes in net position for the fiscal year ended September 30, 2019, and the fiscal year ended September 30, 2018.

	<u>2019</u>	<u>2018</u>
Current assets	\$ 1,225,246	\$ 1,220,042
Capital assets	2,810,871	3,130,804
Total assets	<u>4,036,117</u>	<u>4,350,846</u>
Deferred outflows of resources	<u>528,466</u>	1,000,624
Current liabilities	878,711	952,994
Long-term liabilities	6,015,828	6,071,199
Total liabilities	<u>6,894,539</u>	<u>7,024,193</u>
Deferred inflows of resources	<u>85,730</u>	75,580
Net position:		
Net investment in capital assets	2,593,371	2,775,804
Restricted for transit operations	60,000	60,000
Unrestricted	(5,069,057)	(4,584,107)
Total net position	<u>\$ (2,415,686)</u>	<u>\$ (1,748,303)</u>

The Authority's total current assets increased by \$5,204 during the fiscal year ended September 30, 2019. Elements to consider related to these changes include:

- The Authority's accounts receivable and prepaid expenses decreased by approximately \$46,364 and \$45,586, respectively, during the fiscal year ended September 30, 2019
- The Authority's cash and inventory increased by approximately \$77,567 and \$19,587, respectively, during the fiscal year ended September 30, 2019.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Financial Statements (Continued)

The Authority's capital assets decreased by \$319,933 during the fiscal year ended September 30, 2019. Elements to consider related to these changes include:

- For the fiscal year ended September 30, 2019, the Authority purchased capital assets in the amount of \$230,725, while incurring depreciation on capital assets in the amount of \$529,562, which was the primary cause of the net decrease in capital assets.

The Authority's current liabilities decreased by \$74,283 during the fiscal year ended September 30, 2019. Elements to consider related to these changes include:

- The Authority's short-term note payable decreased by \$137,500 during the year ended September 30, 2019, which accounted for the majority of the current year decrease in current liabilities.

The Authority's long-term liabilities decreased by \$55,371 during the current year as a result of a decrease in the noncurrent portion of the Authority's outstanding long-term payable to South Carolina Department of Transportation and to the Federal Transit Administration of \$91,249, partially offset by an increase in the net pension liability of \$57,565.

The Authority's net position decreased by \$667,383 during the fiscal year ended September 30, 2019. These changes are attributed to decrease in federal, state, and local grants and appropriations as well as increased operating expenses.

Revenues, Expenses and Changes in Net Position: The table on the following page summarizes the revenues, expenses and changes in net position for the fiscal year ended September 30, 2019, and for the fiscal year ended September 30, 2018.

MANAGEMENT'S DISCUSSION AND ANALYSIS

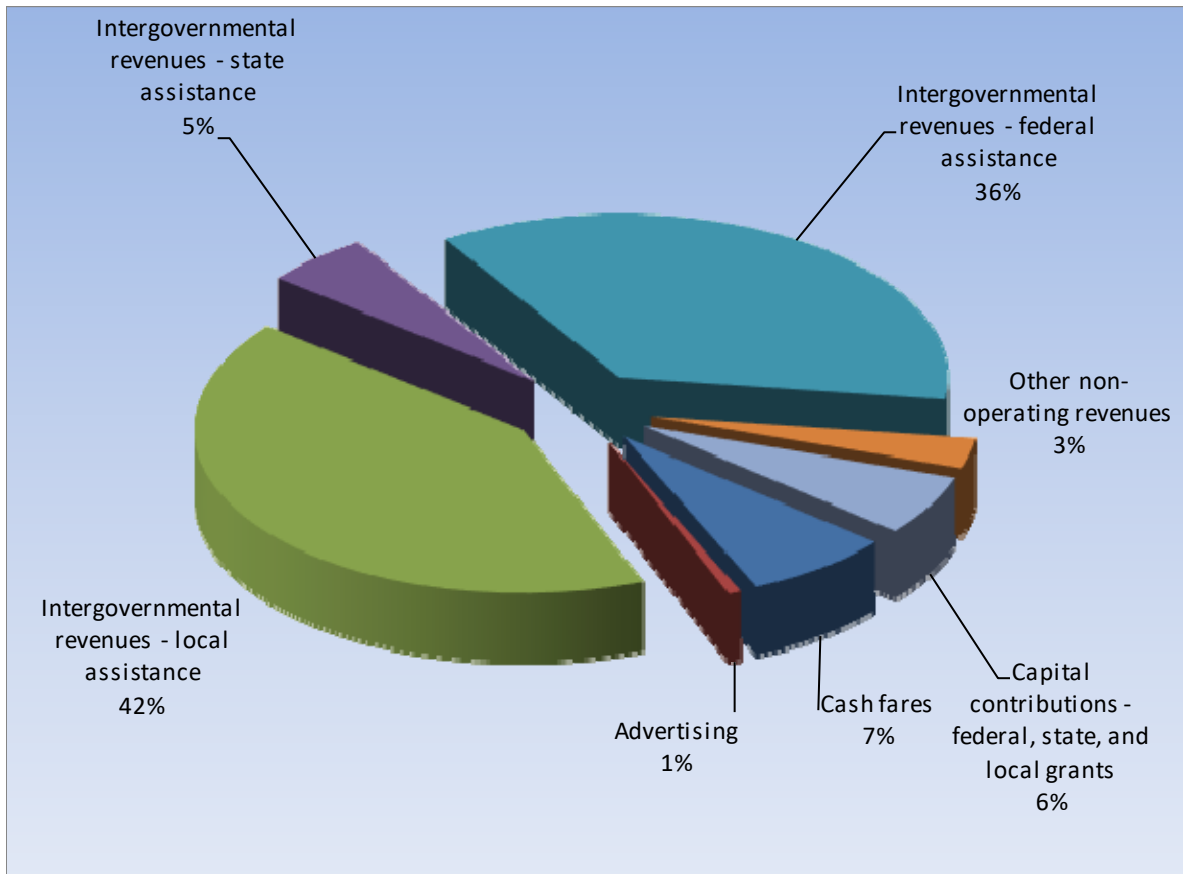
Financial Statements (Continued)

	2019	2018
Operating revenues:		
Cash fares	\$ 462,458	\$ 460,320
Advertising	40,020	60,240
Miscellaneous	-	9,433
Operating revenues	502,478	529,993
Operating expenses:		
Salaries and wages	2,624,987	2,561,225
Fringe benefits	2,034,165	2,122,350
Fuel, materials and supplies	899,428	901,943
Insurance	146,760	185,001
Professional fees	55,542	170,965
Utilities and telephone	90,646	80,329
Advertising	64,559	69,111
Printing and supplies	64,698	74,084
Travel and training	59,643	35,616
Repairs and maintenance	218,291	99,796
Non-capital equipment	166,147	54,491
Other operating expenses	44,261	42,779
Depreciation expense	529,562	541,396
Operating expenses	6,998,689	6,939,086
Operating loss	(6,496,211)	(6,409,093)
Nonoperating revenues (expenses)		
Intergovernmental revenues - local assistance	2,653,718	2,347,893
Intergovernmental revenues - state assistance	332,291	505,890
Intergovernmental revenues - federal assistance	2,292,418	2,913,161
Gain on disposal of assets	187,076	-
Other non-operating revenues	3,595	19,330
Interest income	29	-
Interest expense	(18,448)	(21,410)
Nonoperating revenue, net	5,450,679	5,764,864
Capital contributions - federal, state and local grants	378,149	300,444
Change in net position	\$ (667,383)	\$ (343,785)

MANAGEMENT'S DISCUSSION AND ANALYSIS

Financial Statements (Continued)

Revenues, Expenses and Changes in Net Position (Continued): The following chart shows the major revenue sources and percentages for revenues as of September 30, 2019.



Note: Labels for some revenue accounts have been combined into an "Other" category because their individual portion was less than 1%.

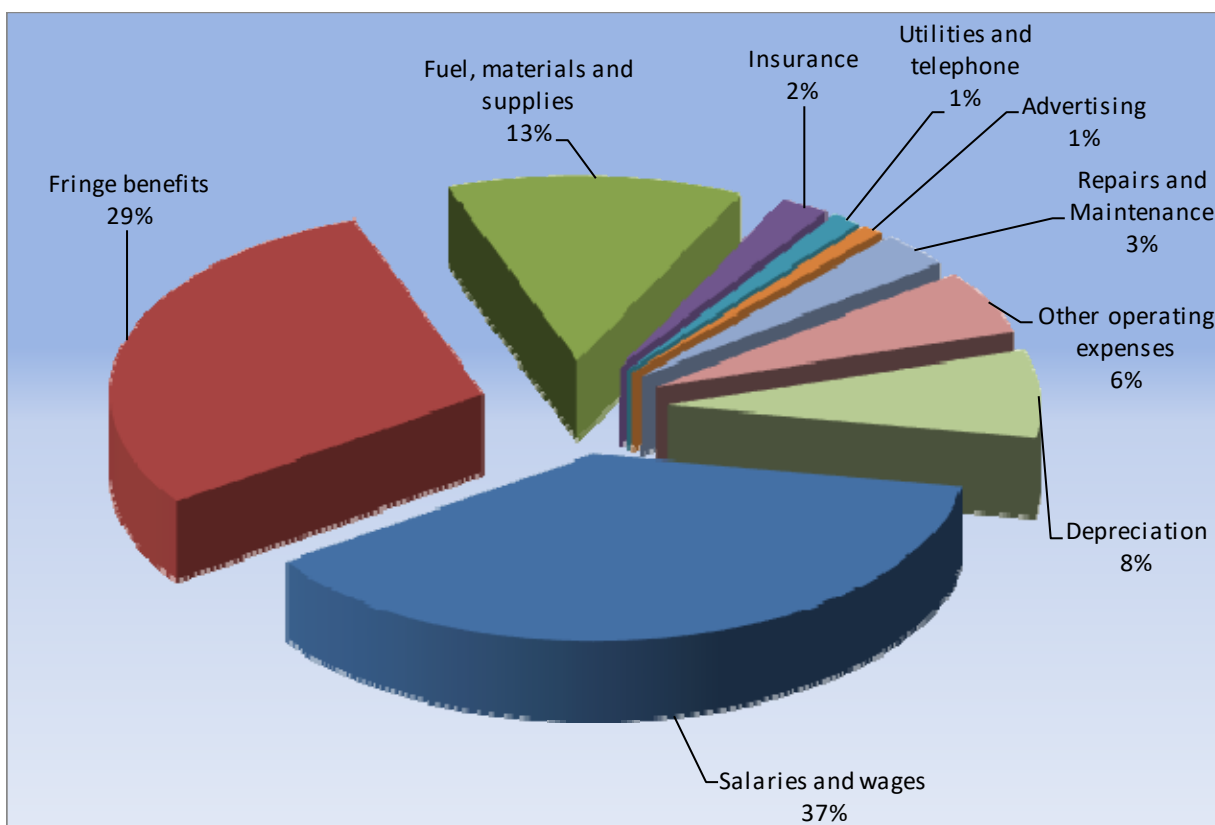
For the fiscal year ended September 30, 2019, operating revenues of the Authority were \$502,478, or 5.5% lower than for the fiscal year ended September 30, 2018 revenues of \$529,993. Elements to consider related to these changes include:

- The majority of the decrease is the result of the overall decrease in advertising revenues collected for the fiscal year ending September 30, 2019.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Financial Statements (Continued)

Revenues, Expenses and Changes in Net Position (Continued): The following chart shows the major expenses and the percentage for the total expenses as of September 30, 2019.



Note: Because so many expense accounts exist, labels for some accounts have been combined.

For the fiscal year ended September 30, 2019, operating expenses increased \$59,603, or 0.86% to \$6,998,689. The majority of the current year increase in expenses is the result of the increase in employee salaries and wages expenses as well as repairs and maintenance expenses, partially offset by a decrease in professional fees for the fiscal year ending September 30, 2019.

For the fiscal year ended September 30, 2019, net non-operating revenues of the Authority totaled \$5,450,679, which was \$314,185 less than the fiscal year ended September 30, 2018. The majority of this decrease is the result of a decrease in state and federal operating assistance grants for the fiscal year ending September 30, 2019.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Budget Analysis

Over the course of the year, the Authority operated under an approved budget for fiscal year 2019 by the Board of Directors. The fiscal year 2019 12-month budget was approved by the Board of Directors in August 29, 2018.

The fiscal year 2019 budget is \$5.9 million. The Authority continues to petition local governments in its service areas for financial support and has continued to seek funding from state and federal sources when available.

Capital Assets and Debt Administration

Capital Assets: The Authority's investment in capital assets was \$2,810,871 as of September 30, 2019. This represents a 11.3% decrease in the Authority's capital asset balance of \$3,130,804. These investments in capital assets include buildings, vehicles and equipment.

During fiscal year 2019, with approved FTA and SCDOT grant funding, the Authority purchased capital assets in the amount of \$230,725.

Additional information on the Authority's capital assets can be found in the Notes to the financial statements.

Debt Administration: The Authority's outstanding short-term note payable decreased from \$355,000 at September 30, 2018 to \$217,500 as of September 30, 2019. Additionally, the Authority's obligation to the Federal Transit Authority decreased by \$142,417 in 2019. Finally, the Authority's obligation to the South Carolina Department of Transportation increased by \$166,700 in 2019 with final maturity in the Authority's fiscal year 2021.

Single Audit

The Authority had projects which were audited for compliance as required by the 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* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These audits report on the Authority's compliance with laws, regulations, contracts and grants applicable to major federal programs through which the Authority received grant revenues. The auditor's report on compliance did not identify any material weaknesses.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Economic Factors and Next Year's Budget

The Waccamaw RTA Board of Directors approved the fiscal year 2019 budget at their meeting on August 29, 2018. The fiscal year 2019 adjusted operating & maintenance budget was \$5.9 million, which is 3.7% more than the \$5.7 million budget in fiscal year 2018. The fiscal year 2020 budget (Board approved in August 2019) is designed to keep costs as constant as possible while continuing to reduce the Authority's liabilities, most notably of which, is a short-term note at Conway National Bank. The note's principle was reduced in FY 19 from \$355,000 to \$217,500. The Board of Directors set a goal of paying the rest of the principle down during FY 20.

The revenues generated locally through the County Road Use Fee (\$6.50 per registered vehicle) are expected to increase by 2-4%. Most of this growth is occurring in Horry County. The growth will allow the Authority to accommodate inflationary costs and potentially add some level of service, especially if municipalities are willing and able to make additional financial contributions beyond their portion of the Road Use Fee (revenue generated from registered vehicles within the municipality).

The capital budget for FY 19 included the introduction of new scheduling software for our paratransit system, maintenance and fuel management software and a number of investments in rolling stock. Some of these investments, especially the vehicles, slid to FY 2020 due to manufacturer delays. Primary, capital outlays in 2020 will focus on the Facilities Development Program, where the Authority will perform planning, environmental clearance and preliminary architecture/engineering for a new O&M Facility and three (3) passenger facilities. The O&M facility is the priority.

FY 19 saw major improvement in the reliability of our fare collection equipment. Fare revenues for the year were still below budget for the year but revenues rebounded substantially over the last nine months of the fiscal year. This was directly attributable to a new preventive maintenance program that was initiated in January 2019. The Authority continues to monitor farebox reliability but needs a planning study to assess fare collection technology and our overall fare structure.

Requests for Information

This financial overview is designed to provide readers with a general overview of the Authority's finances, and to show accountability. If you have questions or would like further information about this financial report, you may contact the Authority's Chief Financial Officer, 1418 Third Avenue, Conway, SC 29526.

WACCAMAW REGIONAL TRANSPORTATION AUTHORITY

STATEMENT OF NET POSITION SEPTEMBER 30, 2019

ASSETS

Current assets

Cash and cash equivalents	\$	158,868
Receivables:		
Ridership		17,006
Intergovernmental		788,911
Prepaid expenses		76,509
Inventory		183,952
Total current assets		1,225,246

Noncurrent assets

Capital assets:		
Capital assets - nondepreciable		215,823
Capital assets - depreciable, net		2,595,048
Total noncurrent assets		2,810,871
Total assets		4,036,117

DEFERRED OUTFLOWS OF RESOURCES

Pension:		
South Carolina Retirement System		528,089
South Carolina Police Officers Retirement System		377
Total deferred outflows of resources		528,466

LIABILITIES

Current liabilities

Accounts payable		125,558
Accrued payroll and withholdings		210,156
Accrued compensated absences, due within one year		108,331
Due to South Carolina Department of Transportation, due within one year		217,166
Note payable, due within one year		217,500
Total current liabilities		878,711

Noncurrent liabilities

Accrued compensated absences, net of current portion		10,376
Due to South Carolina Department of Transportation, net of current portion		126,668
Due to Federal Transit Administration		196,098
Net pension liability:		
South Carolina Retirement System		5,682,686
Total non-current liabilities		6,015,828
Total liabilities		6,894,539

DEFERRED INFLOWS OF RESOURCES

Pension:		
South Carolina Retirement System		75,287
South Carolina Police Officers Retirement System		10,443
Total deferred inflows of resources		85,730

NET POSITION (DEFICIT)

Net investment in capital assets		2,593,371
Restricted for transit operations		60,000
Unrestricted		(5,069,057)
Total net position (deficit)		\$ (2,415,686)

The accompanying notes are an integral part of these financial statements.

WACCAMAW REGIONAL TRANSPORTATION AUTHORITY

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019

Operating revenues	
Cash fares	\$ 462,458
Advertising	40,020
Total operating revenues	<u>502,478</u>
Operating expenses	
Salaries and wages	2,624,987
Fringe benefits	2,034,165
Fuel, materials, and supplies	899,428
Insurance	146,760
Professional fees	55,542
Utilities and telephone	90,646
Advertising	64,559
Printing and supplies	64,698
Travel and training	59,643
Repairs and maintenance	218,291
Non-capital equipment	166,147
Other operating expenses	44,261
Depreciation expense	529,562
Total operating expenses	<u>6,998,689</u>
Operating loss	<u>(6,496,211)</u>
Non-operating revenues (expenses)	
Intergovernmental revenues - local assistance	2,653,718
Intergovernmental revenues - state assistance	332,291
Intergovernmental revenues - federal assistance	2,292,418
Gain on disposal of assets	187,076
Other non-operating revenues	3,595
Interest income	29
Interest expense	(18,448)
Total non-operating revenues, net	<u>5,450,679</u>
Capital contributions	
Capital contributions - local appropriations	32,322
Capital contributions - state grants	47,293
Capital contributions - federal grants	298,534
Total capital contributions	<u>378,149</u>
Change in net position	(667,383)
Net position, beginning of year	<u>(1,748,303)</u>
Net position, end of year	<u>\$ (2,415,686)</u>

The accompanying notes are an integral part of these financial statements.

WACCAMAW REGIONAL TRANSPORTATION AUTHORITY

STATEMENT OF CASH FLOWS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019

Cash Flows from Operating Activities	
Receipts from customers and users	\$ 500,901
Payments to suppliers	(1,899,440)
Payments to employees	(4,077,817)
Net cash used in operating activities	<u>(5,476,356)</u>
Cash Flows from Non-Capital Financing Activities	
Intergovernmental receipts	5,350,651
Other non-operating receipts	3,595
Net cash provided by non-capital financing activities	<u>5,354,246</u>
Cash Flows from Capital and Related Financing Activities	
Acquisition or construction of capital assets	(230,725)
Proceeds from the sale of capital assets	208,172
Capital grants	378,149
Principal paid on notes payable	(137,500)
Interest paid on notes payable	(18,448)
Net cash provided by capital and related financing activities	<u>199,648</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received	29
Net cash provided by investing activities	<u>29</u>
Increase in cash and cash equivalents	77,567
Cash and cash equivalents:	
Beginning of year	<u>81,301</u>
End of year	<u>\$ 158,868</u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (6,496,211)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation expense	529,562
(Increase) decrease in:	
Receivables:	
Ridership	(1,577)
Prepaid expenses	45,586
Inventory	(19,587)
Deferred outflows of resources - pension	472,158
Increase (decrease) in:	
Accounts payable	(115,464)
Accrued payroll and withholdings	29,873
Accrued compensated absences	11,589
Deferred inflows of resources - pension	10,150
Net pension liability	57,565
Net cash used in operating activities	<u>\$ (5,476,356)</u>

The accompanying notes are an integral part of these financial statements.

WACCAMAW REGIONAL TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Waccamaw Regional Transportation Authority (the "Authority"), is a public entity created in 2003 under Section 58-25 of the South Carolina Code of Laws, Regional Transit Authority Enabling Act. The governing body of the Authority consists of an eleven-member board of directors. It provides substantially all the public and human service transportation services along the Grand Strand in Georgetown and Horry counties of South Carolina. The Authority has separate legal standing from all other units of government and is fiscally independent of all other units of local government. The Authority's Board of Directors has the sole authority to determine financial programs, establish fare, and issue bonded debt.

Fund Accounting

The Authority uses one fund to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions and activities.

A fund is a separate accounting entity with a self-balancing set of accounts. The fund presented in this report is a Proprietary Fund Type - Enterprise Fund. Enterprise Funds are used to account for those operations that are financed and operated in a manner similar to private business or where the Board has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability.

Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Proprietary funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. With this measurement focus, all assets and liabilities associated with the operation of these funds are included in the Statement of Net Position. Net position is segregated into net investment in capital assets and restricted and unrestricted net position components. Proprietary fund operating statements present increases (revenues) and decreases (expenses) in total net position. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation

In accounting and reporting for its proprietary operations, the Authority applies all Governmental Accounting Standards Board (GASB) pronouncements. The Authority's financial statements include the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*; GASB Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus*; and, Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*. The financial statements include a Management's Discussion and Analysis (MD&A) section providing an analysis of the Authority's overall financial position and results of operations.

Management Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

Deposits and Investments

Cash includes amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the Authority.

For purposes of the Statement of Cash Flows, the Authority considers all highly liquid investments (including restricted assets) with an original maturity date of three months or less and customer deposits to be cash equivalents.

Investments are stated at fair value. Increases or decreases in the fair value during the year are recognized as a component of interest income.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Prepaid Expenses

Payments made to vendors for services that will benefit periods beyond September 30, 2019, are recorded as prepaid expenses.

Inventory

Inventories consist primarily of replacement parts for transit equipment and fuel. Amounts 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.

Accounts Receivable

Accounts receivable consist mainly of receivables from ridership and grants receivable from other governments. Management considers all accounts receivable to be fully collectible as of September 30, 2019.

Restricted Assets

The Authority's policy is to first apply restricted resources when an expense is incurred for which both restricted and unrestricted net position are available.

Capital Assets

Capital assets are carried at cost. Donated capital assets are recorded at their acquisition value. Capital assets are capitalized if (1) have a useful life of more than one year and a unit cost of more than \$5,000, (2) have a unit cost of \$5,000 or less, but which is part of a larger asset setup, or (3) have a unit cost of \$500 or more and were purchased with grant money. These assets are depreciated over the estimated useful life using the straight-line method as follows:

<u>Assets</u>	<u>Years</u>
Buildings	10 - 30
Vehicles	5 - 12
Fare boxes	3 - 5
Communications equipment	3 - 5
Maintenance equipment	3 - 5
Furniture and fixtures	3 - 5

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets (Continued)

Maintenance and repairs of capital assets are charged to operations and major improvements are capitalized. Upon retirement, sale or other disposition of capital assets, the cost and accumulated depreciation are eliminated from the accounts, and a gain or loss is recognized. Sales of assets acquired with federal funds may require the Authority to repay the funding source a percentage of the proceeds received if the asset sold has a fair market value of \$5,000 or more, if sold asset is a vehicle carrying 14 passengers and smaller with less than 150,000 miles, a vehicle carrying 27 - 28 passengers with less than 250,000 miles, or a vehicle carrying 31 - 41 passengers with less than 500,000 miles. Vehicles purchased with federal funds have no liens and the Authority holds the titles for these vehicles.

Compensated Absences

It is the Authority's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Employees of the Authority may carry over a maximum of two weeks of vacation to the next year, which may be taken either as time off or as pay upon termination. There is no liability for nonvesting accumulated rights to receive sick pay benefits. All vacation pay is accrued when incurred in the financial statements.

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position reports a separate section for *deferred outflows of resources*. This separate financial statement element represents a consumption of net position that applies to future period(s) and so will not be recognized as an outflow of resources (expense) until then. Five (5) items relating to the Authority's Retirement Plans qualify for reporting in this category and are combined in the Statement of Net Position under the heading "Pension". The first item, experience losses, results from periodic studies by the actuary of the Retirement Plan, which adjust the net pension liability for actual experience for certain trend information that was previously assumed, for example the assumed dates of retirement of plan members. These experience losses are recorded as deferred outflows of resources and are amortized into pension expense over the expected remaining service lives of the plan members. The second item, differences between projected investment return on pension investments and actual return on those investments, is deferred and amortized against pension expense over a five-year period, resulting in recognition as a deferred outflow of resources. The third item results from changes in the proportionate share and differences between employer contributions and the proportionate share of total plan employer contributions. These changes are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in future years. The fourth item, changes in the actuarial assumptions, adjust the net pension liabilities are amortized into pension expense over the expected remaining service lives of plan members.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Outflows/Inflows of Resources (Continued)

Additionally, any contributions made by the Authority to the pension plan before year-end but subsequent to the measurement date of the Authority's net pension liability are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability during the year ended September 30, 2020.

In addition to liabilities, the Statement of Net Position reports a separate section for *deferred inflows of resources*. This separate financial statement element represents an acquisition of net position that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Two items relating to the Authority's Retirement Plans qualify for reporting in this category and are combined in the Statement of Net Position under the heading "Pension". The first item, experience gains relating to the Authority's Retirement Plan qualified for reporting in this category. Experience gains result from periodic studies by the actuary of the Retirement Plan, which adjust the net pension liability for actual experience for certain trend information that was previously assumed. These gains are recorded as deferred inflows of resources and are amortized into pension expense over the expected remaining lives of the plan members. The second item results from changes in the proportionate share and differences between employer contributions and the proportionate share of total plan employer contributions.

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.

Long-term Obligations

Long-term debt and obligations financed by the Authority are reported as liabilities in the Statement of Net Position. Additionally, the Authority 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 or retirement of the applicable capital assets, such amounts are subject to being refunded or applied against future grant awards.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position Classification

Net position is classified and displayed in three components within the Statement of Net Position. These three classifications are as follows:

- a) Net investment in capital assets consists of capital assets including restricted 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 improvements of those assets.
- b) Restricted net position consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c) Unrestricted net position consists of all other net position that does not meet the definition of “restricted” or “investment in capital assets”.

Capital Contributions

Capital contributions consist of capital grants or contributions typically from other governments.

Operating and Non-Operating Revenues and Expenses

Operating revenues and expenses in the financial statements are those that result from providing services and producing and delivering goods and/or services. Also included are all revenues and expenses not related to capital and related financing, non-capital financing, or investing activities. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Budget and Budgetary Basis of Accounting

The Authority is required under Section 58-25 of the Code of Laws of South Carolina to prepare an annual budget prior to the commencement of each fiscal year. The budget is prepared on a basis consistent with U. S. generally accepted accounting principles, except for the exclusion of certain income and expenses. For 2019, these excluded amounts include provision for depreciation.

The initial budget is prepared using the actual results from the prior year, except when there are known increases or decreases in line items. The Board will review the budget, when grant requests are finalized and approve amendments to the budget. Management does not have any requirements to prevent overages in individual line items of the budget as long as the overall expenditures stay below the budgeted net change.

NOTES TO FINANCIAL STATEMENTS

NOTE 2. DEPOSITS

At September 30, 2019, the Authority had cash on hand of \$300 and deposits with financial institutions of \$158,568 which are classified in the Statement of Net Position as "Cash and Cash Equivalents".

Custodial Credit Risk – Deposits. Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. State statutes require all deposits and investments (other than federal or state government instruments) to be collateralized by depository insurance, obligations of the U.S. government, or bonds of public authorities, counties, or municipalities. As of September 30, 2019, all the Authority's funds were covered under federal deposit as required by South Carolina state statutes and as defined by GASB pronouncements.

NOTE 3. RECEIVABLES

Intergovernmental receivables consisted of the following at September 30, 2019:

Intergovernmental receivables:	
Federal	\$ 125,262
State	48,602
Local and other	<u>615,047</u>
Total intergovernmental receivables	<u><u>\$ 788,911</u></u>

NOTES TO FINANCIAL STATEMENTS

NOTE 4. CAPITAL ASSETS

Capital assets activity for the year ended September 30, 2019, is as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Capital assets, not being depreciated:					
Land	\$ 140,000	\$ -	\$ -	\$ -	\$ 140,000
Construction in progress	-	103,410	-	(27,587)	75,823
Total	<u>140,000</u>	<u>103,410</u>	<u>-</u>	<u>(27,587)</u>	<u>215,823</u>
Capital assets, being depreciated:					
Buildings	1,629,479	-	-	-	1,629,479
Vehicles	3,791,022	-	(64,228)	-	3,726,794
Fare boxes	752,770	-	-	-	752,770
Communications equipment	155,865	-	-	-	155,865
Maintenance equipment	141,283	67,390	(7,800)	-	200,873
Furniture and fixtures	302,142	59,925	(44,661)	27,587	344,993
Total	<u>6,772,561</u>	<u>127,315</u>	<u>(116,689)</u>	<u>27,587</u>	<u>6,810,774</u>
Less accumulated depreciation for:					
Buildings	(1,081,226)	(89,611)	-	-	(1,170,837)
Vehicles	(1,647,117)	(305,054)	45,701	-	(1,906,470)
Fare boxes	(556,394)	(75,277)	-	-	(631,671)
Communications equipment	(155,865)	(15,768)	-	-	(171,633)
Maintenance equipment	(125,598)	(14,587)	7,800	-	(132,385)
Furniture and fixtures	(215,557)	(29,265)	42,092	-	(202,730)
Total	<u>(3,781,757)</u>	<u>(529,562)</u>	<u>95,593</u>	<u>-</u>	<u>(4,215,726)</u>
Total capital assets, being depreciated, net	<u>2,990,804</u>	<u>(402,247)</u>	<u>(21,096)</u>	<u>27,587</u>	<u>2,595,048</u>
Total capital assets, net	<u>\$ 3,130,804</u>	<u>\$ (298,837)</u>	<u>\$ (21,096)</u>	<u>\$ -</u>	<u>\$ 2,810,871</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 5. LONG-TERM LIABILITIES

The following is a summary of long-term liability activity for the Authority for the fiscal year ended September 30, 2019:

	Balance September 30, 2018	Additions	Reductions	Balance September 30, 2019	Due Within One Year
Compensated absences	\$ 107,118	\$ 112,784	\$ (101,195)	\$ 118,707	\$ 108,331
Due to South Carolina					
Department of Transportation	177,134	410,000	(243,300)	343,834	217,166
Due to Federal Transit					
Administration	338,515	-	(142,417)	196,098	-
Net pension liability - SCRS	5,624,281	924,698	(866,293)	5,682,686	-
Net pension liability - PORS	840	8,352	(9,192)	-	-
	<u>\$ 6,247,888</u>	<u>\$ 1,455,834</u>	<u>\$ (1,362,397)</u>	<u>\$ 6,341,325</u>	<u>\$ 325,497</u>

Due to South Carolina Department of Transportation

As a result of various audits by the South Carolina Department of Transportation (SCDOT), the Authority 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 along with advance payments to be deferred in future years have resulted in the reduction of future SMTF grants, totaling \$343,834 at September 30, 2019, for the following events.

On September 30, 2009, the Authority and the SCDOT entered into an agreement whereby the Authority 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 final payment was made in fiscal year 2019.

By letter dated December 31, 2014, the Authority 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 Authority 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, 2019, is \$75,500.

NOTES TO FINANCIAL STATEMENTS

NOTE 5. LONG-TERM LIABILITIES (CONTINUED)

Due to South Carolina Department of Transportation (Continued)

On January 25 2018, the Authority received advanced funding from the SCDOT in the amount of \$125,000. The funds are associated with the Rural Area Program Section 5311 grants that were deferred to the fiscal year 2019 contract period. As a result, the Authority and the SCDOT entered into an agreement whereby the recoverable amount is to be amortized annually over a three (3) year period against future federal and SMTF grants of \$41,666 per year. The balance outstanding as of September 30, 2019, is \$83,334.

On June 14, 2018, the Authority received advanced funding from the SCDOT in the amount of \$285,000. The funds are associated with the Rural Area Program Section 5311 grants that were deferred to the fiscal year 2019 contract period. As a result, the Authority and the SCDOT entered into an agreement whereby the recoverable amount is to be amortized annually over a three (3) year period against future federal grants of \$100,000 per year with a year three payment of \$85,000. The balance outstanding as of September 30, 2019, is \$185,000.

The remaining amortization of SCDOT grant reimbursements at September 30, 2019, follows:

Fiscal Year Ending September 30,	2018 SMTF Costs	2014 Bus Shelter Costs	Totals
2020	\$ 141,666	\$ 75,500	\$ 217,166
2021	126,668	-	126,668
Total	\$ 268,334	\$ 75,500	\$ 343,834

Due to Federal Transit Administration

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, 2019 as "Due to Federal Transit Administration" on the Statement of Net Position. The total due to the U.S. Department of Federal Transit Administration (FTA) for the federal interest in vehicles and equipment equals \$196,098 at September 30, 2019, and consists 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 Authority 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.

NOTES TO FINANCIAL STATEMENTS

NOTE 5. LONG-TERM LIABILITIES (CONTINUED)

Due to Federal Transit Administration (Continued)

In June 2015, the Authority disposed of a 2002 Opus bus (#811) with a remaining federal interest of \$88,942. Subsequent to the sale, the Authority 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 Authority 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 seven (7) year estimated useful life established for each bus. During the fiscal year ended September 30, 2018, the Authority recognized impairment losses for the remaining adjusted total net book value totaling \$213,637 for both buses. In fiscal year 2019, the buses were sold and the impairment losses were written off. The remaining federal interest in both buses is \$71,220 and is payable to the FTA.

Additionally, the Authority 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 Authority intends to use these funds in future period(s) to acquire similar assets, or has received permission to carryover the disposed-asset's federal interest against future federal award(s) to effectively reduce future grant funds by this amount.

Finally, the Authority disposed of an engine during fiscal year 2017 with a net book value of \$10,296. The federal interest in the engine was valued at \$8,237 or 80% of the net book value of the asset at the date of disposal. The Authority intends to use these funds in future period(s) to acquire similar assets, or has received permission to carryover the disposed-asset's federal interest against future federal award(s) to effectively reduce future grant funds by this amount.

NOTE 6. SHORT-TERM LIABILITIES

In fiscal year 2018, the Authority entered into a line of credit agreement with a local financial institution in order to sustain the necessary cash flows resulting from its operations in anticipation of grant award reimbursements. At September 30, 2019, the Authority had one outstanding loan associated with its line of credit agreement with a total balance of \$217,500. The outstanding balance is due in December 2019 and is payable monthly starting in December 2018. Interest is charged at a rate of 6% which is payable monthly. The following is a summary of short-term debt activity for the Authority for the fiscal year ended September 30, 2019:

	Balance			Balance		Due Within
	September 30, 2018	Additions	Reductions	September 30, 2019	One Year	
Note payable	\$ 355,000	\$ -	\$ (137,500)	\$ 217,500	\$	217,500

NOTES TO FINANCIAL STATEMENTS

NOTE 7. RETIREMENT SYSTEM (CONTINUED)

Overview

The South Carolina Public Employee Benefit Authority (PEBA), created July 1, 2012, is the state agency responsible for the administration and management of the various Retirement Systems and retirement programs of the state of South Carolina, including the State Optional Retirement Program and the S.C. Deferred Compensation Program, as well as the state's employee insurance programs. As such, PEBA is responsible for administering the South Carolina Retirement Systems' five defined benefit pension plans. PEBA has an 11-member Board of Directors, appointed by the Governor and General Assembly leadership, which serves as custodian, co-trustee and co-fiduciary of the Systems and the assets of the retirement trust funds. The Retirement System Investment Commission (Commission as the governing body, RSIC as the agency), created by the General Assembly in 2005, has exclusive authority to invest and manage the retirement trust funds' assets. The Commission, an eight-member board, serves as co-trustee and co-fiduciary for the assets of the retirement trust funds. By law, the State Fiscal Accountability Authority (SFAA), which consists of five elected officials, also reviews certain PEBA Board decisions regarding the actuary of the Systems. For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Systems and additions to/deductions from the Systems fiduciary net position have been determined on the accrual basis of accounting as they are reported by the Systems in accordance with generally accepted accounting principles (GAAP). For this purpose, revenues are recognized when earned and expenses are recognized when incurred. Benefit and refund expenses are recognized when due and payable in accordance with the terms of the plan. Investments are reported at fair value.

PEBA issues a Comprehensive Annual Financial Report (CAFR) containing financial statements and required supplementary information for the Systems' Pension Trust Funds. The CAFR is publicly available through the Retirement Benefits' link on PEBA's website at www.peba.sc.gov, or a copy may be obtained by submitting a request to PEBA, 202 Arbor Lake Drive, Columbia, SC 29223. PEBA is considered a division of the primary government of the state of South Carolina and therefore, retirement trust fund financial information is also included in the comprehensive annual financial report of the state.

Plan Description

The Authority contributes to the South Carolina Retirement System (SCRS), a cost-sharing multiple-employer defined benefit pension plan, was established July 1, 1945, pursuant to the provisions of Section 9-1-20 of the South Carolina Code of Laws for the purpose of providing retirement and other benefits for teachers and employees of the state and its political subdivisions. SCRS covers employees of state agencies, public school districts, higher education institutions, other participating local subdivisions of government and individuals newly elected to the South Carolina General Assembly at or after the 2012 general election.

NOTES TO FINANCIAL STATEMENTS

NOTE 7. RETIREMENT SYSTEM (CONTINUED)

Plan Description (Continued)

In addition to the SCRS pension plan, the Authority also contributes to the South Carolina Police Officers Retirement System (PORS), a cost-sharing multiple-employer defined benefit pension plan, was established July 1, 1962, pursuant to the provisions of Section 9-11-20 of the South Carolina Code of Laws for the purpose of providing retirement and other benefits to police officers and firefighters. PORS also covers peace officers, coroners, probate judges and magistrates.

Membership

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

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

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

Benefits

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

NOTES TO FINANCIAL STATEMENTS

NOTE 7. RETIREMENT SYSTEM (CONTINUED)

Benefits (Continued)

South Carolina Retirement System – A Class Two member who has separated from service with at least five or more years of earned service is eligible for a monthly pension at age 65 or with 28 years credited service regardless of age. A member may elect early retirement with reduced pension benefits payable at age 55 with 25 years of service credit. A Class Three member who has separated from service with at least eight or more years of earned service is eligible for a monthly pension upon satisfying the Rule of 90 requirement that the total of the member's age and the member's creditable service equals at least 90 years. Both Class Two and Class Three members are eligible to receive a reduced deferred annuity at age 60 if they satisfy the five- or eight-year earned service requirement, respectively. An incidental death benefit is also available to beneficiaries of active and retired members of employers who participate in the death benefit program.

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

South Carolina Police Officers Retirement System – A Class Two member who has separated from service with at least five or more years of earned service is eligible for a monthly pension at age 55 or with 25 years of service regardless of age. A Class Three member who has separated from service with at least eight or more years of earned service is eligible for a monthly pension at age 55 or with 27 years of service regardless of age. Both Class Two and Class Three members are eligible to receive a deferred annuity at age 55 with five or eight years of earned service, respectively. An incidental death benefit is also available to beneficiaries of active and retired members of employers who participate in the death benefit program. Accidental death benefits are also provided upon the death of an active member working for a covered employer whose death was a natural and proximate result of an injury incurred while in the performance of duty. The retirement allowance of eligible retirees or their surviving annuitants is increased by the lesser of one percent or five hundred dollars every July 1. Only those annuitants in receipt of a benefit on July 1 of the preceding year are eligible to receive the increase.

NOTES TO FINANCIAL STATEMENTS

NOTE 7. RETIREMENT SYSTEM (CONTINUED)

Contributions

Actuarial valuations are performed annually by an external consulting actuary to ensure applicable contribution rates satisfy the funding parameters specified in Title 9 of the South Carolina Code of Laws. Under these provisions, SCRS and PORS contribution requirements must be sufficient to maintain an amortization period for the financing of the unfunded actuarial accrued liability (UAAL) over a period that does not exceed the number of years scheduled in state statute. Legislation in 2017 increased, but also established a ceiling for SCRS and PORS employee contribution rates. Effective July 1, 2017, employee rates were increased to a capped rate of 9.00 percent for SCRS and 9.75 percent for PORS. The legislation also increased employer contribution rates beginning July 1, 2017, for both SCRS and PORS by two percentage points and further scheduled employer contribution rates to increase by a minimum of one percentage point each year through July 1, 2022. If the scheduled contributions are not sufficient to meet the funding periods set in state statute, the board shall increase the employer contribution rates as necessary to meet the funding periods set for the applicable year. The maximum funding period of SCRS and PORS is scheduled to be reduced over a ten-year schedule from 30 years beginning fiscal year 2018 to 20 years by fiscal year 2028

Additionally, the Board is prohibited from decreasing the SCRS and PORS contribution rates until the funded ratio is at least 85 percent. If the most recent annual actuarial valuation of the Systems for funding purposes shows a ratio of the actuarial value of system assets to the actuarial accrued liability of the system (the funded ratio) that is equal to or greater than 85 percent, then the Board, effective on the following July first, may decrease the then current contribution rates upon making a finding that the decrease will not result in a funded ratio of less than 85 percent. If contribution rates are decreased pursuant to this provision, and the most recent annual actuarial valuation of the system shows a funded ratio of less than 85 percent, then effective on the following July first, and annually thereafter as necessary, the board shall increase the then current contribution rates until a subsequent annual actuarial valuation of the system shows a funded ratio that is equal to or greater than 85 percent. For the year ended September 30, 2019, the Authority contributed \$375,726 to the SCRS plan.

Required employee contribution rates for the year ended September 30, 2019, are as follows:

South Carolina Retirement System

Employee class two	9.00% of earnable compensation
Employee class three	9.00% of earnable compensation

South Carolina Police Officers Retirement System

Employee class two	9.75% of earnable compensation
Employee class three	9.75% of earnable compensation

NOTES TO FINANCIAL STATEMENTS

NOTE 7. RETIREMENT SYSTEM (CONTINUED)

Contributions (Continued)

Required employer contribution rates for the fiscal year ended September 30, 2019, are as follows:

South Carolina Retirement System

14.41% of earnable compensation from October 1st through June 30th.

15.41% of earnable compensation from July 1st through September 30th.

Employer incidental death benefit: 0.15% of earnable compensation

South Carolina Police Officers Retirement System

16.84% of earnable compensation from October 1st through June 30th.

17.84% of earnable compensation from July 1st through September 30th.

Employer incidental death benefit: 0.20% of earnable compensation

Employer accidental death program: 0.20% of earnable compensation

Net Pension Liability

The June 30, 2019, total pension liability (TPL), net pension liability (NPL), and sensitivity information shown in this report were determined by Gabriel, Roeder, Smith and Company (GRS) and are based on an actuarial valuation performed as of July 1, 2018. The total pension liability was rolled-forward from the valuation date to the plans' fiscal year end, June 30, 2019, using generally accepted actuarial principles.

The net pension liability is calculated separately for each system and represents that particular system's total pension liability determined in accordance with GASB No. 67, less that system's fiduciary net position. As of September 30, 2019 (measurement date of June 30, 2019), the net pension liability amounts for the Authority's proportionate share of the collective net pension liabilities associated with the SCRS and PORS plans are as follows

System	Total Pension Liability	Plan Fiduciary Net Position	Employers' Net Pension Liability	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	Authority's Proportionate Share of the Collective Net Pension Liability
SCRS	\$ 12,461,683	\$ 6,778,997	\$ 5,682,686	54.4%	0.024887%

NOTES TO FINANCIAL STATEMENTS

NOTE 7. RETIREMENT SYSTEM (CONTINUED)

Actuarial Assumptions and Methods

Actuarial valuations of the plan involve estimates of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and future salary increases. Amounts determined regarding the net pension liability are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. South Carolina state statute requires that an actuarial experience study be completed at least once in each five-year period. An experience report on the Systems was most recently issued for the period ending June 30, 2015.

The following table provides a summary of the actuarial assumptions and methods used to calculate the TPL as of June 30, 2019.

	SCRS	PORS
Actuarial cost method	Entry Age	Entry Age
Actuarial assumptions:		
Investment rate of return	7.25%	7.25%
Projected salary increases	3.0% to 12.5% (varies by service)	3.5% to 9.5% (varies by service)
Includes inflation at	2.25%	2.25%
Benefit adjustments	lesser of 1% or \$500 annually	lesser of 1% or \$500 annually

The post-retiree mortality assumption is dependent upon the member's job category and gender. The base mortality assumption, the 2016 Public Retirees of South Carolina Mortality table (2016 PRSC), was developed using the Systems' mortality experience. These base rates are adjusted for future improvement in mortality using published Scale AA projected from the year 2016.

Assumptions used in the determination of the June 30, 2019 TPL are as follows.

Former Job Class	Males	Females
General Employees and Members of the General Assembly	2016 PRSC Males multiplied by 100%	2016 PRSC Females multiplied by 111%
Public Safety and Firefighters	2016 PRSC Males multiplied by 125%	2016 PRSC Females multiplied by 111%

NOTES TO FINANCIAL STATEMENTS

NOTE 7. RETIREMENT SYSTEM (CONTINUED)

Long-term Expected Rate of Return

The long-term expected rate of return on pension plan investments for actuarial purposes is based upon the 20-year capital market assumptions. The actuarial long-term expected rates of return represent assumptions developed using an arithmetic building block approach primarily based on consensus expectations and market based inputs. Expected returns are net of investment fees.

The expected real rates of investment return, along with the expected inflation rate, form the basis for the target asset allocation adopted at the beginning of the 2019 fiscal year of the Systems. 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 7.25% assumed annual investment rate of return used in the calculation of the total pension liability includes a 5% real rate of return and a 2.25% inflation component.

NOTES TO FINANCIAL STATEMENTS

NOTE 7. RETIREMENT SYSTEM (CONTINUED)

Long-term Expected Rate of Return (Continued)

Asset Class	Target Asset Allocation	Expected Arithmetic Real Rate of Return	Long-Term Expected Portfolio Real Rate of Return
Global Equity	51.0%		
Global public equity	35.0%	7.29%	2.55%
Private equity	9.0%	7.67%	0.69%
Equity options securities	7.0%	5.23%	0.37%
Real assets	12.0%		
Real estate (private)	8.0%	5.59%	0.45%
Real estate (REITs)	1.0%	8.16%	0.08%
Infrastructure (private)	2.0%	5.03%	0.10%
Infrastructure (public)	1.0%	6.12%	0.06%
Opportunistic	8.0%		
Global tactical asset allocation	7.0%	3.09%	0.22%
Other opportunistic strategies	1.0%	3.82%	0.04%
Credit	15.0%		
High yield bonds/bank loans	4.0%	3.14%	0.13%
Emerging markets debt	4.0%	3.31%	0.13%
Private debt	7.0%	5.49%	0.38%
Rate sensitive	14.0%		
Core fixed income	13.0%	1.62%	0.21%
Cash and short duration (net)	1.0%	0.31%	0.00%
	100%		
		Total expected real return	5.41%
		Inflation for actuarial purposes	2.25%
		Total expected nominal return	7.66%

NOTES TO FINANCIAL STATEMENTS

NOTE 7. RETIREMENT SYSTEM (CONTINUED)

Discount Rate

The discount rate used to measure the TPL was 7.25 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers in SCRS and PORS will be made based on the actuarially determined rates based on provisions in the South Carolina Code of Laws. Based on those assumptions, the System's fiduciary net position was projected to be available to make all the 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 TPL.

Sensitivity Analysis

The following table presents the proportionate share of the Authority's NPL calculated using the discount rate of 7.25 percent, as well as what the employers' NPL would be if it were calculated using a discount rate that is 1.00 percent lower (6.25 percent) or 1.00 percent higher (8.25 percent) than the current rate.

	Sensitivity of the Net Position Liability to Changes in the Discount Rate		
	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Authority's portion - SCRS	\$ 7,159,055	\$ 5,682,686	\$ 4,450,658

Pension Expense

For the year ended September 30, 2019, the Authority recognized its proportionate share of collective pension expense of \$648,521 and recognition of deferred amounts from changes in proportionate share and differences between employer contributions and the proportionate share of total plan employer contributions of \$276,175 for a total of \$924,696 for the SCRS plan. Additionally, for the year ended September 30, 2019, the Authority recognized its proportionate share of collective pension expense of \$0 and recognition of deferred amounts from changes in proportionate share and differences between employer contributions and the proportionate share of total plan employer contributions of (\$9,094) for a total of (\$9,094) for the PORS plan.

NOTES TO FINANCIAL STATEMENTS

NOTE 7. RETIREMENT SYSTEM (CONTINUED)

Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At September 30, 2019, the Authority reported deferred outflows of resources and deferred inflows of resources related to the SCRS and PORS pension plans, respectively, from the following sources:

SCRS	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u> </u>	<u> </u>
Differences between expected and actual experience	\$ 3,906	\$ 40,823
Changes of assumptions	114,514	-
Net difference between projected and actual earnings on pension plan investments	50,310	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	266,868	34,464
Employer contributions subsequent to the measurement date	<u>92,491</u>	<u>-</u>
Total	<u>\$ 528,089</u>	<u>\$ 75,287</u>
PORS	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u> </u>	<u> </u>
Changes in proportion and differences between employer contributions and proportionate share of contributions	<u>\$ 377</u>	<u>\$ 10,443</u>
Total	<u>\$ 377</u>	<u>\$ 10,443</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 7. RETIREMENT SYSTEM (CONTINUED)

Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

Authority contributions subsequent to the measurement date of \$92,491 for the SCRS plan are deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ended September 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended September 30:	SCRS	PORS
2020	\$ 320,899	\$ (8,525)
2021	21,748	(1,382)
2022	(1,348)	(120)
2023	19,012	(39)

Additional Financial and Actuarial Information

Detailed information regarding the fiduciary net position of the plans administered by PEBA is available in the Systems' audited financial statements for the fiscal year ended June 30, 2019 (including the unmodified audit opinion on the financial statements). Additional actuarial information is available in the account and financial reporting actuarial valuation as of June 30, 2019.

NOTE 8. COMMITMENTS AND CONTINGENCIES

Grant income from local governments and state and federal grantor agencies for the year ended September 30, 2019, totaled \$2,653,718, \$332,291 and \$2,292,418, respectively. These amounts constitute a significant portion of the change in net position and are expected to recur in an unpredictable pattern directly related to successful grant awards.

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the Federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the government expects such amounts, if any, to be immaterial.

NOTES TO FINANCIAL STATEMENTS

NOTE 8. COMMITMENTS AND CONTINGENCIES (CONTINUED)

A \$60,000 advance was received from the South Carolina Department of Transportation when the Authority was initially formed under an agreement, to be used as a revolving fund for financial assistance. This advance can be used in operations, if assets are restricted equal to funds spent from the revolving fund account. At September 30, 2019, the Authority has recognized restricted net position in an amount equal to the initial advance.

At September 30, 2019, the Authority had outstanding construction commitments totaling approximately \$155,968.

NOTE 9. RISK MANAGEMENT

The Authority is exposed to various risks of loss related to: torts; thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority is a participant in the South Carolina Insurance Reserve Fund, which is a cooperative group of governmental entities joining together to finance insurance exposure, liability, and risk. The Authority's risks covered within this pool are property (both building and personal), data processing equipment, business interruption, builder's risk, inland marine, torts, and automobile.

The South Carolina Insurance Reserve Fund does not cover risks associated with a whistle-blower action, breaches of contract, debt guarantee of others, property tax appeals, automobile/aircraft/watercraft in excess of 26 feet in length, liability from pre-arranged speed contest, pollution liability (except sudden and accidental), war, workers' compensation, bodily injury to fellow employees, and professional liability of medical practitioners and architects.

Expenses for coverage through the South Carolina Insurance Reserve Fund for the year ended September 30, 2019, totaled \$156,774.

For all covered risks, the transfer of risk culminates upon filing a claim. Consequently, for items not covered, the members separately purchase policies to bear the risk up to policy premiums. For the year ended September 30, 2019, there were no liabilities which exceeded the coverage available through the South Carolina Insurance Reserve Fund and separate purchased carriers.

NOTE 10. SUBSEQUENT EVENTS

On December 2, 2019, the Authority made a draw of \$189,332 from their existing line of credit agreement with a local financial institution in order to sustain the necessary cash flows resulting from its operations in anticipation of grant award reimbursements. The outstanding balance is due in December 2020 and interest is charged at a rate of 5.75% which is payable monthly.

REQUIRED SUPPLEMENTARY INFORMATION

WACCAMAW REGIONAL TRANSPORTATION AUTHORITY

REQUIRED SUPPLEMENTARY INFORMATION
Schedule of Authority's Proportionate Share of the Net Pension Liability
For the Fiscal Year Ended September 30, 2019

South Carolina Retirement System

Plan Year Ended June 30,	Authority's proportion of the net pension liability	Authority's proportionate share of the net pension liability	Authority's covered payroll	Authority's share of the net pension liability as a percentage of its covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2019	0.024887%	\$ 5,682,686	\$ 2,627,936	216.2%	54.4%
2018	0.025101%	\$ 5,624,281	\$ 2,601,137	216.2%	54.1%
2017	0.023589%	\$ 5,310,263	\$ 2,380,082	223.1%	53.3%
2016	0.018516%	\$ 3,511,649	\$ 2,099,336	167.3%	52.9%
2015	0.021456%	\$ 3,694,012	\$ 1,734,709	212.9%	57.0%

South Carolina Police Officers Retirement System

Plan Year Ended June 30,	Authority's proportion of the net pension liability	Authority's proportionate share of the net pension liability	Authority's covered payroll	Authority's share of the net pension liability as a percentage of its covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2019	0.00000%	\$ -	\$ -	-	62.7%
2018	0.00003%	\$ 840	\$ -	-	61.7%
2017	0.00000%	\$ -	\$ -	-	60.9%
2016	0.00251%	\$ 54,705	\$ 6,483	843.8%	60.5%
2015	0.01880%	\$ 34,441	\$ 31,143	110.6%	64.6%

Notes to the schedule:

The above schedules will present 10 years of information once it is accumulated.

WACCAMAW REGIONAL TRANSPORTATION AUTHORITY

**REQUIRED SUPPLEMENTARY INFORMATION
Schedule of Authority Contributions
For the Fiscal Year Ended September 30,**

South Carolina Retirement System

Fiscal Year Ended September 30,	Actuarially required contribution	Contributions in relation to the actuarially required contribution	Contribution deficiency (excess)	Authority's covered payroll	Contributions as a percentage of covered payroll
2019	\$ 375,726	\$ 375,726	\$ -	\$ 2,539,707	14.79%
2018	\$ 334,574	\$ 334,574	\$ -	\$ 2,575,693	12.99%
2017	\$ 307,402	\$ 307,402	\$ -	\$ 2,536,681	12.12%
2016	\$ 297,045	\$ 297,045	\$ -	\$ 2,660,827	11.16%
2015	\$ 138,777	\$ 138,777	\$ -	\$ 1,734,709	8.00%

South Carolina Police Officers Retirement System

Fiscal Year Ended September 30,	Actuarially required contribution	Contributions in relation to the actuarially required contribution	Contribution deficiency (excess)	Authority's covered payroll	Contributions as a percentage of covered payroll
2019	\$ -	\$ -	\$ -	\$ -	-
2018	\$ -	\$ -	\$ -	\$ -	-
2017	\$ -	\$ -	\$ -	\$ -	-
2016	\$ 891	\$ 891	\$ -	\$ 6,483	13.74%
2015	\$ 2,475	\$ 2,475	\$ -	\$ 31,143	7.95%

WACCAMAW REGIONAL TRANSPORTATION AUTHORITY

REQUIRED SUPPLEMENTARY INFORMATION Schedule of Authority Contributions

Notes to the schedule:

The above schedules will present 10 years of information once it is accumulated.

Actuarial assumptions used in determining the statutorily required contribution are as follows.

System	SCRS	PORS
Calculation date	July 1, 2017	July 1, 2017
Actuarial cost method	Entry Age Normal	Entry Age Normal
Asset valuation method	5-year Smoothed	5-year Smoothed
Amortization method	Level % of pay	Level % of pay
Amortization period	30 year maximum, closed period	30 year maximum, closed period
Investment return	7.25%	7.25%
Inflation	2.25%	2.25%
Salary increases	3.00% plus step-rate increases for members with less than 21 years of service	3.50% plus step-rate increases for members with less than 15 years of service
Mortality	The 2016 Public Retirees of South Carolina Mortality Tables for Males and Femals, both projected at Scale AA from the year 2016. Male rates multiplied by 100% for non-educators and 92% for educators. Female rated multiplied by 111% for non-educators and 98% for educators.	The 2016 Public Retirees of South Carolina Mortality Tables for Males and Females, both projected at Scale AA from the year 2016. Male rates are multiplied by 125% and female rates are multiplied by 111%
Comment on the development of the actuarially determined and actual contribution rate:	Contribution rate for fiscal year 2019 is determined in accordance with the Retirement System Funding and Administration Act of 2017.	Contribution rate for fiscal year 2019 is determined in accordance with the Retirement System Funding and Administration Act of 2017.

SUPPLEMENTARY INFORMATION

WACCAMAW REGIONAL TRANSPORTATION AUTHORITY

SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION BUDGET (NON-GAAP BASIS) AND ACTUAL FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019

	Actual	Final Budget	Variance with Budget
Revenues			
Cash fares	\$ 462,458	\$ 515,000	\$ (52,542)
Advertising	40,020	60,000	(19,980)
Intergovernmental revenues - local assistance	2,653,718	2,354,946	298,772
Intergovernmental revenues - state assistance	332,291	60,429	271,862
Intergovernmental revenues - federal assistance	2,292,418	2,314,949	(22,531)
Gain on disposal of assets	187,076	-	187,076
Other non-operating revenues	3,595	2,400	1,195
Interest income	29	-	29
Local appropriations	32,322	-	32,322
State capital grants	47,293	41,700	5,593
Federal capital grants	298,534	640,231	(341,697)
Total revenues	6,349,754	5,989,655	360,099
Operating expenses			
Salaries and wages	2,624,987	2,768,901	143,914
Fringe benefits	2,034,165	1,216,173	(817,992)
Fuel, materials, and supplies	899,428	909,800	10,372
Insurance	146,760	165,400	18,640
Professional fees	55,542	60,000	4,458
Utilities and telephone	90,646	78,800	(11,846)
Advertising	64,559	68,800	4,241
Printing and supplies	64,698	80,600	15,902
Travel and training	59,643	49,000	(10,643)
Repairs and maintenance	218,291	97,400	(120,891)
Non-capital equipment	166,147	52,200	(113,947)
Other operating expenses	44,261	28,240	(16,021)
Total operating expenses	6,469,127	5,575,314	(893,813)
Other expenses			
Debt service - interest	18,448	20,000	1,552
	18,448	20,000	1,552
Total operating, capital, and other expenses	6,487,575	5,595,314	(892,261)
Revenues over (under) expenses	\$ (137,821)	\$ 394,341	\$ 532,162
Reconciliation of revenues over (under) expenses to change in net position:			
Change in net position	\$ (667,383)		
Depreciation	529,562		
Revenues (under) expenses	\$ (137,821)		

WACCAMAW REGIONAL TRANSPORTATION AUTHORITY

SCHEDULE OF BUDGETED TO ACTUAL COSTS - SCDOT GRANTS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019

FTA Contract #	PT-80904-41				
Contract Period	July 1, 2017 - March 31, 2019				
Actual Cost	WRTA Budget	Section 5304	SMTF	Local	Total Program Variance
	July 2017 through March 2019	October 1, 2018 through September 30, 2019	October 1, 2018 through September 30, 2019	October 1, 2018 through September 30, 2019	
Performance period: Operations					
Contract Maintenance Service	\$ 100,000	\$ 7,368	\$ -	\$ 1,842	\$ 90,790
Total Operations	\$ 100,000	\$ 7,368	\$ -	\$ 1,842	\$ 90,790
Approved Budget	\$ 100,000				
Total Current Year Federal Costs		7,368			
Total Current Year Local Costs		1,842			
Budget over Actual					<u>\$ 90,790</u>

WACCAMAW REGIONAL TRANSPORTATION AUTHORITY

SCHEDULE OF BUDGETED TO ACTUAL COSTS - SCDOT GRANTS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019

	PT-200999-29				
SMT Contract #					
Contract Period	July 1, 2019 - June 30, 2020				
Actual Cost	Contract Budget	Section 5307	SMTF	Local	Total Program Variance
Performance period:	July 2019 through June 2020	October 1, 2018 through September 30, 2019	October 1, 2018 through September 30, 2019	October 1, 2018 through September 30, 2019	
Administration					
Indirect Cost Allocation	\$ -	\$ 229,749	\$ -	\$ 57,438	\$ (287,187)
Total Administration	\$ -	\$ 229,749	\$ -	\$ 57,438	\$ (287,187)
Operations					
Miscellaneous Operating	\$ 1,115,800	\$ 453,169	\$ 68,810	\$ 384,359	\$ 209,462
Total Operations	\$ 1,115,800	\$ 453,169	\$ 68,810	\$ 384,359	\$ 209,462
Capital					
ADP Hardware	\$ 80,000	\$ 64,000	\$ -	\$ 16,000	\$ -
Preventative Maintenance	1,097,625	753,082	-	188,271	156,272
Total Capital	\$ 1,177,625	\$ 817,082	\$ -	\$ 204,271	\$ 156,272
Approved Budget	\$ 2,293,425				
Total Current Year Federal Costs	1,500,000				
Total Current Year State Costs	68,810				
Total Current Year Local Costs	646,068				
Budget over Actual	<u>\$ 78,547</u>				

WACCAMAW REGIONAL TRANSPORTATION AUTHORITY

SCHEDULE OF BUDGETED TO ACTUAL COSTS - SCDOT GRANTS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019

	PT-200091-19				
Contract Period	July 1, 2019 - June 30, 2020				
Actual Cost	WRTA Budget	Section 5311	SMTF	Local	
Performance period:	July 2019 through June 2020	October 1, 2018 through September 30, 2019	October 1, 2018 through September 30, 2019	October 1, 2018 through September 30, 2019	Total Program Variance
Administration					
Indirect Cost Allocation	\$ 348,804	\$ 62,531	\$ 15,633	\$ -	\$ 270,640
Total Administration	\$ 348,804	\$ 62,531	\$ 15,633	\$ -	\$ 270,640
Operations					
Miscellaneous Operating	\$ 945,661	\$ 111,964	\$ 111,964	\$ -	\$ 721,733
Total Operations	\$ 945,661	\$ 111,964	\$ 111,964	\$ -	\$ 721,733
Capital					
Preventive Maintenance	\$ 417,000	\$ 91,193	\$ 22,796	\$ 3	\$ 303,008
Total Capital	\$ 417,000	\$ 91,193	\$ 22,796	\$ 3	\$ 303,008
Approved Budget	\$ 1,711,465				
Total Federal Costs	265,688				
Total State Costs	150,393				
Total Local Costs	3				
Budget over Actual	<u>\$ 1,295,381</u>				

WACCAMAW REGIONAL TRANSPORTATION AUTHORITY

SCHEDULE OF BUDGETED TO ACTUAL COSTS - SCDOT GRANTS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019

	PT-90911-55				
OPT Contract #					
Contract Period	July 1, 2019 - June 30, 2020				
Actual Cost	WRTA Budget	Section 5311	SMTF	Local	Total Program Variance
Performance period:	July 2019 through June 2020	October 1, 2018 through September 30, 2019	October 1, 2018 through September 30, 2019	October 1, 2018 through September 30, 2019	Total Program Variance
Administration					
Indirect Cost Allocation	\$ 348,804	\$ 145,847	\$ 18,774	\$ 17,688	\$ 166,495
Total Administration	\$ 348,804	\$ 145,847	\$ 18,774	\$ 17,688	\$ 166,495
Operations					
Miscellaneous Operating	\$ 966,494	\$ 190,440	\$ 20,833	\$ 169,607	\$ 585,614
Total Operations	\$ 966,494	\$ 190,440	\$ 20,833	\$ 169,607	\$ 585,614
Capital					
Preventive Maintenance	\$ 417,000	\$ 131,190	\$ 24,497	\$ 8,301	\$ 253,012
Total Capital	\$ 417,000	\$ 131,190	\$ 24,497	\$ 8,301	\$ 253,012
Approved Budget	\$ 1,732,298				
Total Federal Costs	467,477				
Total State Costs	64,104				
Total Local Costs	195,596				
Budget over Actual	<u>\$ 1,005,121</u>				

WACCAMAW REGIONAL TRANSPORTATION AUTHORITY

SCHEDULE OF BUDGETED TO ACTUAL COSTS - SCDOT GRANTS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019

	PT-909SP-13				
Contract Period	July 1, 2018 - December 31, 2019				
Actual Cost	WRTA Budget	Section 5311	SMTF	Local	Total Program Variance
Performance period:	July 2018 through December 2019	October 1, 2018 through September 30, 2019	October 1, 2018 through September 30, 2019	October 1, 2018 through September 30, 2019	Total Program Variance
Capital					
Paratransit Dispatch/Scheduling	\$ 95,000	\$ 56,924	\$ 14,229	\$ -	\$ 23,847
I.T. Needs Assessment	18,390	14,712	3,678	-	-
Total Capital	\$ 113,390	\$ 71,636	\$ 17,907	\$ -	\$ 23,847
Approved Budget	\$ 113,390				
Total Federal Costs		71,636			
Total State Costs		17,907			
Budget over Actual	\$ 23,847				

WACCAMAW REGIONAL TRANSPORTATION AUTHORITY

**SCHEDULE OF BUDGETED TO ACTUAL COSTS - SCDOT GRANTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019**

FTA Contract #	PT-80939-35				
Contract Period	July 1, 2016 - June 30, 2019				
Actual Cost	WRTA Budget	Section 5339	SMTF	Local	Total Program Variance
Performance period:	July 2016 through June 2019	October 1, 2018 through September 30, 2019	October 1, 2018 through September 30, 2019	October 1, 2018 through September 30, 2019	
Capital					
Maintenance Facility	\$ 102,304	\$ 73,613	\$ 18,403	\$ -	\$ 10,288
Total Capital	\$ 102,304	\$ 73,613	\$ 18,403	\$ -	\$ 10,288
Approved Budget	\$ 102,304				
Total Current Year Federal Costs		73,613			
Total Current Year State Costs		18,403			
Budget over Actual					<u>\$ 10,288</u>

COMPLIANCE SECTION



**INDEPENDENT AUDITOR'S 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***

**To the Board of Directors of the
Waccamaw Regional Transportation Authority
Conway, South Carolina**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Waccamaw Regional Transportation Authority (the "Authority") as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated March 16, 2020.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control 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 our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Mauldin & Jenkins, LLC". The signature is written in a cursive, flowing style.

Columbia, South Carolina
March 16, 2020



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors of the
Waccamaw Regional Transportation Authority
Conway, South Carolina

Report on Compliance For Each Major Federal Program

We have audited the Waccamaw Regional Transportation Authority's (the "Authority") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended September 30, 2019. The Authority'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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Authority's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis of our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Authority's compliance.

Opinion on Each Major Federal Program

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2019.

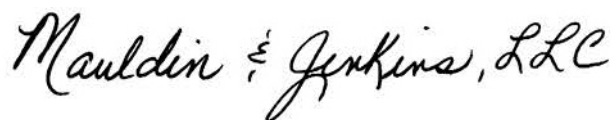
Report on Internal Control Over Compliance

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

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

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

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



Columbia, South Carolina
March 16, 2020

WACCAMAW REGIONAL TRANSPORTATION AUTHORITY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019

Federal Grantor	Federal CFDA Number	Agency Grant Number	Expenditures	Passed through to Subrecipients
U.S. Department of Transportation:				
Federal Transit Administration				
Federal Transit Cluster				
Federal Transit Formula Grant				
Urbanized Area Grant (Section 5307)	20.507	SC-2019-001-00	\$ 1,500,000	\$ -
Urbanized Area Grant (Section 5307)	20.507	SC-2019-016-00	342,552	-
Total Federal Transit Formula Grants			<u>1,842,552</u>	<u>-</u>
Bus and Bus Facilities Formula Program				
Direct Award				
Section 5339-1	20.526	SC-2018-040-00	89,285	-
Passed through the South Carolina Department of Transportation - OPT				
Section 5339	20.526	PT-80939-35	73,613	-
Total Bus to Bus Facilities Program			<u>162,898</u>	<u>-</u>
Total Federal Transit Cluster			<u>2,005,450</u>	<u>-</u>
Formula Grants for Rural Areas - Rural Area Program				
Passed through the South Carolina Department of Transportation - OPT				
Section 5311	20.509	PT-90911-55	467,477	-
Section 5311	20.509	PT-200091-119	265,688	-
Section 5311	20.509	PT-909SP-13	71,636	-
Passed through the South Carolina Department of Transportation - Division of Intermodal and Freight Programs				
Rural Transportation Assistance Program (RTAP)	20.509	SC 2017-020-00	6,220	-
Total Rural Area Program			<u>811,021</u>	<u>-</u>
Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research				
Passed through the South Carolina Department of Transportation - OPT				
Section 5304	20.505	PT-80904-41	7,368	-
Total Metropolitan Transportation Program			<u>7,368</u>	<u>-</u>
Total U.S. Department of Transportation Grant Programs			<u>2,823,839</u>	<u>-</u>
Total Federal Expenditures			<u>\$ 2,823,839</u>	<u>\$ -</u>

WACCAMAW REGIONAL TRANSPORTATION AUTHORITY

NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Schedule of Expenditures of Federal Awards is prepared using the accrual basis of accounting.

Measurement Focus

The determination of when an award is expended is based on when the activity related to the award occurred.

Program Type Determination

Type A programs are defined as federal programs with federal expenditures exceeding the larger of \$750,000 or 3% of total federal expenditures. The threshold of \$750,000 was used in distinguishing between Type A and Type B programs.

Method of Major Program Selection

The risk based approach was used in the selection of federal programs to be tested as major programs. The Authority qualified as a low-risk auditee for the fiscal year ended September 30, 2019.

De Minimis Indirect Cost Rate

During the year ended September 30, 2019, the Authority did not use the de Minimis indirect cost rate.

WACCAMAW REGIONAL TRANSPORTATION AUTHORITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019

SECTION I SUMMARY OF AUDIT RESULTS

Financial Statements

Type of auditor's report issued Unmodified

Internal control over financial reporting:
Material weaknesses identified? Yes No

Significant deficiencies identified not considered
to be material weaknesses? Yes None Reported

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major programs:
Material weaknesses identified? Yes No

Significant deficiencies identified not considered
to be material weaknesses? Yes None Reported

Type of auditor's report issued on compliance for
major programs Unmodified

Any audit findings disclosed that are required to
be reported in accordance with the Uniform
Guidance? Yes No

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
20.509	U.S. Department of Transportation; Rural Area Program Section 5311

Dollar threshold used to distinguish between
Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? Yes No

WACCAMAW REGIONAL TRANSPORTATION AUTHORITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019

SECTION II FINANCIAL STATEMENT FINDINGS AND RESPONSES

None reported

SECTION III FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

None reported