

**CENTRAL MIDLANDS REGIONAL  
TRANSIT AUTHORITY**

**FINANCIAL REPORT**

**FOR THE NINE MONTHS ENDED  
JUNE 30, 2013  
AND THE FISCAL YEAR ENDED  
SEPTEMBER 30, 2012**

# CENTRAL MIDLANDS REGIONAL TRANSIT AUTHORITY

## FINANCIAL REPORT FOR THE NINE MONTHS ENDED JUNE 30, 2013 AND THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

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## INDEPENDENT AUDITOR'S REPORT

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To the Board of Directors of the  
Central Midlands Regional Transit Authority  
Columbia, South Carolina

### Report on the Financial Statements

We have audited the accompanying financial statements of the **Central Midlands Regional Transit Authority** (the "Authority") as of and for the nine months ended June 30, 2013 and the year ended September 30, 2012, 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.

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**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Central Midlands Regional Transit Authority as of June 30, 2013 and September 30, 2012, and the changes in financial position and cash flows for the nine months and year then ended in accordance with accounting principles generally accepted in the United States of America.

**Emphasis of Matter**

As discussed in Note 1, the Authority implemented Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, as well as Statement No. 65, *Items Previously Reported as Assets and Liabilities*, as of October 1, 2011. Our opinion is not modified with respect to this matter.

**Other Matters**

*Required Supplementary Information* - Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (on pages 4 through 14) 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 Central Midland Regional Transit Authority's basic financial statements. The schedules of operating and nonoperating revenues, expenses, and changes in net position, schedule of revenues, expenses, and changes in net position – budget (non-GAAP) and actual, and the schedule of budgeted to actual costs – DOT grants 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.

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The schedules of operating and nonoperating revenues, expenses, and changes in net position, schedule of revenues, expenses, and changes in net position – budget (non-GAAP) and actual, and the schedule of budgeted to actual costs – DOT grants 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 schedules of operating and nonoperating revenues, expenses, and changes in net position, schedule of revenues, expenses, and changes in net position – budget (non-GAAP) and actual, and the schedule of budgeted to actual costs – DOT grants 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 November 4, 2013, on our consideration of the Central Midlands Regional Transit 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Central Midlands Regional Transit Authority's internal control over financial reporting and compliance.

*Mauldin & Jenkins, LLC*

Atlanta, Georgia  
November 4, 2013

# CENTRAL MIDLANDS REGIONAL TRANSIT AUTHORITY

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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This Management's Discussion and Analysis (MD&A) of the Central Midlands Regional Transit 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 Central Midlands Regional Transit Authority for the nine months ended June 30, 2013 and the fiscal year ended September 30, 2012. 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.

The Central Midlands Regional Transit Authority assumed ownership and responsibility for public transit services in the greater Columbia, South Carolina metropolitan area on October 16, 2002. Prior to that date, the greater Columbia, South Carolina metropolitan area was the last area in the United States where the local private utility company (South Carolina Electric and Gas Company) was the owner and operator of mass transit (fixed route bus and paratransit) services.

After several years of negotiations, the City of Columbia and the South Carolina Electric and Gas Company reached an agreement under which the utility company would provide funding for the creation of a "transit trust fund" and would provide annual subsidies to support the provision of public transit services.

The Authority was created under the State of South Carolina Code of Laws and is made up of representatives from 4 (four) local jurisdictions. Membership on the Authority's Board of Directors is distributed based on population, with Richland County having six members, the City of Columbia having three members, Lexington County and Forest Acres jurisdictions each having one member. In addition to the local government appointees, and in accordance with the State of South Carolina Code of Laws, each of the County Legislative Delegations is eligible to appoint a Delegation member to the Authority's Board of Directors.

The Authority provides Fixed-Route and Dial-A-Ride (DART) paratransit services within Richland County and portions of Lexington County, Fixed Route carrying an average 4,867 passengers every weekday and 1,788 passengers on Saturday, and DART carrying an average 199 passengers every weekday and 34 passengers on Saturday. Much of this service is provided within the City of Columbia with operations reaching into selected communities. The Authority's system is primarily a radial network, with nearly all of its 19 weekday and 12 weekend routes starting/ending at the Downtown Transfer Center (DTC), located in downtown Columbia at 1224 Laurel and Sumter Streets. The Authority's most critical task to establish a dedicated local funding source that can fund operations came to reality on November 6, 2012 with Richland County passing a Special Sales and Use Tax known as the "Transportation Penny". With additional local funds in place, the system proposes a new direction and approach to public transportation in the Midlands of Columbia with surrounding regions. There is great excitement and expectation among Board members, staff, contractor, partners and the community as a whole.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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### **Authority Activities and Highlights**

Key activities for fiscal year 2013 are as follows:

- As a result of a successful Referendum held in Richland County on November 6, 2012, effective May, 2013, the Central Midlands Regional Transit Authority will have a dedicated source of revenue for the continued operation of mass transit services including implementation of near, mid and long-term service improvements in the maximum amount of \$300,991,000 over a period not to exceed 22 years.
- In June 2012, the Board took action to change the Authority's fiscal year from October 1- September 30 to the state fiscal year July 1 – June 30, which resulted in the current audit covering a nine-month period.
- In January 2013, the Board of Directors approved the Request for Proposal (RFP) for a Consulting Service to assist in the Procurement of a Transit System Operator. CDM Smith was selected in May 2013 as the Procurement Consultant for transit system operator RFP.
- In March 2013, the Board approved the addition of 525 service hours in the Authority's service area, which had been cut by 40% in May 2012. This action was implemented on May 14, 2013. In addition, weekday services were extended to 9:30pm and Saturday services were extended to 8:30pm. The additional service hours resulted in the re-hire of 19 Veolia's employees.
- In April 2013, the Authority introduced a new Route 26B called Red Bank Crossing Express Service. This pilot route travels from the Transit Center (Sumter & Laurel) to the County of Lexington at Red Bank Crossing (1070 South Lake Drive, Lexington). Monday was the only day of operation for the pilot route. Red Bank Crossing Plaza includes several governmental service agencies for the public.
- In April 2013, the Authority's Board of Directors announced a new branding for the midlands transportation system beginning this fall. The Visioning Committee announced and Board approved the new logo and brand "The COMET".
- In May 2013, the Central Midlands Council of Government and the Authority's law consultants met with CDM Smith for a kick-off meeting for the development of the Request for Proposal (RFP). During June 2013, the Procurement Consultant continued to meet with the Evaluation Committee in the development of the Request for Qualifications and Request for Proposal.
- During the nine months ended June 30, 2013, the Board continued the Employment Agreement between contractor Veolia Transportation and the Authority, whereas the transit contractor provided the employee to serve as contractor General Manager and the Authority's Executive Director with specific terms and conditions.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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### **Financial Highlights**

Key financial highlights for fiscal year 2013 are as follows:

- The Authority's net position (amount that assets exceeded liabilities) was \$19,610,003 and \$19,157,130 at the nine months ended June 30, 2013 and the fiscal year ended September 30, 2012, respectively. Of these amounts, \$16,225,285 and \$17,438,159, respectively, represented the Authority's net investment in capital assets.
- The Authority's total net position increased \$452,873 during the nine months ended June 30, 2013 and decreased \$648,792 during the fiscal year ended September 30, 2012. These net changes are further reflected in the Authority's statements of revenues, expenses, and change in net position.
- As a result of the implementation of the Special Sales and Use Tax, known as the "Transportation Penny", in May 2013, the Authority earned revenue from this 1% sales tax in the amount of \$2,233,691 as of June 30, 2013.
- The Authority received contributions through federal, state, and local grants in the amount of \$4,819,644 during the nine months ended June 30, 2013 and \$9,643,495 during the fiscal year ended September 30, 2012.

### **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 16 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 nine months ended June 30, 2013. 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 17 of this report.



## MANAGEMENT'S DISCUSSION AND ANALYSIS

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 18 through 29 of this report.

### Financial Statements

**Net Position:** The following table summarizes the changes in net position for the nine months ended June 30, 2013 and the fiscal years ended September 30, 2012 and 2011.

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Current assets	\$ 3,646,160	\$ 2,380,808	\$ 1,899,043
Capital assets	16,225,285	17,438,801	19,397,362
Other long-term assets	212,562	6,000	12,960
Total assets	<u>20,084,007</u>	<u>19,825,609</u>	<u>21,309,365</u>
Current liabilities	474,004	668,479	1,502,801
Long-term debt	-	-	642
Total liabilities	<u>474,004</u>	<u>668,479</u>	<u>1,503,443</u>
Net position:			
Net investment in capital assets	16,225,285	17,438,159	19,392,883
Restricted for rolling stock replacement	224,808	224,808	224,808
Unrestricted	3,159,910	1,494,163	188,231
Total net position	<u>\$ 19,610,003</u>	<u>\$ 19,157,130</u>	<u>\$ 19,805,922</u>

The Authority's total current assets increased by \$1,265,352 during the nine months ended June 30, 2013 and increased by \$481,765 during the year ended September 30, 2012. Elements to consider related to these changes include:

- The Authority's unrestricted cash and cash equivalents decreased from \$2,246,827 to \$1,370,424 in for the nine months ended June 30, 2013.
- Amounts due from the implementation of the "Transportation Penny" resulted in an accounts receivable balance of \$2,233,691 for the nine months ended June 30, 2013.

The Authority's capital and other long-term assets decreased by \$1,006,954 for the nine months ended June 30, 2013 and by \$1,965,521 for the fiscal year ended September 30, 2012. Elements to consider related to these changes include:

- For the nine months ended June 30, 2013, the Authority purchased capital assets in the amount of \$76,924, while incurring depreciation on capital assets in the amount of \$1,083,878, which contributed to the \$1,006,954 decrease in capital and other long-term assets.
- In fiscal year 2012, the Authority purchased capital assets in the amount of \$84,200, while incurring depreciation on capital assets in the amount of \$2,042,761, which contributed to the \$1,965,521 decrease in capital and other long-term assets.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Financial Statements (Continued)

The Authority's current liabilities decreased by \$194,475 during the nine months ended June 30, 2013 and by \$544,747 during the fiscal year ended September 30, 2012. Elements to consider related to these changes include:

- Accounts payable decreased from \$658,861 to \$464,924 during the nine months ended June 30, 2013 and decreased from \$810,673 to \$658,861 in fiscal year 2012. The fluctuations from year to year are due primarily to the decrease in services as a result of budget cuts.

The Authority's long-term liabilities decreased by \$642 during the nine months ended June 30, 2013 and \$3,837 in fiscal years 2012 and 2011. These decreases are the result of the scheduled debt payments.

The Authority's net position increased by \$452,873 during the nine months ended June 30, 2013 and decreased by \$648,792 for the fiscal year ended September 30, 2012. These changes are attributed to the fluctuations of operating and capital grants received by the Authority.

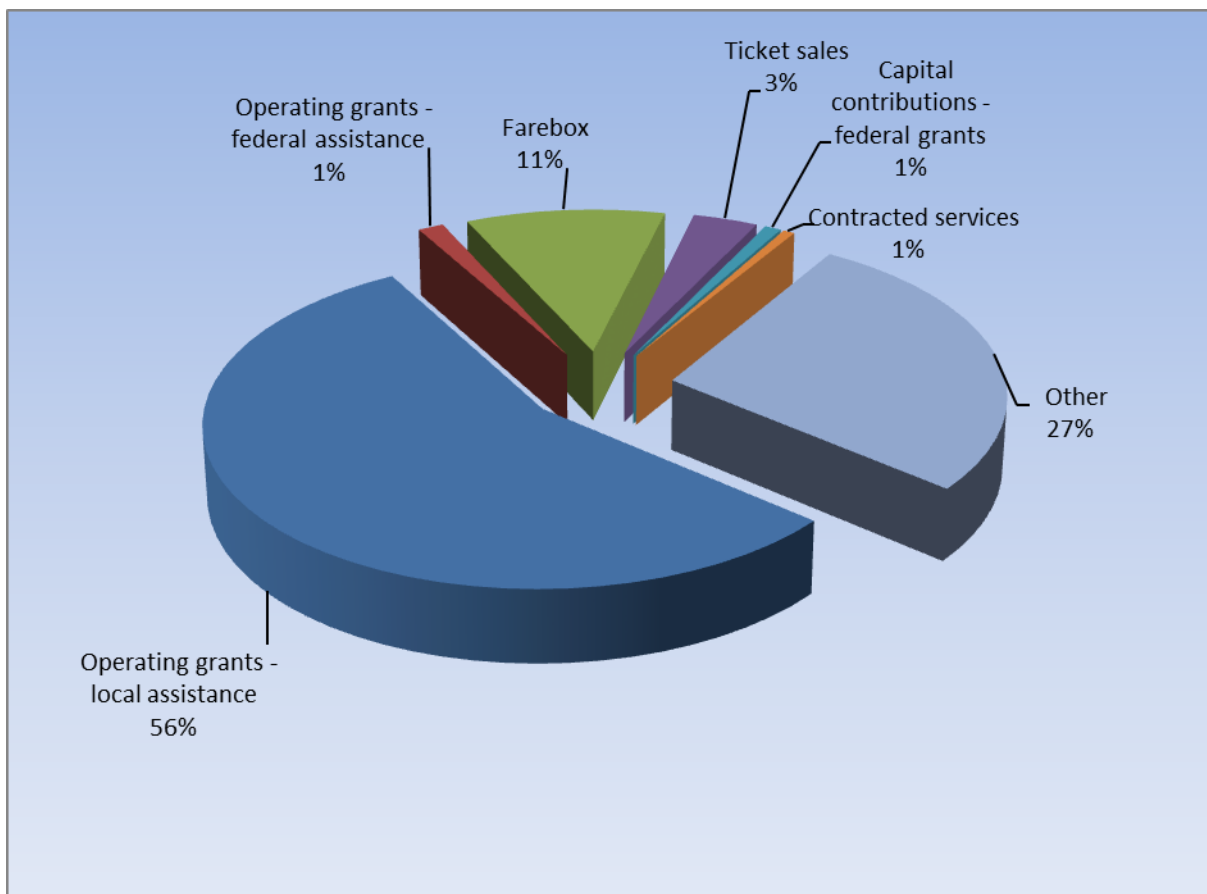
**Revenues, Expenses and Changes in Net Position:** The following table summarizes the revenues, expenses and changes in net position for the nine months ended June 30, 2013 and the fiscal years ended September 30, 2012 and 2011.

	2013	2012	2011
Operating revenues:			
Farebox	\$ 882,614	\$ 1,454,972	\$ 1,592,355
Ticket sales	286,873	417,761	395,338
Advertising	38,762	38,968	50,394
Contracted services	51,952	154,093	136,543
Miscellaneous	140	120	15
Operating revenues	1,260,341	2,065,914	2,174,645
Operating expenses:			
Contract services	5,097,941	7,965,160	8,852,352
Vehicle fuel	643,840	1,129,779	1,317,518
Other operating expense	1,035,639	1,302,684	1,474,122
Depreciation	1,083,878	2,042,761	2,033,448
Operating expenses	7,861,298	12,440,384	13,677,440
Operating loss	(6,600,957)	(10,374,470)	(11,502,795)
Nonoperating revenues (expenses)			
Operating grants - local assistance	4,630,986	7,550,747	6,333,282
Operating grants - federal assistance	113,937	2,009,676	2,202,029
1% Sales tax revenue	2,233,691	-	-
Insurance claim	-	80,595	6,702
Interest income	495	1,588	1,277
Nonoperating income, net	6,979,109	9,642,606	8,543,290
Capital contributions - federal grants	74,721	83,072	372,952
Change in net position	\$ 452,873	\$ (648,792)	\$ (2,586,553)

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Financial Statements (Continued)

The following chart shows the major revenue sources and percentages for revenues as of June 30, 2013.



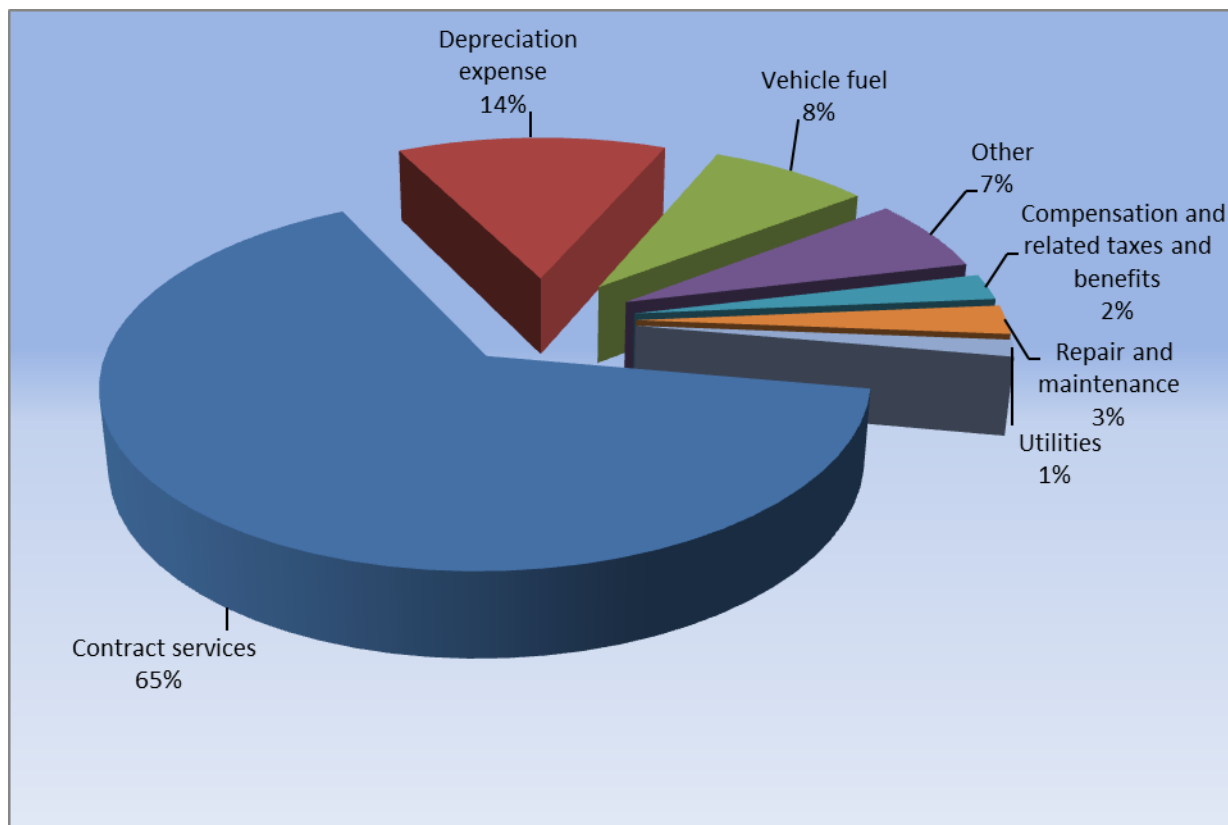
*Note: Labels for some revenue accounts have been combined into an "Other" category because their individual portion was immaterial, or less than 1%.*

For the nine months ended June 30, 2013, operating revenues of the Authority were \$1,260,341, or 39% less than fiscal year 2012 revenues of \$2,065,914. Fiscal year 2012 operating revenues were 5% less than fiscal year 2011 revenues. The current year decrease in revenues is the result of the Authority changing its year end from September 30<sup>th</sup> to June 30<sup>th</sup> during the year which resulted in the current year audit covering only a nine-month period.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Financial Statements (Continued)

The following chart shows the major expenses and the percentage for the total expenses as of June 30, 2013.



*Note: Because so many expense accounts exist, labels for some accounts have been combined into an "Other" category.*

For the nine months ended June 30, 2013, operating expenses decreased \$4,579,086, or 37% to \$7,861,298. Fiscal year 2012, operating expenses decreased \$1,237,056 or 9.04% from fiscal year 2011. The current year decrease in revenues is the result of the Authority changing its year end from September 30<sup>th</sup> to June 30<sup>th</sup> during the year which resulted in the current year audit covering only a nine-month period.

For the nine months ended June 30, 2013, nonoperating revenues of the Authority were \$6,979,109. Total fiscal year 2012 and 2011 nonoperating revenues were \$9,642,606 and \$8,543,290, respectively. These fluctuations are primarily due to the annual fluctuations in federal and local assistance, as well as the Authority changing its year end from September 30<sup>th</sup> to June 30<sup>th</sup> during the year.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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### **Budget Analysis**

Over the course of the year, the Authority operated under an approved budget for the nine months ended June 30, 2013 by the Board of Directors. The nine month budget was approved by the Board of Directors in September 2012.

- A successful Referendum held in Richland County on November 6, 2012, provided the Central Midlands Regional Transit Authority with a dedicated source of revenue in the maximum amount of \$300,991.00 to be provided over a period not to exceed 22 years.
- The Authority reduced the overall budget to sustain system operations through September 30, 2012 and maintained budget at or below new recommended service levels for October 1, 2012 – June 30, 2013.
- In March 2013, the Board approved the addition of 525 service hours in the Authority's service area, which had been cut by 40% in May 2012. This action was implemented on May 14, 2013, which resulted in \$103,235 additional operational expenses.
- In June 2012, the Board took action to change the Authority's fiscal year from October 1- September 30 to the state fiscal year July 1 – June 30, which resulted in a nine-month budget as of June 30<sup>th</sup>.
- In June 2013, the Board approved the 12-month budget for FY2014.
- In June 2013, the Board of Directors unanimously approved a Reserve Fund Balance Policy for the Central Midlands Regional Transit Authority.
- In June 2013, the Board approved and signed a new Intergovernmental Agreement (IGA) relating to Central Midlands Regional Transit Authority (CMRTA). Whereas, all parties to the agreement established terms and conditions upon which the CMRTA shall receive and utilize funding to provide a highly effective public transit system within Richland County, City of Columbia, City of Forest Acres and portions of Lexington County.

The fiscal year 2013 budget is \$8.3 million. The Authority's budget was reduced to sustain operations, after a successful Transportation Penny Sales Tax. The Authority's Board pursued service hours' addition for the transit system. Prior to the passage of the Richland County Transportation Penny Sales Tax in November 2012, the Authority was limited on the grant activity that could be pursued due to lack of matching funds. With the passage of the referendum, funds will be held in capital and operating reserves strictly for use as local matching dollars for Federal grants.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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### **Capital Assets and Debt Administration**

**Capital Assets:** The Authority's net investment in capital assets was \$16,225,285 as of June 30, 2013. This represents a 7% decrease from the Authority's capital asset balance of \$17,438,801 as of September 30, 2012. These investments in capital assets include land, buildings, buses, and machinery and equipment.

Due to limited funding, and unapproved Federal Transportation Administration grants, the only major capital asset purchase during fiscal year 2013 was for \$76,924. This purchase was for interior and exterior digital signage boards at the Transit Center located at 1224 Laurel Street, which was purchased with Federal ARRA funding.

Additional information on the Authority's capital assets can be found in Note 4 to the financial statements.

**Debt Administration:** The Authority entered into an agreement in December 2002 for the purchase of a fuel tank. Under terms of the agreement, the cost of the fuel tank is to be paid over a 10-year period, interest free. The Authority paid off the note payable in full during the nine months ended June 30, 2013.

Additional information on the Authority's long-term debt can be found in Note 6 to the financial statements.

### **Single Audit**

The Authority had projects which were audited for compliance as required by the U.S. Office of Management and Budget, Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. 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.

### **Potential Future Impacts**

Stakeholders broadly recognized that transit is important for the City of Columbia and surrounding areas in terms of connection to jobs, health care, leisure activities and education. Stakeholders recognized the need for stable and reliable funding to support Authority operations as they improve existing services, reform and grow services based on a vision for regional transit services in the future. The vision for the Central Midlands Regional Transit Authority proposes a new direction and approach to public transportation in the Midlands that will create a more innovative, connected and accessible system to facilitate a better quality of life for all Richland County and City of Columbia citizens. The Authority will be a partner for improving mobility in the region to many public and private agencies, in addition to many local jurisdictions.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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### **Potential Future Impacts (Continued)**

The next three years for the Authority is going to focus on five major activities. First, there is an emphasis on service realignment and expansion. Existing routes will be re-tooled, new routes developed to compliment services and completely new types of services (park and ride and flex services) will be introduced. This creates a need for the second primary activity of fleet acquisition. This is a highly complex set of steps as we must simultaneously replace outdated equipment while adding new buses. Meanwhile, we must maintain a contingency fleet for those instances where new services will be introduced, pressing the older fleet back into services while expansion fleet is acquired.

Third, there is an emphasis on infrastructure. Beyond service and rolling stock, facility infrastructure and passenger amenity infrastructure must be created. This includes benches, shelters, park and ride lots, new transit technologies and general facility upgrades at the transit center in downtown Columbia. This may include process for sitting a new transit center within the downtown core. Stemming from this will be the fourth critical area—comprehensive inclusion in growth planning at the regional level. Participation in long-range transportation planning, new residential development and new employment sites will be critical as we attempt to integrate our infrastructure and services into roadways projects at the state, county and city level as well as within community-development projects.

Fifth, a significant focus will be on technical capacity of the organization to deliver high-quality services. A highly-trained and effective staff will be able to develop services, monitor compliance of contractors, attract new sources of revenue and provide the technical data to make these types of decisions. As the Authority re-oriens itself toward a planning and finance organization, it will shed some of its operational responsibilities and will focus mainly on data collection and decision-making, especially in the planning department. A refined accounting and financial system will be critical as the effective use of dollars must be demonstrated to show the community results. This includes training at all levels of the organization, with cross-development so that the Authority can maintain a lean staff. The lower the cost of overhead, the more dollars will be available for service development.

**Vehicle Replacements.** The vehicle replacement program will be implemented in order for the Authority to ensure the continued safety and reliability of the public transit services, system wide. The Authority has developed a replacement schedule that provides for the acquisition of fixed route buses over the next five years. With an estimated replacement cost of \$300,000 per unit, Federal funds will likely be available to fund up to 83%, with local matching funds to cover the remaining 17%.

**Grant Opportunities.** Available grants will be sought after by the Authority to increase service or capital purchases for the Authority. With the passage of the Transportation Penny Sales Tax, funds will be held in capital and operating reserves strictly for use as local matching dollars for Federal grants.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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### **Potential Future Impacts (Continued)**

**Enhanced Services Types.** The development of high-frequency services along high capacity corridors will provide greater connectivity and added convenience for riders during peak hours so that they can get to work, school and retail in a more efficient manner. The Authority will also restructure service to begin servicing neighbors with lower density routes with smaller buses to directly connect riders with higher capacity transit corridors. Some measures include implementing the automated vehicle locator (AVL) and enhanced GPS-tracking to provide real-time arrival and departure information for riders so that they can more efficiently plan their trips using their smart phones or the redesigned Authority's website. In addition to focusing on improving service reliability and frequency improvements, the vision of the Authority seeks to address issues of enhancing service connectivity and accessibility.

**Market Areas for Park-and-Ride Facilities.** The extension of the city routes along arterial streets, in which these routes often terminate in a residential area or local streets. Along several of these routes, informal parking areas may form within open lots and along the street to permit commuters to park their cars and transfer to the bus system and to the central business district. Also, transit can operate a network of express routes which operates either limited stops along the state highway or along expressways making few stops.

**Marketing and Customer Information.** The Authority will be focusing on greater visibility and marketing of Authority transit services, which is essential to attracting and retaining customers as well as generating support within the community. Some strategies include keeping media outlets updated and engaged, and a new website with trip planning information along with schedules and maps.

### **Request 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 Finance/Accounting Manager at 3613 Lucius Road, Columbia, SC 29201.



# CENTRAL MIDLANDS REGIONAL TRANSIT AUTHORITY

## STATEMENTS OF NET POSITION JUNE 30, 2013 AND SEPTEMBER 30, 2012

<b>ASSETS</b>	<b>2013</b>	<b>2012</b>
<b>Current assets</b>		
Cash and cash equivalents	\$ 1,370,424	\$ 2,246,827
Receivables:		
1% Sales tax	2,233,691	-
Other government	12,106	10,267
Other receivable	-	37,137
Ticket sales	7,942	4,760
Farebox revenue	440	1,103
Prepaid expenses	18,770	75,064
Ticket inventory	2,787	5,650
Total current assets	3,646,160	2,380,808
<b>Noncurrent assets</b>		
Other assets	212,562	6,000
Capital Assets:		
Capital Assets - nondepreciable	1,742,522	1,742,522
Capital Assets - depreciable, net	14,482,763	15,696,279
Total noncurrent assets	16,437,847	17,444,801
 Total assets	\$ 20,084,007	\$ 19,825,609
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Accounts payable - operation	\$ 464,924	\$ 658,861
Accrued liabilities	9,080	8,976
Current portion of long-term debt	-	642
Total current liabilities	474,004	668,479
<b>NET POSITION</b>		
Net investment in capital assets	16,225,285	17,438,159
Restricted for rolling stock replacement	224,808	224,808
Unrestricted	3,159,910	1,494,163
Total net position	\$ 19,610,003	\$ 19,157,130

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

# CENTRAL MIDLANDS REGIONAL TRANSIT AUTHORITY

## STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITIOIN FOR THE NINE MONTHS ENDED JUNE 30, 2013 AND THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

	2013	2012
<b>Operating revenues</b>		
Farebox	\$ 882,614	\$ 1,454,972
Ticket sales	286,873	417,761
Advertising	38,762	38,968
Contracted services	51,952	154,093
Miscellaneous	140	120
Total operating revenues	1,260,341	2,065,914
<b>Operating expenses</b>		
Contract services	5,097,941	7,965,160
Vehicle fuel	643,840	1,129,779
Facility rental expense	45,000	60,000
Compensation and related taxes and benefits	186,284	227,987
Contract labor	4,957	27,795
Security services	78,854	106,835
Repair and maintenance	207,073	249,744
Training	5,778	7,401
Supplies	44,195	64,601
Postage and shipping	754	1,294
Board committee expense	202	230
Taxes and fees	10,950	8,896
Rental	7,567	11,929
Utilities	119,178	156,296
Insurance	44,118	63,121
Marketing, printing, and advertising	86,635	87,414
Professional, technical, and legal	116,072	125,596
Dues and subscriptions	210	667
Other operating expenses	77,812	102,878
Depreciation expense	1,083,878	2,042,761
Total operating expenses	7,861,298	12,440,384
Operating loss	(6,600,957)	(10,374,470)
<b>Nonoperating revenues</b>		
Operating grants - local assistance	4,630,986	7,550,747
Operating grants - federal assistance	113,937	2,009,676
1% Sales tax revenue	2,233,691	-
Insurance claim	-	80,595
Interest income	495	1,588
Total nonoperating revenues	6,979,109	9,642,606
<b>Capital contributions - federal grants</b>	74,721	83,072
<b>Change in net position</b>	452,873	(648,792)
<b>Net position, beginning of year</b>	19,157,130	19,805,922
<b>Net position, end of year</b>	\$ 19,610,003	\$ 19,157,130

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

# CENTRAL MIDLANDS REGIONAL TRANSIT AUTHORITY

## STATEMENTS OF CASH FLOWS FOR THE NINE MONTHS ENDED JUNE 30, 2013 AND THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

	2013	2012
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers and users	\$ 1,293,120	\$ 3,215,267
Payments to suppliers	(6,725,916)	(10,943,589)
Payments to employees	(186,180)	(228,405)
Net cash used in operating activities	(5,618,976)	(7,956,727)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Insurance claim	-	80,595
Operating grants	4,744,923	9,560,423
Net cash provided by noncapital financing activities	4,744,923	9,641,018
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Acquisition or construction of capital assets	(76,924)	(84,200)
Capital grants	74,721	83,072
Principal paid on notes payable	(642)	(3,837)
Net cash used in capital and related financing activities	(2,845)	(4,965)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received	495	1,588
Net cash provided by investing activities	495	1,588
Increase (decrease) in cash and cash equivalents	(876,403)	1,680,914
<b>Cash and cash equivalents:</b>		
Beginning of year	2,246,827	565,913
End of year	\$ 1,370,424	\$ 2,246,827
<b>Reconciliation of operating loss to net cash used in operating activities:</b>		
Operating loss	\$ (6,600,957)	\$ (10,374,470)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation expense	1,083,878	2,042,761
Changes in assets and liabilities:		
Decrease in accounts receivable	32,779	1,149,353
(Increase) decrease in prepaid expenses	56,294	(2,629)
(Increase) decrease in inventory	2,863	(910)
Decrease in other assets	-	6,960
Decrease in accounts payable	(193,937)	(158,759)
Increase (decrease) in accrued liabilities	104	(418)
Decrease in deferred revenue	-	(618,615)
Net cash used in operating activities	\$ (5,618,976)	\$ (7,956,727)

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

# CENTRAL MIDLANDS REGIONAL TRANSIT AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### **Reporting Entity**

The Central Midlands Regional Transit Authority (the Authority), is a public entity created on October 16, 2002 under Section 58-25 of the South Carolina Code of Laws, Regional Transit Authority Enabling Act. The primary purpose of the Authority is to administer, manage, and operate fixed route bus service and demand-response paratransit service, in and around the Columbia, South Carolina urbanized area. The Authority is governed by an eleven (11) member board of directors and consists of representatives of the following local jurisdictions: City of Columbia, Forest Acres, Lexington County, and Richland County. 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

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### 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.

#### **Cash 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.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### **Prepaid Expenses**

Payments made to vendors for services that will benefit periods beyond June 30, 2013, are recorded as prepaid expenses.

#### **Accounts Receivable**

Accounts receivable consist mainly of grants receivable from other governments and are reported net of any allowance for bad debts. Allowances for doubtful accounts are maintained based on historical results adjusted to reflect current conditions.

#### **Inventory**

Inventory, which is comprised of all-day passes, 10 ride passes, and 31 day passes, are valued at cost, using the first-in, first-out method. The Authority utilizes the consumption method to recognize inventory usage. Under the consumption method, inventories are recorded as expenses when used rather than when purchased.

#### **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 estimated fair value at the date of donation. Capital assets are capitalized if their cost exceeds \$1,500 and useful lives are expected to exceed one year. These assets are depreciated over the estimated useful life using the straight-line method as follows:

<u>Assets</u>	<u>Years</u>
Furniture and fixtures	3 to 15
Machinery and equipment	3 to 15
DART vehicles	5 to 7
Vehicles	5 to 7
Trolleys	4 to 5
Fixed route buses	10
Buildings	7 to 40

## NOTES TO FINANCIAL STATEMENTS

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### 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.

#### 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 240 hours 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

The Authority implemented GASB Statements No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and No. 65, *Items Previously Reported as Assets and Liabilities*, as of October 1, 2011. These new standards establish accounting and financial reporting for deferred outflows / inflows of resources and the concept of net position as the residual of all other elements presented in a statement of net position.

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The Authority did not have any items that qualified for reporting in this category.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, 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. The Authority did not have any items that qualified for reporting in this category.

## NOTES TO FINANCIAL STATEMENTS

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### 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 "net 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.



## NOTES TO FINANCIAL STATEMENTS

### NOTE 2. CASH AND CASH EQUIVALENTS

Total cash and cash equivalents as of June 30, 2013 and September 30, 2012 are summarized as follows:

	2013	2012
As reported in the Statement of Net Position:		
Cash and cash equivalents	\$ 1,370,424	\$ 2,246,827
Cash deposited with financial institutions	\$ 1,370,424	\$ 2,246,827

**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 required 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 June 30, 2013 and September 30, 2012, all the Authority's funds which were uninsured were collateralized as required by South Carolina state statutes and as defined by GASB pronouncements.

### NOTE 3. RECEIVABLES

Receivables consisted of the following at June 30, 2013 and September 30, 2012:

	2013	2012
Receivables:		
1% Sales Tax	\$ 2,233,691	\$ -
Accounts	8,382	43,000
Intergovernmental receivable	12,106	10,267
Gross receivables	2,254,179	53,267
Less allowance for uncollectibles	-	-
Net total receivables	\$ 2,254,179	\$ 53,267

## NOTES TO FINANCIAL STATEMENTS

### NOTE 4. CAPITAL ASSETS

Capital assets activity for the nine months ended June 30, 2013 is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:					
Land	\$ 1,742,522	\$ -	\$ -	\$ -	\$ 1,742,522
Total	<u>1,742,522</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,742,522</u>
Capital assets, being depreciated:					
Buildings	13,250,779	-	-	-	13,250,779
Fixed route buses	13,243,773	-	-	(2,155,432)	11,088,341
DART vehicles	1,029,777	-	-	-	1,029,777
Trolleys	810,000	-	(810,000)	-	-
Vehicles	75,179	-	-	-	75,179
Machinery and equipment	2,813,083	76,924	-	(15,697)	2,874,310
Furniture and fixtures	52,942	-	-	15,697	68,639
Total	<u>31,275,533</u>	<u>76,924</u>	<u>(810,000)</u>	<u>(2,155,432)</u>	<u>28,387,025</u>
Less accumulated depreciation for:					
Buildings	(2,466,157)	(403,553)	-	-	(2,869,710)
Fixed route buses	(9,993,874)	(423,286)	-	1,948,870	(8,468,290)
DART vehicles	(868,704)	(38,135)	-	-	(906,839)
Trolleys	(810,000)	-	810,000	-	-
Vehicles	(75,179)	-	-	-	(75,179)
Machinery and equipment	(1,339,471)	(214,512)	-	14,520	(1,539,463)
Furniture and fixtures	(25,869)	(4,392)	-	(14,520)	(44,781)
Total	<u>(15,579,254)</u>	<u>(1,083,878)</u>	<u>810,000</u>	<u>1,948,870</u>	<u>(13,904,262)</u>
Total capital assets, being depreciated, net	<u>15,696,279</u>	<u>(1,006,954)</u>	<u>-</u>	<u>(206,562)</u>	<u>14,482,763</u>
Total capital assets, net	<u>\$ 17,438,801</u>	<u>\$ (1,006,954)</u>	<u>\$ -</u>	<u>\$ (206,562)</u>	<u>\$ 16,225,285</u>

## NOTES TO FINANCIAL STATEMENTS

### NOTE 4. CAPITAL ASSETS (CONTINUED)

Capital assets activity for the year ended September 30, 2012 is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:					
Land	\$ 1,742,522	\$ -	\$ -	\$ -	\$ 1,742,522
Total	<u>1,742,522</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,742,522</u>
Capital assets, being depreciated:					
Buildings	13,250,779	-	-	-	13,250,779
Fixed route buses	13,243,773	-	-	-	13,243,773
DART vehicles	1,029,777	-	-	-	1,029,777
Trolleys	810,000	-	-	-	810,000
Vehicles	75,179	-	-	-	75,179
Machinery and equipment	2,728,883	84,200	-	-	2,813,083
Furniture and fixtures	52,942	-	-	-	52,942
Total	<u>31,191,333</u>	<u>84,200</u>	<u>-</u>	<u>-</u>	<u>31,275,533</u>
Less accumulated depreciation for:					
Buildings	(1,928,087)	(538,070)	-	-	(2,466,157)
Fixed route buses	(8,941,774)	(1,052,100)	-	-	(9,993,874)
DART vehicles	(808,389)	(60,315)	-	-	(868,704)
Trolleys	(810,000)	-	-	-	(810,000)
Vehicles	(75,179)	-	-	-	(75,179)
Machinery and equipment	(952,839)	(386,632)	-	-	(1,339,471)
Furniture and fixtures	(20,225)	(5,644)	-	-	(25,869)
Total	<u>(13,536,493)</u>	<u>(2,042,761)</u>	<u>-</u>	<u>-</u>	<u>(15,579,254)</u>
Total capital assets, being depreciated, net	<u>17,654,840</u>	<u>(1,958,561)</u>	<u>-</u>	<u>-</u>	<u>15,696,279</u>
Total capital assets, net	<u>\$ 19,397,362</u>	<u>\$ (1,958,561)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,438,801</u>

## NOTES TO FINANCIAL STATEMENTS

### NOTE 5. LEASES

The Authority leases the main transit center and the smaller transit stop from the City of Columbia to assist in its operation of the public transportation system. The City of Columbia does not charge for this lease, but rather treats it as a donation. The total fair market value of this lease for the nine months ended June 30, 2013 and the year ended September 30, 2012 is \$45,000 and \$60,000, respectively.

### NOTE 6. LONG-TERM DEBT

Long-term debt activity for the nine months ended June 30, 2013 is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Note payable	\$ 642	\$ -	\$ (642)	\$ -	\$ -
Compensated absences	8,745	5,342	(5,016)	9,071	9,071
Total	<u>\$ 9,387</u>	<u>\$ 5,342</u>	<u>\$ (5,658)</u>	<u>\$ 9,071</u>	<u>\$ 9,071</u>

Long-term debt activity for the year ended September 30, 2012 is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Note payable	\$ 4,479	\$ -	\$ (3,837)	\$ 642	\$ 642
Compensated absences	9,207	9,395	(9,857)	8,745	8,745
Total	<u>\$ 13,686</u>	<u>\$ 9,395</u>	<u>\$ (13,694)</u>	<u>\$ 9,387</u>	<u>\$ 9,387</u>

#### Note Payable

The Authority entered into an agreement in December 2002 for the purchase of a fuel tank. Under terms of the agreement, the cost of the fuel tank is to be paid over a 10-year period, interest free. The Authority paid off the note payable in full during the nine months ended June 30, 2013.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 7. OTHER ASSETS

The Authority has four buses that are not being used that were inherited from SCANA Corporation and the South Carolina Electric & Gas Company (SCE&G). As of June 30, 2013 and September 30, 2012, the four units have a salvage value of approximately \$6,000. The Authority plans to include these four buses as part of a surplus sale in fiscal year 2014.

In addition, the Authority has six Compressed Natural Gas buses and two diesel buses that are no longer in service, but are being maintained for contingency purposes. As of June 30, 2013, these buses have a salvage value of \$206,562. The Authority plans to include these eight buses as part of a surplus sale in fiscal year 2014.

### NOTE 8. RETIREMENT SYSTEM

The Authority contributes to the South Carolina Retirement System (the "System"). This plan is a cost sharing, multiple-employer pension plan administered by the Retirement Division of the State Budget and Control Board. The System offers retirement benefits, cost of living adjustments on an ad-hoc basis, life insurance benefits, and survivor benefits. Title 9 of the South Carolina Code of Laws establishes the plan's provisions. A Comprehensive Annual Financial Report containing financial statements and required supplementary information for the South Carolina Retirement System is issued and publicly available by writing the South Carolina Retirement System, Post Office Box 11960, Columbia, South Carolina 29211-1960.

Class two members are employees whose membership in the System was effective before July 1, 2012. Class three members are those members whose effective date of membership is after June 30, 2012. Class two members are eligible for a retirement annuity upon reaching age 65 or completion of 28 years of credited service. The benefit formula, effective July 1, 1989, for the System is 1.82% of an employee's average final compensation multiplied by the number of years of credited service. Class three members are eligible for a retirement annuity upon reaching age 65 with eight years of earned service, or by meeting the rule of 90 requirement with at least eight years of earned service. This means that your age and years of service must add up to 90.

An early retirement option with reduced benefits is available for class two members as early as age 60 with at least five years of service, or age 55 with 25 years of service. For class three members, an early retirement option with reduced benefits is available at age 60, with at least eight years of earned service. Employees are vested for a deferred annuity after five years of service for class two members and after eight years of service for class three members and qualify for a survivor's benefit upon completion of 15 years of credited service, or are at least 60 years of age at the time of death. Disability annuity benefits are payable to employees totally and permanently disabled as long as they meet the minimum years of credited service (five for class two members and eight for class three members), unless the injury is job related.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 8. RETIREMENT SYSTEM (CONTINUED)

Plan members are required to contribute 7.0% of their covered salary and the Authority is required to contribute at an actuarially determined rate of 10.60% of their annual-covered payroll at June 30, 2013 and September 30, 2012. The Authority's contributions to the system for the nine months ended June 30, 2013 and the year ended September 30, 2012 were \$12,776 and \$19,238, respectively. The total covered payroll for the nine months ended June 30, 2013 and the year ended September 30, 2012 was \$115,454 and \$153,838, respectively.

<u>Fiscal Year Ended:</u>	<u>Required Contribution</u>	<u>Percentage Contribution</u>
September 30, 2011	\$ 19,934	100%
September 30, 2012	\$ 19,238	100%
<u>Nine Months Ended:</u>		
June 30, 2013	\$ 12,776	100%

The Authority is enrolled in the State of South Carolina 401K and 457 Plan retirement programs for employees. The Authority does not match any employee contributions.

### NOTE 9. COMMITMENTS AND CONTINGENCIES

Grant income from local governments and federal grantor agencies for the nine months ended June 30, 2013 and the year ended September 30, 2012 totaled \$4,819,644 and \$9,643,495, 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.

### NOTE 10. 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.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 10. RISK MANAGEMENT (CONTINUED)

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.

The Authority expended \$59,690 during the year ended September 30, 2012 for coverage through the South Carolina Insurance Reserve Fund. The Authority did not make any payments during the nine months ended June 30, 2013.

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 nine months ended June 30, 2013 and the year ended September 30, 2012, there were no liabilities which exceeded the coverage available through the South Carolina Insurance Reserve Fund and separate purchased carriers.

# CENTRAL MIDLANDS REGIONAL TRANSIT AUTHORITY

## SCHEDULES OF OPERATING AND NONOPERATING REVENUES, EXPENSES, AND CHANGES IN NET POSITION FOR THE NINE MONTHS ENDED JUNE 30, 2013 AND THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

	2013	2012	
<b>Operating revenues</b>			
Farebox	\$ 882,614		\$ 1,454,972
Ticket sales	286,873		417,761
Advertising	38,762		38,968
Contracted services	51,952		154,093
Miscellaneous	140		120
Total operating revenues	1,260,341		2,065,914
<b>Operating expenses</b>			
Contract services:			
Contractor - fixed route	4,063,382		6,470,845
Contractor - DART	1,014,720		1,409,306
Contractor - contract services	19,839	5,097,941	85,009
Vehicle fuel		643,840	1,129,779
Facility rental expense		45,000	60,000
Compensation and related taxes and benefits:			
Salaries	139,829		161,519
Annual leave	8,467		12,805
Sick leave	5,937		7,380
Retirement	12,776		19,238
FICA and Medicare	9,226		12,414
Employee health insurance	8,521		11,125
Worker compensation	1,528	186,284	3,506
Contract labor		4,957	27,795
Security services		78,854	106,835
Repair and maintenance:			
Software & equipment maintenance	19,956		592
Vehicle repairs & maintenance	68,036		17,577
Vehicle repairs & maintenance (247)	-		36,168
Transit facility repairs & maintenance - federal grants (96)	1,271		287
Transit facility repairs & maintenance	95,553		59,245
Transit facility repairs & maintenance - capital	-		98,214
Software & equipment maintenance - federal grants (96)	12,882		-
Software & equipment maintenance - federal grants (210)	9,375		2,714
Software & equipment maintenance - federal grants (247)	-	207,073	34,947
Training:			
Employee training	110		860
Employee training (210)	5,668	5,778	6,541
Supplies:			
Office supplies / other expense	2,801		3,746
Fare collection services / supplies	26,639		50,777
Ticket supplies	14,755	44,195	10,078
			64,601

Continued



	<u>2013</u>	<u>2012</u>
<b>Operating expenses (continued)</b>		
Postage and shipping	\$ 754	\$ 1,294
Board committee expense	202	230
Taxes and fees	10,950	8,896
Rental:		
Office equipment lease	7,567	10,585
Office equipment and furniture	-	1,344
Utilities:		
Electricity	74,674	100,336
Water and sewer	5,584	7,219
Telephone	33,073	43,273
Natural gas	5,847	5,468
Insurance:		
Insurance - vehicle	22,849	2,340
Insurance - facilities	11,126	-
Insurance - vehicle - federal grant (247)	-	32,908
Insurance - facilities (247)	-	14,835
Insurance - tort	7,285	9,713
Insurance - officers - directors	2,858	3,325
Marketing, printing, and advertising:		
Marketing / advertising / promotion	72,609	66,364
Legal advertising	140	588
Printing	13,886	20,462
Professional, technical, and legal:		
Professional and technical legal	116,072	125,596
Dues and subscriptions	210	667
Other operating expenses:		
Administration - miscellaneous	3,548	7,798
Other services	74,264	23,864
Custodial services - federal grants (247)	-	71,216
Depreciation expense	1,083,878	2,042,761
Total operating expenses	<u>7,861,298</u>	<u>12,440,384</u>
Operating loss	<u>(6,600,957)</u>	<u>(10,374,470)</u>

**CENTRAL MIDLANDS REGIONAL TRANSIT AUTHORITY**

**SCHEDULES OF OPERATING AND NONOPERATING REVENUES,  
EXPENSES, AND CHANGES IN NET POSITION  
FOR THE NINE MONTHS ENDED JUNE 30, 2013 AND  
THE FISCAL YEAR ENDED SEPTEMBER 30, 2012**

	<u>2013</u>	<u>2012</u>
<b>Nonoperating revenues</b>		
Operating grants - local assistance		
Local revenue - Columbia	\$ 2,908,522	\$ 4,457,980
Local revenue - Lexington County	87,649	112,385
Local revenue - Richland County	1,252,493	2,444,992
Local revenue - SMTF	<u>382,322</u>	<u>535,390</u>
	4,630,986	7,550,747
Operating grants - federal assistance		
Federal revenue - planning (210)	6,195	2,044
Federal revenue - operations	-	1,101,013
Federal revenue - capital (PM)	<u>107,742</u>	<u>906,619</u>
	113,937	2,009,676
Capital contributions - federal grants		
Federal revenue - capital	74,721	83,072
1% Sales tax revenue	2,233,691	-
Insurance claim	-	80,595
Interest income	495	1,588
Total nonoperating revenues	<u>7,053,830</u>	<u>9,725,678</u>
 Change in net position	 452,873	 (648,792)
 <b>Net position, beginning of year</b>	 <u>19,157,130</u>	 <u>19,805,922</u>
 <b>Net position, end of year</b>	 <u>\$ 19,610,003</u>	 <u>\$ 19,157,130</u>

# CENTRAL MIDLANDS REGIONAL TRANSIT AUTHORITY

## SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION BUDGET (NON-GAAP BASIS) AND ACTUAL FOR THE NINE MONTHS ENDED JUNE 30, 2013

	Actual	Final Budget	Variance with Budget
<b>Revenues</b>			
Farebox	\$ 882,614	\$ 896,501	\$ (13,887)
Ticket sales	286,873	263,750	23,123
Advertising	38,762	34,625	4,137
Local funds - City of Columbia	2,863,522	2,850,000	13,522
Local funds - Lexington County	87,649	87,250	399
Local funds - Richland County	1,252,493	1,252,500	(7)
1% Sales tax revenue	2,233,691	-	2,233,691
Interest income	495	-	495
Federal revenue	74,721	1,302,000	(1,227,279)
Federal revenue - section 5307 - facility funding	113,937	120,375	(6,438)
State Mass Transit Funds - operating	382,322	375,841	6,481
Contracted service revenue	51,952	92,500	(40,548)
Miscellaneous revenue	140	-	140
Total revenues	8,269,171	7,275,342	993,829
<b>Operating expenses</b>			
<b>Administrative:</b>			
Staff - labor and fringes	191,241	198,548	7,307
Dues and subscriptions	210	950	740
Training and development	5,778	4,875	(903)
Office equipment lease	7,567	9,000	1,433
Office supplies and other expenses	2,799	3,550	751
Postage and shipping	754	925	171
Printing	13,887	18,750	4,863
Administrative - miscellaneous	3,750	1,500	(2,250)
Tickets, transfers, zone passes	14,756	9,000	(5,756)
Legal advertising	140	3,500	3,360
Custodial and other services	74,263	52,731	(21,532)
Total administrative	315,145	303,329	(11,816)
<b>Operations and maintenance:</b>			
Marketing/advertising/public relations	72,609	20,000	(52,609)
Transit facility maintenance and repairs	96,824	192,961	96,137
Contractor - fixed route	4,063,382	3,920,536	(142,846)
Contractor - DART	1,014,720	1,232,697	217,977
Contractor - special services	19,839	58,000	38,161
Software equipment and maintenance	42,213	22,500	(19,713)
Vehicle fuel	643,840	675,631	31,791
Vehicle maintenance, repairs, and insurance deductible	68,036	316,650	248,614
Total operations and maintenance	6,021,463	6,438,975	417,512

	<u>Actual</u>	<u>Final Budget</u>	<u>Variance with Budget</u>
<b>Insurance:</b>			
Insurance - vehicle - comp and collision	\$ 22,849	\$ 23,813	\$ 964
Insurance - facilities	11,126	12,375	1,249
Insurance - tort liability	7,285	8,100	815
Insurance - officers and directors and employee bonding	2,858	2,500	(358)
Total insurance	<u>44,118</u>	<u>46,788</u>	<u>2,670</u>
<b>Technical services:</b>			
Professional and technical/legal	116,072	142,500	26,428
Security services	78,854	71,625	(7,229)
Fare collection services and supplies	26,639	29,075	2,436
Total technical services	<u>221,565</u>	<u>243,200</u>	<u>21,635</u>
<b>Utilities:</b>			
Electricity - all services	74,674	73,500	(1,174)
Water and sewer	5,584	7,350	1,766
Telephone	33,073	30,375	(2,698)
Natural gas	5,848	5,450	(398)
Total utilities	<u>119,179</u>	<u>116,675</u>	<u>(2,504)</u>
<b>Taxes and fees:</b>			
Taxes and fees	10,950	6,000	(4,950)
Total taxes and fees	<u>10,950</u>	<u>6,000</u>	<u>(4,950)</u>
Total operating expenses	<u>6,732,420</u>	<u>7,154,967</u>	<u>422,547</u>
<b>Major capital expenses</b>			
Software and equipment	76,924	120,375	43,451
Total capital expenses	<u>76,924</u>	<u>120,375</u>	<u>43,451</u>
Total operating and capital expenses	<u>6,809,344</u>	<u>7,275,342</u>	<u>465,998</u>
Revenues over expenses	<u>\$ 1,459,827</u>	<u>\$ -</u>	<u>\$ (1,459,827)</u>

**Reconciliation of revenues over expenses to  
change in net position:**

Change in net position	\$ 452,873
In-kind revenue on use of facilities	45,000
In-kind expense on use of facilities	(45,000)
Depreciation	1,083,878
Capitalized items	(76,924)
Revenues under expenses	<u>\$ 1,459,827</u>

**CENTRAL MIDLANDS REGIONAL TRANSIT AUTHORITY**

**SCHEDULE OF BUDGETED TO ACTUAL COSTS - SCDOT GRANTS  
FOR THE NINE MONTHS ENDED JUNE 30, 2013**

DMT Contract #		PT-3M499-02						
Contract Period		July 1, 2012 - June 30, 2013						
Actual Cost	Contract Budget	Section 5307		SMTF		Local		Total Program Variance
		Current	Prior Period	Current	Prior Period	Current	Prior Period	
Performance period:	July 2012 through June 2013	October 1, 2012 through June 30, 2013	July 1, 2012 through September 30, 2012	October 1, 2012 through June 30, 2013	July 1, 2012 through September 30, 2012	October 1, 2012 through June 30, 2013	July 1, 2012 through September 30, 2012	
SMTF Operations								
Fuel & Lube	675,631	-	-	382,322	132,108	-	-	161,201
Funds to Offset Operations								
Operations	10,942,024	188,658	822,955	-	-	6,482,355	2,602,619	845,437
Total Program	11,617,655	188,658	822,955	382,322	132,108	6,482,355	2,602,619	1,006,638
Approved Budget	11,617,655							
TI Federal Costs	1,011,613							
TI State Costs	514,430							
TI Local Costs	9,084,974							
Budget over Actual	<u>1,006,638</u>							

## **COMPLIANCE SECTION**

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**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**

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**To the Board of Directors of the  
Central Midlands Regional Transit Authority  
Columbia, 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 Central Midlands Regional Transit Authority (the Authority) as of and for the nine months ended June 30, 2013 and the year ended September 30, 2012, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated November 4, 2013. Our report includes a reference to the changes in accounting principle resulting from the implementation of Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and Statement No. 65, *Items Previously Reported as Assets and Liabilities*.

**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.

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### **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.

Atlanta, Georgia  
November 4, 2013

*Mauldin & Jenkins, LLC*



# CENTRAL MIDLANDS REGIONAL TRANSIT AUTHORITY

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE NINE MONTHS ENDED JUNE 30, 2013

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### SECTION I SUMMARY OF AUDIT RESULTS

#### **Financial Statements**

Type of auditor's report issued

Unmodified

Internal control over financial reporting:

Material weaknesses identified?

\_\_\_ yes X no

Significant deficiency identified not considered  
to be material weaknesses?

\_\_\_ yes X none reported

Noncompliance material to financial statements noted?

\_\_\_ yes X no

#### **Federal Awards**

There was not an audit of major federal award programs as of June 30, 2013 due to the total amount expended being less than \$500,000.

### SECTION II FINANCIAL STATEMENT FINDINGS AND RESPONSES

None reported

### SECTION III FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

None reported

### SECTION IV STATUS OF PRIOR YEAR AUDIT FINDINGS

None reported