CENTRAL MIDLANDS REGIONAL TRANSIT AUTHORITY

FINANCIAL REPORT

FOR THE FISCAL YEARS ENDED JUNE 30, 2017 AND 2016

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INDEPENDENT AUDITOR'S REPORT

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 years ended June 30, 2017 and 2016, 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, 2017 and 2016, and the changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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 13), the Schedule of Authority's Proportionate Share of the Net Pension Liability (on page 38), and the Schedule 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 Central Midlands Regional Transit Authority's basic financial statements. The Schedules of Operating and Non-operating Revenues, Expenses, and Changes in Net Position; the Schedule of Revenues, Expenses, and Changes in Net Position – Budget (Non-GAAP Basis) and Actual; the Schedule of Budgeted to Actual Costs – SCDOT Grants; and the Schedule of Expenditures of Federal Awards (as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards),* 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 Schedules of Operating and Non-operating Revenues, Expenses, and Changes in Net Position; the Schedule of Revenues, Expenses, and Changes in Net Position – Budget (Non-GAAP Basis) and Actual; the Schedule of Budgeted to Actual Costs – SCDOT Grants; 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 Schedules of Operating and Non-operating Revenues, Expenses, and Changes in Net Position; the Schedule of Revenues, Expenses, and Changes in Net Position – Budget (Non-GAAP Basis) and Actual; the Schedule of Budgeted to Actual Costs – SCDOT Grants; 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 September 26, 2017, 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 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 Central Midlands Regional Transit 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 Central Midlands Regional Transit Authority's internal control over financial reporting and compliance.

Mauldin & Jenkins, LLC

Macon, Georgia
September 26, 2017

CENTRAL MIDLANDS REGIONAL TRANSIT AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

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 fiscal years ended June 30, 2017 and 2016. 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 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, and 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. The fixed-route service carries an average of 8,100 boardings on weekdays, 5,000 passengers on Saturday and 2,000 passengers on Sunday with annual ridership of 2.5 million. Dial-A-Ride-Transit (DART) carrying an average 5,284 passengers every weekday and 71 passengers on weekends. The Authority's system is primarily a radial network although 6 of 28 weekday routes do not start or end at the Downtown Transfer Center (DTC), located at 1224 Laurel Street. The Authority's most critical task to establish a dedicated local funding source for operations was achieved in November of 2012 with the passing of the Richland County Penny for Transportation Sales Tax. As a result of the successful referendum, the Authority will have a dedicated source of revenue for the continued operation of mass transit services of $300,991,000, collected over a maximum of 22 years. The Authority received the first payment from Richland County in November 2013. The Penny Sales Tax has provided the Authority with the financial means to implement a number of service improvements for transit growth throughout the Midlands including adding trip planning apps, new pass programs, extending hours, increasing frequencies and developing new routes to meet the transit needs of the Midlands. This has resulted in an increased ridership of 136% since the passage of the penny.

Authority Activities and Highlights

Key activities for fiscal year 2017 are as follows:

- The Authority's net position (amount that assets exceeded liabilities) was $45,881,767 and $33,680,987 at the close of fiscal years 2017 and 2016, respectively. Of these amounts, $28,980,008 and $16,499,460 respectively, were invested in capital assets, net of related debt.

- The Authority's total net position increased $12,200,780 and $7,410,034 during fiscal years 2017 and 2016, respectively. These net changes are further reflected in the Authority's statements of revenues, expenses, and change in net position.

- The Authority received contributions through federal, state, and local grants in the amount of $10,563,593 and $5,398,667 for the fiscal years 2017 and 2016, respectively.

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 Statements of Net Position can be found on pages 14 and 15 of this report.

The Statements of Revenues, Expenses and Changes in Net Position presents information showing how the Authority's net position changed during the fiscal years ended June 30, 2017 and 2016. 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 Statements of Revenues, Expenses, and Changes in Net Position can be found on page 16 of this report.

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 37 of this report.

Financial Statements

Net Position: The following table summarizes the changes in net position for the fiscal years ended June 30, 2017, 2016, and 2015.

	2017	2016	2015
Current assets	$ **19,721,257**	$ 18,322,894	$ 11,085,233
Restricted assets	**2,639,983**	2,105,574	1,508,377
Capital assets	**28,980,008**	18,605,034	15,950,016
Total assets	**51,341,248**	39,033,502	28,543,626
Deferred outflows of resources	**374,990**	323,889	106,571
Current liabilities	**4,221,675**	2,137,706	1,252,246
Long-term liabilites	**1,610,533**	1,430,566	1,039,371
Total liabilities	**5,832,208**	3,568,272	2,291,617
Deferred inflows of resources	**2,263**	2,558	87,627
Net position:			
Investment in capital assets	**28,980,008**	16,499,460	15,950,016
Restricted for capital projects	**2,639,983**	2,105,574	1,508,377
Restricted for rolling stock replacement	**224,808**	224,808	224,808
Unrestricted	**14,036,968**	14,851,145	8,587,752
Total net position	$ **45,881,767**	$ 33,680,987	$ 26,270,953

The Authority's total current assets increased by $1,398,363 and $7,237,661 during the fiscal years ended June 30, 2017 and 2016, respectively. Elements to consider related to these changes include:

- The Authority's unrestricted cash and cash equivalents decreased approximately $3 million during the fiscal year ended June 30, 2017.
- The Authority's accounts receivable from the 1% sales tax and intergovernmental receivables increased approximately $4.4 million during the fiscal year ended June 30, 2017.
- The Authority had restricted investments of $2.6 million as of June 30, 2017.

Financial Statements (Continued)

Net Position (Continued): The Authority's capital and other long-term assets increased by $13,014,957 and $1,146,641 during the fiscal years ended June 30, 2017 and 2016, respectively. Elements to consider related to these changes include:

- For the fiscal year ended June 30, 2017, the Authority purchased capital assets in the amount of $14,034,171, while incurring depreciation on capital assets in the amount of $1,553,623. In addition, the Authority purchased investments in the amount of $478,788.
- For the fiscal year ended June 30, 2016, the Authority purchased capital assets in the amount of $1,993,709, while incurring depreciation on capital assets in the amount of $1,444,265. In addition, the Authority purchased investments in the amount of $575,080.

The Authority's current liabilities increased by $2,083,969 and $885,460 during the fiscal years ended June 30, 2017 and 2016, respectively. The current year increase is the result of the increase in accounts payable of $2,130,628.

The Authority's long-term liabilities increased by $179,967 during the current year as a result of the increase in the net pension liability.

The Authority's net position increased by $12,200,780 and $7,410,034 during the fiscal years ended June 30, 2017 and 2016, respectively. These changes are attributed to collection of the 1% penny sales tax.

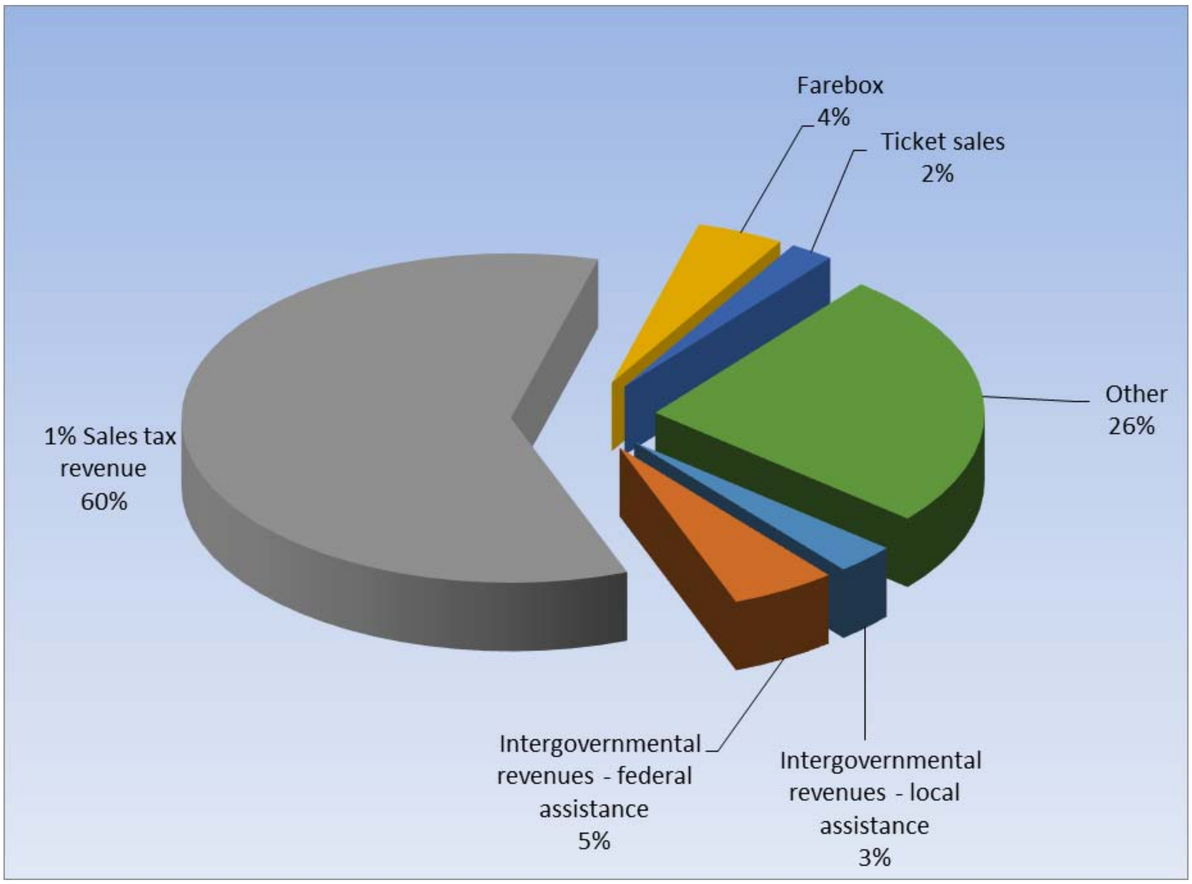
Financial Statements (Continued)

Revenues, Expenses, and Changes in Net Position: The following table summarizes the revenues, expenses, and changes in net position for the fiscal years ended June 30, 2017, 2016 and 2015.

	2017	2016	2015
Operating revenues:			
Farebox	**$ 1,377,978**	$ 1,341,273	$ 1,429,628
Ticket sales	**702,877**	653,063	622,105
Advertising	**75,561**	30,630	7,954
Contracted services	**67,942**	-	-
Miscellaneous	**15,952**	43,424	469
Operating revenues	**2,240,310**	2,068,390	2,060,156
Operating expenses:			
Contract services	**13,593,636**	12,608,631	10,103,967
Vehicle fuel	**1,252,073**	989,677	1,181,673
Other operating expense	**3,571,627**	2,657,625	3,726,472
Depreciation	**1,553,623**	1,444,265	1,219,555
Operating expenses	**19,970,959**	17,700,198	16,231,667
Operating loss	**(17,730,649)**	(15,631,808)	(14,171,511)
Nonoperating revenues (expenses)			
Intergovernmental revenues - local assistance	**946,495**	1,658,165	202,970
Intergovernmental revenues - federal assistance	**1,671,266**	3,711,030	827,101
1% Sales tax revenue	**19,312,215**	17,621,058	15,161,645
Interest income	**55,621**	22,117	9,212
Nonoperating revenue, net	**21,985,597**	23,012,370	16,200,928
Capital contributions - federal grants	**7,945,832**	29,472	606,631
Change in net position	**$ 12,200,780**	$ 7,410,034	$ 2,636,048

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 June 30, 2017.



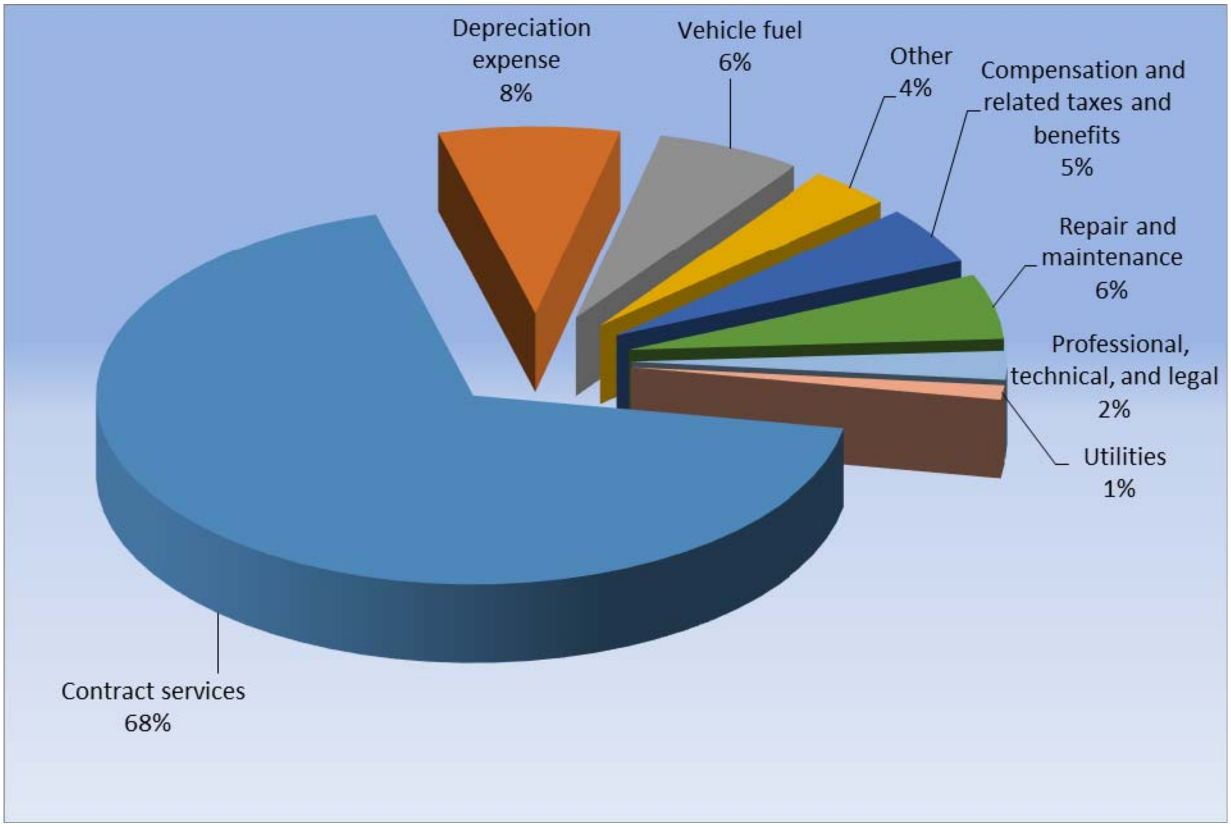
Note: Labels for some revenue accounts have been combined into an "Other" category because their individual portions were less than 1%.

For the fiscal year ended June 30, 2017, operating revenues of the Authority were $171,920, or 8.3% higher than 2016 revenues of $2,068,390. Elements to consider related to these changes include:

- Farebox revenue increased by 2.8% or $36,705.
- Advertising revenue increased by 147% from $30,630 to $75,561. Fiscal year 2017 bus wrap advertisement contracts increased.
- Ticket sales revenue increased by 7.6% or $49,814 due to continued discounts being offered to agencies that purchase tickets in bulk and new contract customers.

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 June 30, 2017.



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

For the fiscal year ended June 30, 2017, operating expenses increased $2,270,761, or 13% to $19,970,959. The majority of the current year increase in expenses is the result of increased contract services in the amount of $985,005, increased depreciation expense of $109,358, and increased other operating expenses of $186,641.

For the fiscal year ended June 30, 2017, non-operating revenues of the Authority totaled $21,985,597, which was approximately $1 million lower than 2016. The majority increase in 1% sales tax revenue of approximately $1.7 million was offset by a decrease in intergovernmental revenues from federal assistance of approximately $2.3 million.

Capital Assets and Debt Administration

Capital Assets: The Authority's investment in capital assets was $28,980,008 as of June 30, 2017. This represents a 75.6% increase in the Authority's capital asset balance of $16,499,460 as of June 30, 2016. These investments in capital assets include land, buildings, buses, and machinery and equipment.

During fiscal year 2017 with approved FTA grant funding, Rolling Stock was purchased to replace current aged fleet. The Authority obtained 8 Cutaways Propane vehicles, 23 35' and 8 40' New Flyer buses, security cameras for all buses, and bus shelters with accessories.

Debt Administration: The Authority had no long- or short-term debt to be paid in fiscal year 2017.

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 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.

Potential Future Impacts

Stakeholders broadly recognized that transit is important for Richland County, the City of Columbia, Lexington County, and surrounding rural areas in terms of connection to jobs, health care, leisure activities and education. Authority 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.

Potential Future Impacts (Continued)

There are a number of significant activities impacting the financial aspects of the organization.

I. There has been an ongoing review of the transportation penny sales tax, passed by Richland County voters in November 2012, by the Department of Revenue (DOR) of the State of South Carolina. This review of the county funding and expenditures was initiated in April 2015 and by December 2015 had outlined key concerns by the DOR with County expenditures. By April 2016, the DOR had notified Richland County it would withhold funds until the County complied with DOR requests, which threatened the funding stream for the Authority. A June 2016 court hearing and a written order mandated that the Department of Revenue would release funds; DOR, however, has since appealed the decision and also sought an administrative ruling that would prevent the Penny Sales Tax funds from being spent on any purchase that was not capital, or a hard asset. On October 25, 2016, an administrative law hearing occurred to explain the impact on the Authority should such a rule be enacted in that such a rule would prevent the Authority from using penny funds for operating expenses. At least 90% of all revenues of the Authority are directly generated by the Penny or from transit services. There remains an ongoing concern that the Penny Sales Tax may have its use restricted despite what was voted on in the 2012 referendum.

II. The Central Midlands Council of Governments is conducting a transit center site selection study. This is a required first step to evaluate current and future operations needs for the system as well as identifies the types of infrastructure and amenities required for a growing transit system. Transit centers range in price from $10-$15 million, which means the organization needs to be prepared for a five to seven year process with available capital match of as much as $4 million and the ability to expand a significant portion of future grant dollars on acquisition of property and construction of a facility.

III. Vehicle replacement is a very large series of capital purchases necessary to replace the outdated fleet. Replacement of fleet as would allow better more reliable services and expansion of services. The buses range from less than 30-foot neighborhood friendly minibuses up to 40-foot heavy-duty transit buses. This extremely large capital outlay within a one-year period will simultaneously improve the service but also nearly deplete capital reserves and grant dollars.

IV. **Legal.** A lawsuit has been filed by a private citizen that claims the referendum and the ordinance does not comply with South Carolina legislation. The lawsuit questions whether the transit funding for the operation of mass transit services is permitted within the scope of the law. The Central Midlands Regional Transportation Authority ("CMRTA", also known as "The COMET") has intervened in that action to join Richland County in the defense of the action. That lawsuit is still pending in the Court of Common Pleas for Richland County before the Honorable G. Thomas Cooper, Judge. There are also additional lawsuits pending with South Carolina Human Affairs Commission ("SHAC").

Potential Future Impacts (Continued)

V. **Grant Opportunities**. Available grants will be sought after by the Authority to increase and/or improve transit service for the Central Midlands area. These grants usually include but are not limited to 5307 (Urbanized Area Formula Program) and 5339 (Bus and Bus Facilities Program). With the passage of the Transportation Penny Sales Tax, funds are being held in capital and operating reserves strictly for use as local matching dollars for Federal grants.

VI. **Enhanced Services Types**. During fiscal year 2016, the Authority realized the need for the development of high-frequency services along high capacity corridors and how it would 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 restructured services 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. The Authority added two new technologies to make riding more enjoyable. Catch the COMET app, which is a live vehicle tracking system that allows passengers to track in real time and receive alerts when a bus arrives or departs from any location in the county. The app is available on desktop computers, laptops, tablets and smartphone's and Passport, which allows passengers to pay for fares on their smartphone. As of June 30, 2017, these services have been completed.

VII. **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, website as an information tool with trip planning information along with schedules and maps. The Authority has also initiated a class led program called the CMRTA Transit Leadership Academy to give individuals a behind the scenes look at transit operations. The Authority has also partnered with WIS-TV to produce a commercial for the agency to highlight the advantage of transit services.

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, 2017 AND 2016

	2017	2016
ASSETS		
Current assets		
Cash and cash equivalents	**$ 5,111,754**	$ 8,171,160
Receivables:		
1% Sales tax	**11,484,636**	8,582,760
Intergovernmental	**3,015,479**	1,491,738
Contract service	**17,942**	-
Ticket sales	**40,027**	39,253
Farebox revenue	**-**	442
Interest	**19,567**	-
Prepaid expenses	**12,565**	20,483
Ticket inventory	**19,287**	17,058
Total current assets	**19,721,257**	18,322,894
Noncurrent assets		
Restricted investments	**2,639,983**	2,105,574
Capital assets - nondepreciable	**1,742,522**	1,742,522
Capital assets - depreciable, net	**27,237,486**	14,756,938
Total noncurrent assets	**31,619,991**	18,605,034
Total assets	**51,341,248**	36,927,928
DEFERRED OUTFLOWS OF RESOURCES		
Pension	**374,990**	323,889
Total deferred outflows of resources	**$ 374,990**	$ 323,889

		2017		2016
LIABILITIES				
Current liabilities				
Accounts payable - operations	**$**	**4,055,911**	$	1,925,283
Accrued liabilities		**18,250**		26,950
Unearned revenue		**147,514**		185,473
Total current liabilities		**4,221,675**		2,137,706
Noncurrent liabilities				
Net pension liability		**1,610,533**		1,430,566
Total liabilities		**5,832,208**		3,568,272
DEFERRED INFLOWS OF RESOURCES				
Pension		**2,263**		2,558
Total deferred inflows of resources		**2,263**		2,558
NET POSITION				
Investment in capital assets		**28,980,008**		16,499,460
Restricted for capital projects		**2,639,983**		2,105,574
Restricted for rolling stock replacement		**224,808**		224,808
Unrestricted		**14,036,968**		14,851,145
Total net position	**$**	**45,881,767**	$	33,680,987

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

CENTRAL MIDLANDS REGIONAL TRANSIT AUTHORITY

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE FISCAL YEARS ENDED JUNE 30, 2017 AND 2016

	2017	2016
Operating revenues		
Farebox	$ 1,377,978	$ 1,341,273
Ticket sales	702,877	653,063
Advertising	75,561	30,630
Contract services	67,942	-
Miscellaneous	15,952	43,424
Total operating revenues	2,240,310	2,068,390
Operating expenses		
Contract services	13,593,636	12,608,631
Vehicle fuel	1,252,073	989,677
Facility rental expense	60,000	60,000
Compensation and related taxes and benefits	1,009,442	1,019,723
Contract labor	17,170	90,216
Security services	-	5,139
Repair and maintenance	1,114,746	297,183
Training	40,043	55,881
Supplies	115,869	83,120
Postage and shipping	2,456	2,857
Taxes and fees	24,456	24,515
Rental	27,590	45,528
Utilities	246,775	199,489
Insurance	97,429	64,898
Marketing, printing, and advertising	63,326	317,191
Professional, technical, and legal	492,526	350,674
Dues and subscriptions	43,752	11,805
Other operating expenses	216,047	29,406
Depreciation expense	1,553,623	1,444,265
Total operating expenses	19,970,959	17,700,198
Operating loss	(17,730,649)	(15,631,808)
Non-operating revenues		
Intergovernmental revenues - local assistance	946,495	1,658,165
Intergovernmental revenues - federal assistance	1,671,266	3,711,030
1% Sales tax revenue	19,312,215	17,621,058
Interest income	55,621	22,117
Total non-operating revenues	21,985,597	23,012,370
Capital contributions - federal grants	7,945,832	29,472
Change in net position	12,200,780	7,410,034
Net position, beginning of year	33,680,987	26,270,953
Net position, end of year	$ 45,881,767	$ 33,680,987

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

CENTRAL MIDLANDS REGIONAL TRANSIT AUTHORITY

STATEMENTS OF CASH FLOWS
FOR THE FISCAL YEARS ENDED JUNE 30, 2017 AND 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers and users	$ 2,202,469	$ 2,058,777
Payments to suppliers	(15,271,577)	(14,549,615)
Payments to employees	(889,571)	(925,241)
Net cash used in operating activities	(13,958,679)	(13,416,079)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Intergovernmental receipts	17,466,400	19,113,818
Net cash provided by non-capital financing activities	17,466,400	19,113,818
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition or construction of capital assets	(14,034,171)	(1,993,709)
Capital grants	7,945,832	29,472
Net cash used in capital and related financing activities	(6,088,339)	(1,964,237)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(478,788)	(575,080)
Net cash used in investing activities	(478,788)	(575,080)
Increase (decrease) in cash and cash equivalents	(3,059,406)	3,158,422
Cash and cash equivalents:		
Beginning of year	8,171,160	5,012,738
End of year	$ 5,111,754	$ 8,171,160
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	$ (17,730,649)	$ (15,631,808)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation expense	1,553,623	1,444,265
Changes in assets and liabilities:		
Increase in accounts receivable	(37,841)	(9,613)
Decrease in prepaid expenses	7,918	3,791
Increase in inventory	(2,229)	(11,509)
Increase in deferred outflows of resources - pension	(51,101)	(217,318)
Increase in accounts payable	2,130,628	703,216
Decrease in retainage payable	-	(8,903)
Increase (decrease) in accrued liabilities	(8,700)	5,674
Decrease in deferred inflows of resources - pension	(295)	(85,069)
Increase in net pension liability	179,967	391,195
Net cash used in operating activities	$ (13,958,679)	$ (13,416,079)

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

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 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.

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 decreased in the fair value during the year are recognized as a component of interest income.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Prepaid Expenses

Payments made to vendors for services that will benefit periods beyond June 30, 2017, are recorded as prepaid expenses.

Accounts Receivable

Accounts receivable consist mainly of the 1% transportation sales tax and 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, 5 day passes, 7 day passes, 31 day passes, all-day half fare passes, 5 day half fare passes, 7 day half fare passes, 31 day half fare passes, agency passes, and “U” 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:

Assets	Years
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

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

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 future period(s) and so will not be recognized as an outflow of resources (expense) until then. Four items relating to the Authority's Retirement Plan 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. 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 June 30, 2018.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Outflows/Inflows of Resources (Continued)

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. Two items relating to the Authority's Retirement Plan qualify for reporting in this category and are combined in the Statement of Net Position under the heading "Pension." The first item, 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. These changes are reported as deferred inflows of resources and will be recognized as an increase to the net pension liability in future years.

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) 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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Subsequent Events

In preparing these financial statements, the Authority has evaluated events and transactions for potential recognition or disclosure through September 26, 2017, the date the financial statements were available and issued.

NOTE 2. DEPOSITS AND INVESTMENTS

Total cash and cash equivalents as of June 30, 2017 and 2016 are summarized as follows:

	2017	2016
As reported in the Statement of Net Position:		
Cash and cash equivalents	**$ 5,111,754**	$ 8,171,160
Restricted:		
Investments	**2,639,983**	2,105,574
	$ 7,751,737	$ 10,276,734
Cash deposited with financial institutions	**$ 5,111,754**	$ 8,171,160
Certificates of deposit	**2,639,983**	2,105,574
	$ 7,751,737	$ 10,276,734

Interest Rate Risk. The Authority does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

NOTE 2. DEPOSITS AND INVESTMENTS (CONTINUED)

At June 30, 2017, information on the interest rate risk related to the Authority's investments is disclosed as follows:

Investment	Maturities	Fair Value
Certificate of deposit	June 6, 2019	$ 1,039,129
Certificate of deposit	April 30, 2020	512,587
Certificate of deposit	January 14, 2021	586,674
Certificate of deposit	September 16, 2021	501,593
Total		$ 2,639,983

At June 30, 2016, information on the interest rate risk related to the Authority's investments is disclosed as follows:

Investment	Maturities	Fair Value
Certificate of deposit	June 6, 2019	$ 577,022
Certificate of deposit	April 30, 2020	1,023,617
Certificate of deposit	January 14, 2021	504,935
Total		$ 2,105,574

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 June 30, 2017 and 2016, 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. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2017, is as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Capital assets, not being depreciated:					
Land	$ 1,742,522	$ -	$ -	$ -	$ 1,742,522
Total	1,742,522	-	-	-	1,742,522
Capital assets, being depreciated:					
Buildings	13,994,268	-	-	-	13,994,268
Fixed route buses	11,497,221	13,884,754	(232,049)	-	25,149,926
DART vehicles	2,776,924	-	-	-	2,776,924
Vehicles	111,115	-	-	-	111,115
Machinery and equipment	3,124,280	149,417	(7,279)	-	3,266,418
Furniture and fixtures	222,903	-	-	-	222,903
Total	31,726,711	14,034,171	(239,328)	-	45,521,554
Less accumulated depreciation for:					
Buildings	(4,492,793)	(538,916)	-	-	(5,031,709)
Fixed route buses	(8,867,378)	(462,152)	232,049	-	(9,097,481)
DART vehicles	(1,116,247)	(281,553)	-	-	(1,397,800)
Vehicles	(89,297)	(5,134)	-	-	(94,431)
Machinery and equipment	(2,308,409)	(244,357)	7,279	-	(2,545,487)
Furniture and fixtures	(95,649)	(21,511)	-	-	(117,160)
Total	(16,969,773)	(1,553,623)	239,328	-	(18,284,068)
Total capital assets, being depreciated, net	14,756,938	12,480,548	-	-	27,237,486
Total capital assets, net	$ 16,499,460	$ 12,480,548	$ -	$ -	$ 28,980,008

NOTE 3. CAPITAL ASSETS (CONTINUED)

Capital assets activity for the year ended June 30, 2016, is as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Capital assets, not being depreciated:					
Land	$ 1,742,522	$ -	$ -	$ -	$ 1,742,522
Total	1,742,522	-	-	-	1,742,522
Capital assets, being depreciated:					
Buildings					
Fixed route buses	13,994,268	-	-	-	13,994,268
DART vehicles	11,497,221	-	-	-	11,497,221
Trolleys	974,577	1,802,347	-	-	2,776,924
Vehicles	111,115	-	-	-	111,115
Machinery and equipment	2,932,918	191,362	-	-	3,124,280
Furniture and fixtures	222,903	-	-	-	222,903
Total	29,733,002	1,993,709	-	-	31,726,711
Less accumulated depreciation for:					
Buildings	(3,953,878)	(538,915)	-	-	(4,492,793)
Fixed route buses	(8,439,690)	(427,688)	-	-	(8,867,378)
DART vehicles	(931,603)	(184,644)	-	-	(1,116,247)
Vehicles	(84,163)	(5,134)	-	-	(89,297)
Machinery and equipment	(2,042,036)	(266,373)	-	-	(2,308,409)
Furniture and fixtures	(74,138)	(21,511)	-	-	(95,649)
Total	(15,525,508)	(1,444,265)	-	-	(16,969,773)
Total capital assets, being depreciated, net	14,207,494	549,444	-	-	14,756,938
Total capital assets, net	$ 15,950,016	$ 549,444	$ -	$ -	$ 16,499,460

NOTE 4. 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 years ended June 30, 2017 and 2016 is $60,000 and $60,000, respectively.

NOTE 5. RETIREMENT SYSTEM

Overview

The South Carolina Public Employee Benefit Authority (PEBA), which was created July 1, 2012, administers the various retirement systems and retirement programs managed by its Retirement Division. PEBA has an 11-member Board of Directors, appointed by the Governor and General Assembly leadership, which serves as co-trustee and co-fiduciary of the systems and the trust funds. By law, the Budget and Control Board (State Fiscal Accountability Authority effective July 1, 2015), which consists of five elected officials, also reviews certain PEBA Board decisions regarding the funding of the South Carolina Retirement Systems (Systems) and serves as a co-trustee of the Systems in conducting that review.

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, PO Box 11960, Columbia, SC 29211-1960. PEBA is considered a division of the primary government of the state of South Carolina and, therefore, retirement trust fund financial information is also included in the comprehensive annual financial report of the state.

Plan Description

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

NOTE 5. RETIREMENT SYSTEM (CONTINUED)

Membership

Membership requirements are prescribed in Title 9 of the South Carolina Code of Laws. Generally, all employees of covered employers are required to participate in and contribute to the system as a condition of employment. This plan covers general employees and teachers and individuals newly elected to the South Carolina General Assembly beginning with the November 2012 general election. An employee member of the system with an effective date of membership prior to July 1, 2012, is a Class Two member. An employee member of the system with an effective date of membership on or after July 1, 2012, is a Class Three member.

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.

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 1% or $500 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.

NOTE 5. RETIREMENT SYSTEM (CONTINUED)

Contributions

Contributions are prescribed in Title 9 of the South Carolina Code of Laws. Upon recommendation by the actuary in the annual actuarial valuation, the PEBA Board may adopt and present to the Budget and Control Board for approval an increase in the SCRS employer and employee contribution rates, but any such increase may not result in a differential between the employee and total employer contribution rate that exceeds 2.9% of earnable compensation for SCRS. An increase in the contribution rates adopted by the Board may not provide for an increase of more than one-half of 1% in any one year. If the scheduled employee and employer contributions provided in statute or the rates last adopted by the Board are insufficient to maintain a 30-year amortization schedule of the unfunded liabilities of the plans, the Board shall increase the contribution rates in equal percentage amounts for the employer and employee as necessary to maintain the 30-year amortization period; and, this increase is not limited to one-half of 1% per year.

Required employee contribution rates for the years ended June 30, 2017 and 2016, are as follows:

	2017	2016
Employee Class Two	**8.66%**	8.16%
Employee Class Three	**8.66%**	8.16%

Required employer contribution rates for the year ended June 30, 2017 and 2016, are as follows:

	2017	2016
Employer Class Two	**11.41%**	10.91%
Employer Class Three	**11.41%**	10.91%
Employer incidental death benefit	**0.15%**	0.15%

NOTE 5. RETIREMENT SYSTEM (CONTINUED)

Actuarial Assumptions and Methods

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

The June 30, 2016 total pension liability, net pension liability, and sensitivity information were determined by our consulting actuary, Gabriel, Roeder, Smith and Company (GRS) and are based on the July 1, 2015, actuarial valuations, as adopted by the PEBA Board and Budget and Control Board which utilized membership data as of July 1, 2015. The total pension liability was rolled forward from the valuation date to the Plan's fiscal year ended June 30, 2016, using generally accepted actuarial principles. Information included in the following schedules is based on the certification provided by GRS.

Assumptions and methods used in the July 1, 2015 and 2014 valuation for the System are as follows:

Actuarial cost method	Entry age normal
Investment rate of return	7.50%
Projected salary increase	3.50% to 12.50% (varies by service)
Inflation	2.75%
Benefit adjustments	Lesser of 1.00% or $500

The post-retiree mortality assumption is dependent upon the member's job category and gender. This assumption includes base rates which are automatically adjusted for future improvement in mortality using published Scale AA projected from the year 2000. Assumptions used in the July 1, 2015 valuation for SCRS are as follows: Males – RP-2000 Males multiplied by 100% and Females – RP-2000 Females multiplied by 90%.

NOTE 5. RETIREMENT SYSTEM (CONTINUED)

Net Pension Liability

The net pension liability (NPL) is calculated separately for each system and represents that particular system's total pension liability determined in accordance with GASB Statement No. 67 less that System's fiduciary net position. NPL totals, as of June 30, 2016 and 2015, for SCRS are presented below.

For the measurement periods ending June 30, 2016 and 2015, the net pension liability for the South Carolina Retirement System is as follows:

	2016	2015
Total pension liability	**$ 3,419,859**	$ 3,326,260
Plan fiduciary net position	**1,809,326**	1,895,694
Employers' net pension liability	**$ 1,610,533**	$ 1,430,566
Plan fiduciary net position as a percentage of the total pension liability	**52.9%**	57.0%

NOTE 5. RETIREMENT SYSTEM (CONTINUED)

Net Pension Liability (Continued)

Total pension liability	**2016**	2015
Service cost	**$ 57,557**	$ 56,135
Interest	**243,660**	237,460
Difference between actual and expected experience	**3,522**	(3,367)
Benefit payments	**(209,818)**	(204,079)
Net change in total pension liability	**94,921**	86,149
Total pension liability - beginning	**3,324,937**	3,240,111
Total pension liability - ending	**3,419,859**	3,326,260
Plan fiduciary net position		
Contributions - employer	**80,879**	77,126
Contributions - member	**56,863**	54,016
Refunds of contributions to members	**(7,065)**	(7,174)
Retirement benefits	**(201,196)**	(195,386)
Death benefits	**(1,558)**	(1,519)
Net investment income	**(12,471)**	28,222
Administrative expense	**(991)**	(947)
Net transfers to affiliated systems	**(75)**	(100)
Net change in Plan fiduciary net position	**(85,614)**	(45,763)
Plan fiduciary net position - beginning	**1,894,940**	1,941,457
Plan fiduciary net position - ending	**1,809,326**	1,895,694
Net pension liability	**$ 1,610,533**	$ 1,430,566

The total pension liability is calculated by the Systems' actuary, and each plan's fiduciary net position is reported in the Systems' financial statements. The net pension liability is disclosed in accordance with the requirements of GASB Statement No. 67 in the Systems' notes to the financial statements and required supplementary information. Liability calculations performed by the Systems' actuary for the purpose of satisfying the requirements of GASB Statement Nos. 67 and 68 are not applicable for other purposes, such as determining the Plans' funding requirements.

NOTE 5. RETIREMENT SYSTEM (CONTINUED)

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

For the year ended June 30, 2017, the Authority recognized pension expense of $209,097. At June 30, 2017, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	**$ 16,695**	**$ 1,749**
Net difference between projected and actual earnings on pension plan investments	**135,498**	**-**
Changes in proportion and differences between employer contributions and proportionate share of contributions	**142,271**	**514**
Employer contributions subsequent to the measurement date	**80,526**	**-**
Total	**$ 374,990**	**$ 2,263**

Authority contributions subsequent to the measurement date of $80,526 are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ended June 30, 2018.

For the year ended June 30, 2016, the Authority recognized pension expense of $169,690. At June 30, 2016, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 25,416	$ 2,558
Net difference between projected and actual earnings on pension plan investments	9,575	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	208,016	-
Employer contributions subsequent to the measurement date	80,882	-
Total	$ 323,889	$ 2,558

NOTE 5. RETIREMENT SYSTEM (CONTINUED)

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

Authority contributions subsequent to the measurement date of $80,882 are reported as deferred outflows of resources and were recognized as a reduction of the net pension liability during the year ended June 30, 2017.

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 June 30:	2017	2016
2017	**$ -**	$ 71,870
2018	**102,928**	71,870
2019	**94,201**	63,139
2020	**64,622**	33,570
2021	**30,450**	-

Long-term Expected Rate of Return

The long-term expected rate of return on pension plan investments, as used in the July 1, 2015, actuarial valuations, was based upon the 30 year capital market outlook at the end of the fourth quarter 2014, as developed by the Retirement Systems Investment Commission in collaboration with its investment consultant, Aon Hewitt. The long-term expected rate of returns represent assumptions developed using an arithmetic building block approach, reflecting observable inflation and interest rate information available in the fixed income markets as well as Consensus Economics forecasts. Long-term assumptions for other asset classes are based on historical results, current market characteristics, and professional judgment.

For the years ended June 30, 2017 and 2016, the expected real rates of investment return, along with the expected inflation rate, form the basis for the target asset allocation adopted annually by the RSIC. For actuarial purposes, the long-term expected rate of return is calculated by weighting the expected future real rates of return by the target allocation percentage and then adding the actuarial expected inflation which is summarized in the table on the following page. For actuarial purposes, the 7.50% assumed annual investment rate of return used in the calculation of the total pension liability includes a 4.75% real rate of return and a 2.75% inflation component.

NOTE 5. 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	**43.0%**		
Global Public Equity	34.0%	6.52%	2.22%
Private Equity	9.0%	9.30%	0.84%
Real Assets	**8.0%**		
Real Estate	5.0%	4.32%	0.22%
Commodities	3.0%	4.53%	0.13%
Opportunistic	**20.0%**		
GTAA/Risk Parity	10.0%	3.90%	0.39%
HF (Low Beta)	10.0%	3.87%	0.39%
Diversified Credit	**17.0%**		
Mixed Credit	5.0%	3.52%	0.17%
Emerging Markets Debt	5.0%	4.91%	0.25%
Private Debt	7.0%	4.47%	0.31%
Conservative Fixed Income	**12.0%**		
Core Fixed Income	10.0%	1.72%	0.17%
Cash and Short Duration (Net)	2.0%	0.71%	0.01%
	Total expected real return		5.10%
	Inflation for actuarial purposes		2.75%
	Total expected nominal return		7.85%

Discount Rate

The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that the funding policy specified in the South Carolina State Code of Laws will remain unchanged in future years. Based on those assumptions, each System's fiduciary net position was projected to be available to make all projected future benefit payments of current Plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

NOTE 5. RETIREMENT SYSTEM (CONTINUED)

Sensitivity Analysis

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

Sensitivity of the Net Position Liability to Changes in the Discount Rate

Fiscal Year	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
2017	$ 2,009,096	$ 1,610,533	$ 1,278,744
2016	1,803,535	1,430,566	1,117,971

Additional Financial and Actuarial Information

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

NOTE 6. COMMITMENTS AND CONTINGENCIES

Grant income from local governments and federal grantor agencies for the years ended June 30, 2017 and 2016 totaled $10,563,593 and $5,398,667, 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 7. 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 years ended June 30, 2017 and 2016 totaled $63,570 and $61,035, respectively.

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 years ended June 30, 2017 and 2016, there were no liabilities which exceeded the coverage available through the South Carolina Insurance Reserve Fund and separate purchased carriers.

REQUIRED SUPPLEMENTARY INFORMATION

CENTRAL MIDLANDS REGIONAL TRANSIT AUTHORITY

Required Supplementary Information
Schedule of Authority's Proportionate Share of the Net Pension Liability
For the Fiscal Years Ended June 30,

	2017	2016	2015
Authority's proportion of the net pension liability	**0.007540%**	0.007543%	0.006037%
Authority's proportionate share of the net pension liability	**$ 1,610,533**	$ 1,430,566	$ 1,039,371
Authority's covered-employee payroll	**$ 585,525**	$ 568,742	$ 448,840
Authority's proportionate share of the net pension liability as a percentage of its covered-employee payroll	**275.1%**	251.5%	231.6%
Plan fiduciary net position as a percentage of the total pension liability	**52.9%**	57.0%	59.9%

CENTRAL MIDLANDS REGIONAL TRANSIT AUTHORITY

Required Supplementary Information
Schedule of Authority Contributions
For the Fiscal Years Ended June 30,

	2017	2016	2015
Actuarially determined contribution	**$ 80,755**	$ 77,090	$ 58,099
Contributions in relation to the actuarially contribution	**80,755**	77,090	58,099
Contribution deficiency (excess)	**$ -**	$ -	$ -
Covered employee payroll	**$ 585,525**	$ 568,742	$ 448,840
Contributions as a percentage of covered-employee payroll	**13.79%**	13.55%	12.94%

SUPPLEMENTARY INFORMATION

CENTRAL MIDLANDS REGIONAL TRANSIT AUTHORITY

SCHEDULES OF OPERATING AND NON-OPERATING REVENUES, EXPENSES, AND CHANGES IN NET POSITION FOR THE FISCAL YEARS ENDED JUNE 30, 2017 AND 2016

	2017		2016	
Operating revenues				
Farebox		**$ 1,377,978**		$ 1,341,273
Ticket sales		**702,877**		653,063
Advertising		**75,561**		30,630
Contract services		**67,942**		-
Miscellaneous		**15,952**		43,424
Total operating revenues		**2,240,310**		2,068,390
Operating expenses				
Contract services:				
Contractor - fixed route	**$ 11,279,106**		$10,418,104	
Contractor - DART	**2,314,530**		2,110,869	
Contractor - Santee Wateree	**-**	**13,593,636**	79,658	12,608,631
Vehicle fuel		**1,252,073**		989,677
Facility rental expense		**60,000**		60,000
Compensation and related taxes and benefits:				
Salaries	**677,999**		683,984	
Annual leave	**8,479**		28,329	
Sick leave	**3,823**		8,083	
Funeral leave	**379**		1,534	
Other paid leave	**3,223**		3,147	
Retirement	**209,097**		169,690	
FICA and Medicare	**48,513**		52,486	
Employee health insurance	**56,804**		69,660	
Worker compensation	**1,125**	**1,009,442**	2,810	1,019,723
Contract labor		**17,170**		90,216
Security services		**-**		5,139
Repair and maintenance:				
Software and equipment maintenance	**91,737**		71,483	
Vehicle repairs and maintenance	**108,689**		13,817	
Transit facility repairs and maintenance - federal grants	**-**		79,655	
Transit facility repairs and maintenance	**106,674**		86,840	
Transit facility repairs and maintenance - capital	**1,281**		-	
Shelters and bus stop signs	**52,208**		6,614	
Software and equipment maintenance - federal grants (210)	**125,219**		35,896	
Software and equipment maintenance - federal grants	**628,938**	**1,114,746**	2,878	297,183
Training:				
Employee training	**28,182**		-	
Employee training (210)	**11,861**		55,235	
Meetings/Seminars/Events	**-**	**40,043**	646	55,881
Supplies:				
Office supplies/other expense	**9,470**		9,874	
Fare collection services/supplies	**71,641**		51,209	
Ticket supplies	**34,758**	**115,869**	22,037	83,120

	2017		2016	
Operating expenses (Continued)				
Postage and shipping		**$ 2,456**		$ 2,857
Taxes and fees		**24,456**		24,515
Rental:				
Office equipment lease	**27,590**		16,045	
Office equipment and furniture	**-**	**27,590**	29,483	45,528
Utilities:				
Electricity	**120,099**		115,189	
Water and sewer	**14,961**		12,631	
Telephone	**75,137**		37,066	
Natural gas	**9,925**		8,495	
Internet	**20,507**		19,815	
Mobile telephone	**6,146**	**246,775**	6,293	199,489
Insurance:				
Insurance - vehicle	**85,007**		30,903	
Insurance - facilities	**6,345**		8,820	
Insurance - vehicle - capital	**-**		9,843	
Insurance - Lucius Road Facility	**-**		3,052	
Insurance - tort	**3,484**		6,950	
Insurance - officers - directors	**2,593**	**97,429**	5,330	64,898
Marketing, printing, and advertising:				
Marketing/advertising/promotion	**56,872**		292,772	
Legal advertising	**-**		7,558	
Printing	**6,454**		5,817	
Meals and entertainment	**-**		1,812	
Apparel and merchandise	**-**	**63,326**	9,232	317,191
Professional and technical/legal:				
Professional and technical/legal	**468,410**		350,674	
Professional services - general	**24,116**	**492,526**	-	350,674
Dues and subscriptions		**43,752**		11,805
Other operating expenses:				
Administration - miscellaneous	**9,773**		3,340	
Other services	**206,274**	**216,047**	26,066	29,406
Depreciation expense		**1,553,623**		1,444,265
Total operating expenses		**19,970,959**		17,700,198
Operating loss		**(17,730,649)**		(15,631,808)

(Continued)

CENTRAL MIDLANDS REGIONAL TRANSIT AUTHORITY

SCHEDULES OF OPERATING AND NON-OPERATING REVENUES, EXPENSES, AND CHANGES IN NET POSITION FOR THE FISCAL YEARS ENDED JUNE 30, 2017 AND 2016

	2017		2016	
Non-operating revenues (expenses)				
Operating grants - local assistance				
Local revenue - Columbia	**$ 60,000**		$ 60,000	
Local revenue - Lexington County	**179,281**		142,017	
Local revenue - Rural transit program	**191,317**		258,896	
Local revenue - SMTF	**515,897**	**$ 946,495**	1,197,252	$ 1,658,165
Operating grants - federal assistance				
Federal revenue - planning (210)	**39,281**		8,328	
Federal revenue - operations	**-**		70,698	
Federal revenue - capital (PM)	**1,631,985**	**1,671,266**	3,632,004	3,711,030
1% Sales tax revenue		**19,312,215**		17,621,058
Interest income		**55,621**		22,117
Total non-operating revenues, net		**21,985,597**		23,012,370
Capital contributions - federal grants				
Federal revenue - capital		**7,945,832**		29,472
Change in net position		**12,200,780**		7,410,034
Net position, beginning of year		**33,680,987**		26,270,953
Net position, end of year		**$ 45,881,767**		$ 33,680,987

CENTRAL MIDLANDS REGIONAL TRANSIT AUTHORITY

SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
BUDGET (NON-GAAP BASIS) AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Actual	Final Budget	Variance with Budget
Revenues			
Farebox	$ 1,377,978	$ 1,267,500	$ 110,478
Ticket sales	702,877	682,500	20,377
Advertising	75,561	7,710	67,851
Contract services	67,942	-	67,942
In-kind revenue on use of facilities	60,000	60,000	-
Local funds - Lexington County	179,281	110,722	68,559
1% Sales tax revenue	19,312,215	16,779,545	2,532,670
Interest income	55,621	28,192	27,429
Federal revenue	7,945,832	2,416,563	5,529,269
Federal revenue - section 5307 - facility funding	1,671,266	5,210,401	(3,539,135)
State Mass Transit Funds - operating	515,897	460,214	55,683
Rural transit program	191,317	256,102	(64,785)
Miscellaneous	15,952	-	15,952
Total revenues	32,171,739	27,279,449	4,892,290
Operating expenses			
Administrative:			
Staff - labor and fringes	1,026,612	1,101,466	74,854
Dues and subscriptions	43,752	27,852	(15,900)
Training and development	40,043	34,084	(5,959)
Office equipment lease	27,590	10,992	(16,598)
Office supplies and other expenses	9,470	10,000	530
Postage and shipping	2,456	2,500	44
Marketing, printing, and advertising	63,326	58,000	(5,326)
Administrative - miscellaneous	9,773	9,895	122
Tickets, transfers, zone passes	34,758	64,665	29,907
Custodial and other services	206,274	1,000	(205,274)
Total administrative	1,464,054	1,320,454	(143,600)
Operations and maintenance:			
In-kind expense on use of facilities	60,000	60,000	-
Transit facility maintenance and repairs	107,955	101,333	(6,622)
Contractor - fixed route	11,279,106	11,782,067	502,961
Contractor - DART	2,314,530	2,655,705	341,175
Software equipment and maintenance	845,894	-	(845,894)
Vehicle and propane fuel	1,252,073	1,484,739	232,666
Shelters and bus stop signs	52,208	-	(52,208)
Vehicle maintenance, repairs, and insurance deductible	108,689	-	(108,689)
Total operations and maintenance	16,020,455	16,083,844	63,389
Depreciation expense	1,553,623	1,524,400	(29,223)

	Actual	Final Budget	Variance with Budget
Insurance:			
Insurance - vehicle - comp and collision	$ 85,007	$ 41,095	$ (43,912)
Insurance - facilities	6,345	12,957	6,612
Insurance - tort liability	3,484	7,650	4,166
Insurance - officers and directors and employee bonding	2,593	6,097	3,504
Total insurance	97,429	67,799	(29,630)
Technical services:			
Professional and technical/legal	492,526	322,070	(170,456)
Fare collection services and supplies	71,641	61,401	(10,240)
	564,167	383,471	(180,696)
Utilities:			
Electricity - all services	120,099	118,666	(1,433)
Water and sewer	14,961	5,488	(9,473)
Telephone	75,137	40,000	(35,137)
Mobile telephone	6,146	7,400	1,254
Internet	20,507	22,000	1,493
Natural gas	9,925	9,500	(425)
Total utilities	246,775	203,054	(43,721)
Taxes and fees:			
Taxes and fees	6,725	6,800	75
Banking fees	17,731	20,000	2,269
Total taxes and fees	24,456	26,800	2,344
Total operating expenses	19,970,959	19,609,822	(361,137)
Major capital expenses			
Office equipment	-	7,000	7,000
Vehicles and equipment	14,034,171	649,870	(13,384,301)
Total capital expenses	14,034,171	656,870	(13,377,301)
Total expenses	34,005,130	20,266,692	(13,738,438)
Revenues over (under) expenses	$ (1,833,391)	$ 7,012,757	$ 8,846,148

Reconciliation of revenues under expenses to change in net position:

Change in net position	$ 12,200,780
Capitalized items	(14,034,171)
Revenues under expenses	$ (1,833,391)

CENTRAL MIDLANDS REGIONAL TRANSIT AUTHORITY

SCHEDULE OF BUDGETED TO ACTUAL COSTS - SCDOT GRANTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

OPT Contract #	PT-7M499-53				
Contract period	July 1, 2016 - June 30, 2017				
Actual Cost	CMRTA Budget FY2017	Section 5307	SMTF	Local	
Performance period:	July 2016 through June 2017	July 1, 2016 through June 30, 2017	July 1, 2016 through June 30, 2017	July 1, 2016 through June 30, 2017	Total Program Variance
SMTF operations					
Vehicle fuel	$ 1,484,739	$ -	$ 515,897	$ 736,176	$ 232,666
Funds to offset operations	18,135,092	9,360,996	-	8,581,056	193,040
Total approved budget	$ 19,619,831	$ 9,360,996	$ 515,897	$ 9,317,232	$ 425,706
Approved budget	$ 19,619,831				
TI Federal costs	9,360,996				
TI State costs	515,897				
TI Local costs	9,317,232				
Budget over actual	$ 425,706				

OPT Contract #	PT-6M411-48				
Contract period	July 1, 2016 - June 30, 2017				
Actual Cost	Contract Budget	FTA Current	SCDOT 5311 Current	Local Current	
Performance period:	July 2016 through June 2017	July 1, 2016 through June 30, 2017	July 1, 2016 through June 30, 2017	July 1, 2016 through June 30, 2017	Total Program Variance
Project administration					
operating (lower Richland)	$ 646,861	$ 256,102	$ 191,317	$ 329,415	$ (129,973)
Funds to offset operating deficit	-	-	-	-	-
Total program	$ 646,861	$ 256,102	$ 191,317	$ 329,415	$ (129,973)
Approved budget	$ 646,861				
TI Federal costs	256,102				
TI State costs	191,317				
TI Local costs	329,415				
Actual over budget	$ (129,973)				

COMPLIANCE SECTION

CENTRAL MIDLANDS REGIONAL TRANSIT AUTHORITY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Federal Grantor	Federal CFDA Number	Agency Grant Number	Expenditures	Passed through to Subrecipients
U.S. Department of Transportation:				
Federal Transit Administration				
Federal Transit Cluster				
Passed through the South Carolina Department of Transportation - OPT				
Urbanized Area Grant	20.507	SC-90-X291-00	$ 2,576,378	$ -
Urbanized Area Grant	20.507	SC-2016-014-00	3,644,304	-
Urbanized Area Grant	20.507	SC-90-X278-00	115,283	-
Urbanized Area Grant	20.507	SC-90-X210-00	111,808	-
Formula Grant	20.507	SC-90-X247-00	2,285,640	-
Formula Grant	20.507	SC-2016-013-00	438,767	-
Oper/Maint/Admin Facility Construction	20.507	SC-90-X267-00	404,895	-
Total Federal Transit Cluster			9,577,075	-
Rural Area Program				
Passed through the South Carolina Department of Transportation - OPT				
Section 5311	20.509	PT-7M411-29	133,624	-
Total Rural Area Program			133,624	-
Transit Services Program Cluster				
Passed through the Central Midlands Council of Governments				
2010 JARC Mobility Manager & Job Assistance	20.516	SC-37-X018-00	13,252	-
2010 Travel Trainer	20.516	SC-57-X015-00	26,029	-
Total Transit Services Program Cluster			39,281	-
Total U.S. Department of Transportation Grant Programs			9,749,980	-
Total Federal Expenditures			$ 9,749,980	$ -

CENTRAL MIDLANDS REGIONAL TRANSIT 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 three percent 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 June 30, 2017.

De-Minimis Indirect Cost Rate

During the year ended June 30, 2017, the Authority did not use the de-minimis indirect cost rate.

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
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 years ended June 30, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated September 26, 2017.

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.

Mauldin & Jenkins, LLC

Macon, Georgia
September 26, 2017

MAULDIN & JENKINS

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
Central Midlands Regional Transit Authority
Columbia, South Carolina

Report on Compliance For Each Major Federal Program

We have audited the Central Midlands Regional Transit 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 June 30, 2017. 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* 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 June 30, 2017.

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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.

Mauldin & Jenkins, LLC

Macon, Georgia
September 26, 2017

CENTRAL MIDLANDS REGIONAL TRANSIT AUTHORITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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 deficiencies identified not considered to be material weaknesses?	____ Yes __X__ None Reported
Noncompliance material to financial statements noted?	____ Yes __X__ No

Federal Awards

Internal control over major programs: Material weaknesses identified?	____ Yes __X__ No
Significant deficiencies identified not considered to be material weaknesses?	____ Yes __X__ 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 __X__ No

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster
20.507	U.S. Department of Transportation; Federal Transit Cluster; Urbanized Area Grant

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

CENTRAL MIDLANDS REGIONAL TRANSIT AUTHORITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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