

**CENTRAL MIDLANDS REGIONAL  
TRANSIT AUTHORITY**

**FINANCIAL REPORT**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
AND THE NINE MONTHS ENDED JUNE 30, 2013**

# CENTRAL MIDLANDS REGIONAL TRANSIT AUTHORITY

## FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2014 AND THE NINE MONTHS ENDED JUNE 30, 2013

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## INDEPENDENT AUDITOR'S REPORT

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

### Report on the Financial Statements

We have audited the accompanying financial statements of the **Central Midlands Regional Transit Authority** (the "Authority") as of and for the year ended June 30, 2014 and the nine months ended June 30, 2013, 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, 2014 and June 30, 2013, and the changes in financial position and cash flows for the year ended June 30, 2014 and the nine months ended June 30, 2013 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 16) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information* - Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Central Midland Regional Transit Authority's basic financial statements. The schedules of operating and nonoperating revenues, expenses, and changes in net position, schedule of revenues, expenses, and changes in net position – budget (non-GAAP) and actual, the schedule of budgeted to actual costs – DOT grants, and the schedule of expenditures of federal awards, as required by the Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, 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 nonoperating revenues, expenses, and changes in net position, schedule of revenues, expenses, and changes in net position – budget (non-GAAP) and actual, the schedule of budgeted to actual costs – DOT 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 nonoperating revenues, expenses, and changes in net position, schedule of revenues, expenses, and changes in net position – budget (non-GAAP) and actual, the schedule of budgeted to actual costs – DOT 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.

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**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 24, 2014, on our consideration of the Central Midlands Regional Transit Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Central Midlands Regional Transit Authority's internal control over financial reporting and compliance.

*Mauldin & Jenkins, LLC*

Macon, Georgia  
October 24, 2014

# CENTRAL MIDLANDS REGIONAL TRANSIT AUTHORITY

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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This Management's Discussion and Analysis (MD&A) of the Central Midlands Regional Transit Authority (the "Authority") provides an overview of the major financial activities affecting the operations of the Authority. This overview encompasses the financial performance and financial statements of the Central Midlands Regional Transit Authority for the fiscal year ended June 30, 2014 and the nine months ended June 30, 2013. The information contained in this MD&A is prepared by management and should be considered in conjunction with the information contained in the Independent Auditor's Report and notes to the financial statements. Following this MD&A are the basic financial statements of the Authority, together with the notes, which are essential to a full understanding of the data contained in the financial statements.

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

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

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

The Authority provides Fixed-Route and Dial-A-Ride (DART) paratransit services within Richland County and portions of Lexington County, Fixed Route carrying an average 5,300 passengers every weekday, 2,647 passengers on Saturday and 289 passengers on Sunday with Ridership of 1,535,717. Dial-A-Ride-Transit (DART) carrying an average 221 passengers every weekday and 112 passengers on weekend. Much of this service is provided within the City of Columbia with operations reaching into selected communities. The Authority's system is primarily a radial network, with nearly all of its 19 weekday and 13 weekend routes starting/ending at the Downtown Transfer Center (DTC), located in downtown Columbia at 1224 Laurel and Sumter Streets. Also, there is 1 Flex Route during the weekday. The Authority's most critical task to establish a dedicated local funding source that could fund operations came to reality on November 6, 2012 with the implementation of the Transportation Penny. With additional local funds in place, the system proposes a new direction and approach to public transportation in the Midlands of Columbia with surrounding regions. There is great excitement and expectation among Board members, staff, contractor, partners and the community as a whole.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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### **Authority Activities and Highlights**

Key activities for fiscal year 2014 are as follows:

- As a result of a successful Referendum held in Richland County on November 6, 2012, the Central Midlands Regional Transit Authority will have a dedicated source of revenue for the continued operation of mass transit services, including implementation of near, mid and long-term service improvements in the maximum amount of \$300,991,000, to be provided over a period not to exceed 22 years. The Authority received their first payment from the Richland County Transportation Penny Sales Tax in November 2013.
- The Board of Directors approved the resolution for a Revenue Anticipation note, due to cash flow issues until funds were received from the Transportation Sales Tax revenue. The Authority received \$3,000,000 from a financial institution with an interest rate of 1.27%. The note together with accrued interest was repaid in full on February 28, 2014.
- In July 2013, the Authority established a small local disadvantage business enterprises (SLDBE) goal that is not limited to DBE's certified by the South Carolina Department of Transportation. As part of the procurement process for the contract operator, the Authority included a DBE goal as one of the criteria's upon which proposals will be evaluated. The Executive Committee/Procurement Committee has established a DBE goal of 25% for the contract operator.
- On August 1, 2013, The Authority released a Request for Qualifications (RFQ) for the management and operations of their fixed route and paratransit transportation services. The Procurement Committee received five (5) submittals on August 16, 2013. On August 27, the evaluation committee voted and recommended a short list of three (3) to submit an offer by means of a Request for Proposal (RFP). The top three firms recommended by the evaluation committee included: First Transit, Keolis Transit Services and Veolia Transportation Services. Negotiations were suspended with first and second offerors. In the June 2014 special called meeting, the Board of Directors made a motion to cancel the procurement solicitation and re-advertise and re-issue the RFP for Contract Operator as soon as possible with the support of McNair Law Firm.
- During the year, the Authority increased the current staff to 12 employees. New positions included Travel Trainer, Rural Transportation Planner, Transit Development Manager, Transit Planner & Manager, Community Outreach Coordinator, Project Implementation Specialist and Administrative Support Clerk.
- In August 2013, the Authority Board of Directors voted to hire the contractor employee as the Executive Director of the Authority. The term of the Executive's employment shall be for a period of five (5) years, unless such term is terminated earlier by or to Section 5 in employment agreement.
- The Board approved a six (6) month pilot route for routes 26 (West Columbia) and route 28 (Airport) for midday service that began on November 4, 2013 and was funded by Lexington County. Currently, midday services continue to be provided on two (2) routes, which is three (3) trips per day and fifteen (15) hours per week.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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### **Authority Activities and Highlights (Continued)**

- The Board approved a six (6) month pilot route Northeast Richland Flex Route service, which runs from 6am-7pm Monday – Friday. The Flex Route requires riders to call the day before to schedule a ride and it is free until the rider connects with Fixed Route Service. As of June 2014, the Northeast Flex Route Service is still free to riders.
- In March 2014, the Board approved the reimplementation of Sunday Service in the transit system. Sunday service hours total 186.08 hours to the transit system. In addition, the Board approved Fare Free Weekends, Zoo Route Change, and Fare Free Sundays through Labor Day.
- In May 2014, the Board approved the new Fare Structure for Authority ridership. It includes an ID card Half-Fare program for seniors, youth (under the age of 18), Medicare recipients and persons with disabilities. In addition, the Authority introduced a new five (5) and seven (7) day ticket program.
- In April 2014, the Board approved the Authority to become designated by the Richland County Council to develop and implement a coordinated public transportation system on behalf of Richland County. The South Carolina Department of Transportation and the Central Midlands Regional Transit Authority are authorized to apply for federal and state funds under the Rural Transportation Program Section 5311 for administration, operation, and capital to provide coordinated public transportation service.

### **Financial Highlights**

Key financial highlights for fiscal year 2014 are as follows:

- The Authority's net position (amount that assets exceeded liabilities) was \$24,659,628 and \$19,610,003 as of June 30, 2014 and June 30, 2013, respectively. Of these amounts, \$16,800,380 and \$16,225,285, respectively, were invested in capital assets.
- The Authority's total net position increased \$5,049,625 during the fiscal year ended June 30, 2014 and increased \$452,873 during the nine months ended June 30, 2013. 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 \$3,883,347 and \$4,819,644 for the fiscal year ended June 30, 2014 and the nine months ended June 30, 2013, respectively.
- The Authority received revenue from the 1% penny sales tax in the amount of \$15,110,853 and \$2,233,691 for the fiscal year ended June 30, 2014 and the nine months ended June 30, 2013, respectively.
- In March 2014, the Board approved an agreement between the Authority and the Central Midlands Council of Government (CMCOG) for the development of the Regional Intermodal Transit Facility Plan. The intent of this analysis was to conduct a site selection study. The Authority agreed to pay the CMCOG fifty thousand (\$50,000) for the performance of these services.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### 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 page 17 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 year ended June 30, 2014. 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 18 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 20 through 30 of this report.

### Financial Statements

**Net Position:** The following table summarizes the changes in net position for the fiscal year ended June 30, 2014, the nine months ended June 30, 2013 and the fiscal year ended September 30, 2012.

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Current assets	\$ <b>9,834,320</b>	\$ 3,646,160	\$ 2,380,808
Restricted assets	<b>1,000,000</b>	-	-
Capital assets	<b>16,800,380</b>	16,225,285	17,438,801
Other long-term assets	-	212,562	6,000
Total assets	<u><b>27,634,700</b></u>	<u>20,084,007</u>	<u>19,825,609</u>
Current liabilities	<u><b>2,975,072</b></u>	<u>474,004</u>	<u>668,479</u>
Total liabilities	<u><b>2,975,072</b></u>	<u>474,004</u>	<u>668,479</u>
Net position:			
Net investment in capital assets	<b>16,800,380</b>	16,225,285	17,438,159
Restricted for capital projects	<b>1,000,000</b>	-	-
Restricted for rolling stock replacement	<b>224,808</b>	224,808	224,808
Unrestricted	<b>6,634,440</b>	3,159,910	1,494,163
Total net position	<u><b>\$ 24,659,628</b></u>	<u>\$ 19,610,003</u>	<u>\$ 19,157,130</u>

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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The Authority's total current assets increased by \$6,188,160 during the fiscal year ended June 30, 2014 and increased by \$1,265,352 during the nine months ended June 30, 2013. Elements to consider related to these changes include:

- The Authority's unrestricted cash and cash equivalents increased from \$1,370,424 to \$2,938,051 during the fiscal year ended June 30, 2014.
- The Authority's accounts receivable from the 1% sales tax increased from \$2,233,691 to \$6,387,159 during the fiscal year ended June 30, 2014.
- The Authority had restricted cash of \$1,000,000 as of June 30, 2014.

The Authority's capital and other long-term assets increased by \$362,533 during the fiscal year ended June 30, 2014 and decreased by \$1,006,954 during the nine months ended June 30, 2013. Elements to consider related to these changes include:

- For the fiscal year ended June 30, 2014, the Authority purchased capital assets in the amount of \$1,712,804, while incurring depreciation on capital assets in the amount of \$1,156,888, and writing-off \$212,562 in other assets, which contributed to the \$362,533 increase in capital and other long-term assets.
- For the nine months ended June 30, 2013, the Authority purchased capital assets in the amount of \$76,924, while incurring depreciation on capital assets in the amount of \$1,083,878, which contributed to the \$1,006,954 decrease in capital and other long-term assets.

The Authority's current liabilities increased by \$2,501,068 during the fiscal year ended June 30, 2014 and decreased by \$194,475 during the nine months ended June 30, 2013. Elements to consider related to these changes include:

- The Authority had an intergovernmental payable in the amount of \$2,178,513 as of June 30, 2014. This payable was the result of the Authority entering into an agreement with the City of Columbia and Richland County to reimburse them funds that were paid to the Authority prior to the implementation of the 1% penny sales tax.

The Authority's net position increased by \$5,049,625 during the fiscal year ended June 30, 2014 and increased by \$452,873 during the nine months ended June 30, 2013, respectively. These changes are attributed to the implementation of the 1% penny sales tax towards the end of the nine months ended June 30, 2013.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Financial Statements (Continued)

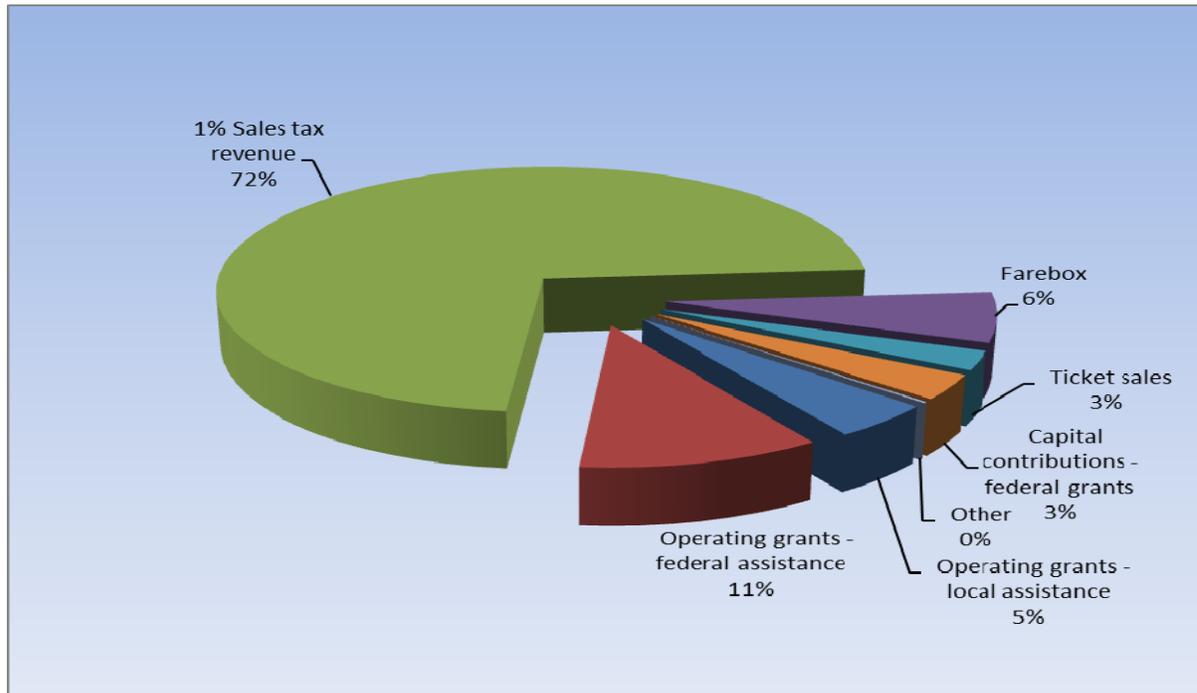
**Revenues, Expenses and Changes in Net Position:** The following table summarizes the revenues, expenses and changes in net position for the fiscal year ended June 30, 2014, the nine months ended June 30, 2013, and the fiscal year ended September 30, 2012.

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Operating revenues:			
Farebox	\$ 1,340,818	\$ 882,614	\$ 1,454,972
Ticket sales	517,731	286,873	417,761
Advertising	16,808	38,762	38,968
Contracted services	437	51,952	154,093
Miscellaneous	-	140	120
Operating revenues	<u>1,875,794</u>	<u>1,260,341</u>	<u>2,065,914</u>
Operating expenses:			
Contract services	7,562,622	5,097,941	7,965,160
Vehicle fuel	1,160,967	643,840	1,129,779
Other operating expense	2,851,571	1,035,639	1,302,684
Depreciation	1,156,888	1,083,878	2,042,761
Operating expenses	<u>12,732,048</u>	<u>7,861,298</u>	<u>12,440,384</u>
Operating loss	<u>(10,856,254)</u>	<u>(6,600,957)</u>	<u>(10,374,470)</u>
Nonoperating revenues (expenses)			
Intergovernmental refund expense	(2,904,683)	-	-
Interest expense	(19,050)	-	-
Loss on disposal of capital assets	(177,451)	-	-
Intergovernmental revenues - local assistance	961,813	4,630,986	7,550,747
Intergovernmental revenues - federal assistance	2,240,586	113,937	2,009,676
1% Sales tax revenue	15,110,853	2,233,691	-
Insurance claim	18,696	-	80,595
Interest income	667	495	1,588
Other	(6,500)	-	-
Nonoperating revenue, net	<u>15,224,931</u>	<u>6,979,109</u>	<u>9,642,606</u>
Capital contributions - federal grants	<u>680,948</u>	<u>74,721</u>	<u>83,072</u>
Change in net position	<u>\$ 5,049,625</u>	<u>\$ 452,873</u>	<u>\$ (648,792)</u>

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Financial Statements (Continued)

The following chart shows the major revenue sources and percentages for revenues as of June 30, 2014.



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

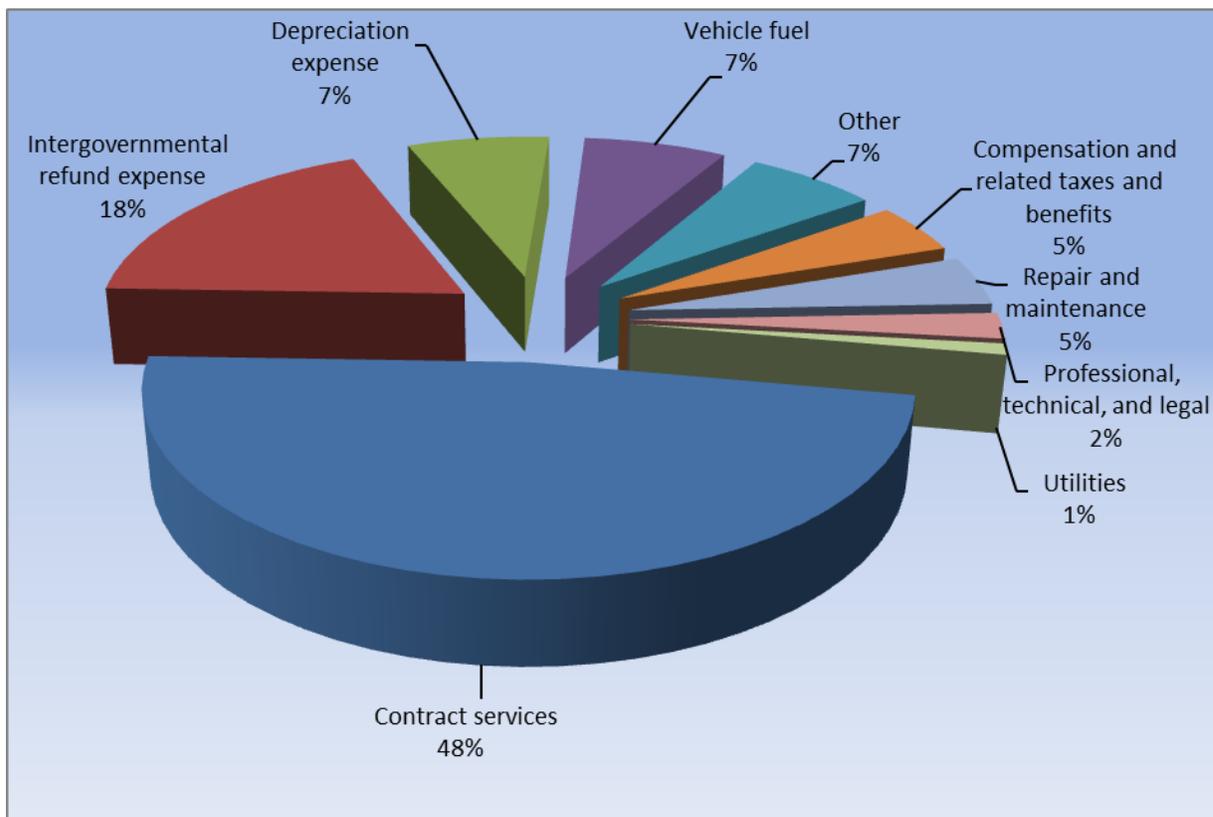
For the fiscal year ended June 30, 2014, operating revenues of the Authority were \$1,875,794, or 49% higher than 2013 revenues of \$1,260,341. The current year increase in revenues is the result of the Authority changing its year end from September 30<sup>th</sup> to June 30<sup>th</sup> during the prior year, which resulted in the prior year audit covering only a nine-month period. Additional elements to consider related to these changes include:

- Farebox Revenue increased by 51.91% or \$458,204 due to prior year audit only covered a nine-month period. There were no major service implementations during the year.
- Advertising revenue decreased by 56.64% from \$38,762 to \$16,808 due to no special promotions during the fiscal year ended June 30, 2014.
- Ticket sales revenue increased by 80.47% or \$230,858 due to prior year audit only covered a nine-month period, as well as additional routes that were added during the fiscal year ended June 30, 2014. Additionally, the Authority and the University of South Carolina negotiated a flat rate bulk purchase of ticket sales for Gamecock Express. The University pays \$12,300 per event and receives an unlimited ticket allotment.
- Major source of revenue is Richland County Transportation Penny Sales Tax revenue, which accounts for approximately 72% of all revenue.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Financial Statements (Continued)

The following chart shows the major expenses and the percentage for the total expenses as of June 30, 2014.



*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, 2014, operating expenses increased \$4,870,750, or 62% to \$12,732,048. The current year increase in expenses is the result of the Authority changing its year end from September 30<sup>th</sup> to June 30<sup>th</sup> during the prior year which resulted in the prior year audit covering only a nine-month period.

For the fiscal year ended June 30, 2014, nonoperating revenues of the Authority totaled \$15,224,931, which was approximately \$8.2 million higher than 2013. This increase is the result of the implementation of the 1% penny sales tax towards the end of the nine months ended June 30, 2013, as well as the Authority changing its year end from September 30<sup>th</sup> to June 30<sup>th</sup> during the prior year.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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### **Budget Analysis**

Over the course of the year, the Authority operated under an approved budget for fiscal year 2014 by the Board of Directors.

- A successful Referendum held in Richland County on November 6, 2012, provided the Central Midlands Regional Transit Authority with a dedicated source of revenue in the maximum amount of \$300,991 to be provided over not to exceed 22 years. The first payment received from Richland County Transportation Penny Sales Tax in November 2013, in the amount of \$3,465,338.
- The Authority's dedicated source of funding, the Transportation Penny Sales Tax, amounted to \$15,110,853 during the fiscal year ended June 30, 2014.
- In August 2013, the board approved to provide funding in the amount of \$10,074 for fiscal year 2014 (July 1, 2013 – June 30, 2014) to Santee Wateree RTA (SWRTA). These funds helped to maintain existing SWRTA services in the Lower Richland area to offer transit service. This partnership provides access to the CMRTA service area via SWRTA route that runs through Lower Richland to the CMRTA Transit Center.
- The deferred timing of the Transportation Tax collections in fiscal year 2013 resulted in a temporary cash flow shortage. Therefore, on August 2013, The Board of Directors approved the resolution for a Revenue Anticipation note for \$3 million. The note with accrued interest of \$19,050 was paid in full in February 2014.
- In May 2014, the Board approved the 12-month budget for fiscal year 2015.
- In June 2014, the Central Midlands Regional Transit Authority established a Capital Reserve Funding account at South Carolina Community Bank in the amount of \$1,000,000. The fiscal year 2014 approved budget includes an Operating Reserve Funding of \$4,837,455 and a Capital Reserve Funding of \$1,500,000.
- The Intergovernmental agreement with Richland County and the City of Columbia started in the first quarter of 2014.
- In fiscal year 2014, the addition of 190.49 Fixed Route Service Hours was added back to transit system.

The fiscal year 2014 budget was \$17.3 million. The Authority's budget was able to sustain operations, after a successful Transportation Penny Sales Tax. The Authority's Board is pursuing putting back the level of service hours before the reduction in May 2012 for the transit system. In addition, the Authority 2020 Vision is to implement new enhanced Local and Rural routes for ridership. Prior to the passage of the Richland County Transportation Penny Sales Tax in November 2012, the Authority was limited on the grant activity that could be pursued due to lack of matching funds. With the passage of the referendum, funds will be held in capital and operating reserves strictly for use as local matching dollars for Federal grants.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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### **Capital Assets**

**Capital Assets:** The Authority's investment in capital assets was \$16,800,380 as of June 30, 2014. This represents a 3.5% increase from the Authority's capital asset balance of \$16,225,285 as of June 30, 2013. These investments in capital assets include land, buildings, buses, and machinery and equipment.

During fiscal year 2014, the approved Federal Transportation Administration American Recovery Reinvestment Act "ARRA" major capital purchases included: Bus Seat Fabric (\$24,622), Bus Seat Fabric Installation (\$15,138), Graphic Bus Wrap & Painting for eight (8) New Flyers Buses (\$106,400), Shop Truck (\$35,936), Forklift (\$23,363), Articulating Boom Lift (\$78,565), and Website Design (\$107,075).

Other major capital asset purchase during fiscal year 2014 was for Heavy Duty Tire Changer (\$10,334), new office furniture (\$130,770), and Picnic Tables (\$2,272), which was purchased with Federal grant funding.

The Authority facility construction project implemented to move the contractor staff to facility first floor using grant funds for Facility Uplift Renovations for Veolia management staff (\$105,230) and engineering cost of \$39,518.

The Authority facility construction project implemented for additional Maintenance Bay to be added to facility at 3613 Lucius Road. Project began April 2014, with FBI General Contractors, Brownstone Design and Davis & Floyd. Project cost of \$640,713.24 with completion date of September 2014.

Rolling Stock purchased to replace fixed route vehicles in current aged fleet. CMRTA obtain 11 New Ford E-450 Cutaways Propane Vehicles to be replacement vehicles for eleven (11) of the depreciated 2002 Bluebirds. Acquisition of eleven (11) vehicles at \$92,473 per unit totaling \$1,017,203 purchased in May 2014. The Cutaways has seating capacity of 16, with two seats for wheelchair accessibility.

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

### **Single Audit**

The Authority had projects which were audited for compliance as required by the U.S. Office of Management and Budget, Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. These audits report on the Authority's compliance with laws, regulations, contracts and grants applicable to major federal programs through which the Authority received grant revenues. The auditor's report on compliance did not identify any material weaknesses.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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### **Potential Future Impacts**

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

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

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

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

**Rural Transportation.** The key to a successful transportation plan is a service as diverse as its communities. Rural communities have distinct needs, focused mainly on access to employment centers, shopping areas, recreational activities, higher education and medical care. Richland County Resolution in 2014 allows the Authority to act on its behalf for access of Rural / Community Transportation Program Funding and Services.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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

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

**Grant Opportunities.** Available grants will be sought after by the Authority to increase service or capital purchases for the Authority. With the passage of the Transportation Penny Sales Tax, funds will be held in capital and operating reserves strictly for use as local matching dollars for Federal grants. In August 2014, CMRTA applied for 5309 Bus and Bus Facilities Program (Ladders of Opportunities Initiative) grant in the amount of \$12,750,000 federal with matching funds equal \$15 million for Fixed Route Buses. If approved, the Authority would use these funds to replace our existing fleet of 2002 diesel-fueled Bluebird buses with 35 foot buses or ADA-accessible vehicles. The size of the vehicles would be based upon ridership growth as the aged fleet is replaced and additional vehicles are added during the expansion period. It is estimated that a minimum of thirty-two (32) new vehicles would be purchased with these grant dollars. The majority of the vehicles would likely be fueled by Compressed Natural Gas (CNG) with the remaining fleet fueled with clean diesel.

**Expand DART Services.** Dial-A-Ride-Transit is a curb-to-curb, advance reservation, shared ride transportation service for people with disabilities, who are unable to access fixed routes buses. The Authority wants to expand services for persons with disabilities as service areas grow.

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

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

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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

**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, new website with trip planning information along with schedules and maps.

**Compressed Natural Gas (CNG).** As part of its environmental commitment and emphasis on supporting American Industry, the Authority will actively pursue CNG as its fuel type for its transit fleet. By opening a natural gas fuel station to the Midlands, it opens the doors to other fleets from Richland County, City of Columbia, USC and School Bus fleets. In order to fuel the propane fueled vehicles, a propane fueling station is needed. CMRTA has requested the board of directors' approval to lease a propane fueling station for up to five (5) years with options to purchase equipment after five (5) years. These allotted years will allow for time to determine the desirability of propane fueled vehicles.

### **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, 2014 AND 2013

	2014	2013
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 2,938,051	\$ 1,370,424
Receivables:		
1% Sales tax	6,387,159	2,233,691
Intergovernmental	464,824	12,106
Ticket sales	11,164	7,942
Farebox revenue	442	440
Prepaid expenses	21,775	18,770
Ticket inventory	10,905	2,787
Total current assets	9,834,320	3,646,160
<b>Restricted assets</b>		
Cash and cash equivalents	1,000,000	-
<b>Noncurrent assets</b>		
Other assets	-	212,562
Capital Assets:		
Capital Assets - nondepreciable	2,250,626	1,742,522
Capital Assets - depreciable, net	14,549,754	14,482,763
Total noncurrent assets	16,800,380	16,437,847
 Total assets	 \$ 27,634,700	 \$ 20,084,007
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Accounts payable - operation	\$ 756,390	\$ 464,924
Intergovernmental payable	2,178,513	-
Retainage payable	19,179	-
Accrued liabilities	20,990	9,080
Total current liabilities	2,975,072	474,004
<b>NET POSITION</b>		
Investment in capital assets	16,800,380	16,225,285
Restricted for capital projects	1,000,000	-
Restricted for rolling stock replacement	224,808	224,808
Unrestricted	6,634,440	3,159,910
Total net position	\$ 24,659,628	\$ 19,610,003

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 YEAR ENDED JUNE 30, 2014 AND THE NINE MONTHS ENDED JUNE 30, 2013

	2014	2013
<b>Operating revenues</b>		
Farebox	\$ 1,340,818	\$ 882,614
Ticket sales	517,731	286,873
Advertising	16,808	38,762
Contracted services	437	51,952
Miscellaneous	-	140
Total operating revenues	1,875,794	1,260,341
<b>Operating expenses</b>		
Contract services	7,562,622	5,097,941
Vehicle fuel	1,160,967	643,840
Facility rental expense	60,000	45,000
Compensation and related taxes and benefits	738,546	186,284
Contract labor	143,604	4,957
Security services	112,204	78,854
Repair and maintenance	719,637	207,073
Training	20,549	5,778
Supplies	69,516	44,195
Postage and shipping	1,974	754
Board committee expense	545	202
Taxes and fees	15,014	10,950
Rental	14,696	7,567
Utilities	160,537	119,178
Insurance	58,855	44,118
Marketing, printing, and advertising	126,062	86,635
Professional, technical, and legal	376,494	116,072
Dues and subscriptions	1,096	210
Other operating expenses	232,242	77,812
Depreciation expense	1,156,888	1,083,878
Total operating expenses	12,732,048	7,861,298
Operating loss	(10,856,254)	(6,600,957)
<b>Nonoperating revenues (expenses)</b>		
Intergovernmental refund expense	(2,904,683)	-
Interest expense	(19,050)	-
Loss on disposal of capital assets	(177,451)	-
Intergovernmental revenues - local assistance	961,813	4,630,986
Intergovernmental revenues - federal assistance	2,240,586	113,937
1% Sales tax revenue	15,110,853	2,233,691
Insurance claim	18,696	-
Interest income	667	495
Other	(6,500)	-
Total nonoperating revenues, net	15,224,931	6,979,109
<b>Capital contributions - federal grants</b>	680,948	74,721
<b>Change in net position</b>	5,049,625	452,873
<b>Net position, beginning of year</b>	19,610,003	19,157,130
<b>Net position, end of year</b>	\$ 24,659,628	\$ 19,610,003

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

# CENTRAL MIDLANDS REGIONAL TRANSIT AUTHORITY

## STATEMENTS OF CASH FLOWS FOR THE FISCAL YEAR ENDED JUNE 30, 2014 AND THE NINE MONTHS ENDED JUNE 30, 2013

	2014	2013
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers and users	\$ 1,872,570	\$ 1,293,120
Payments to suppliers	(10,556,271)	(6,725,916)
Payments to employees	(726,636)	(186,180)
Net cash used in operating activities	(9,410,337)	(5,618,976)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Insurance claim	18,696	-
Intergovernmental receipts	13,707,066	4,744,923
Reimbursement to City of Columbia and Richland County	(726,171)	-
Net cash provided by noncapital financing activities	12,999,591	4,744,923
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Acquisition or construction of capital assets	(1,712,804)	(76,924)
Proceeds from the sale of capital assets	35,112	-
Capital grants	680,948	74,721
Proceeds from short-term borrowings	3,000,000	-
Principal paid on short-term borrowings	(3,000,000)	-
Interest paid on short-term borrowings	(19,050)	-
Loan origination costs	(6,500)	-
Principal paid on notes payable	-	(642)
Net cash used in capital and related financing activities	(1,022,294)	(2,845)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received	667	495
Net cash provided by investing activities	667	495
Increase (decrease) in cash and cash equivalents	2,567,627	(876,403)
<b>Cash and cash equivalents:</b>		
Beginning of year	1,370,424	2,246,827
End of year	\$ 3,938,051	\$ 1,370,424
<b>Reconciliation of operating loss to net cash used in operating activities:</b>		
Operating loss	\$ (10,856,254)	\$ (6,600,957)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation expense	1,156,888	1,083,878
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	(3,224)	32,779
(Increase) decrease in prepaid expenses	(3,005)	56,294
(Increase) decrease in inventory	(8,118)	2,863
Increase (decrease) in accounts payable	291,466	(193,937)
Increase in accrued liabilities	11,910	104
Net cash used in operating activities	\$ (9,410,337)	\$ (5,618,976)

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

# CENTRAL MIDLANDS REGIONAL TRANSIT AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### **Reporting Entity**

The Central Midlands Regional Transit Authority (the Authority), is a public entity created on October 16, 2002 under Section 58-25 of the South Carolina Code of Laws, Regional Transit Authority Enabling Act. The primary purpose of the Authority is to administer, manage, and operate fixed route bus service and demand-response paratransit service, in and around the Columbia, South Carolina urbanized area. The Authority is governed by an eleven (11) member board of directors and consists of representatives of the following local jurisdictions: City of Columbia, Forest Acres, Lexington County, and Richland County. The Authority has separate legal standing from all other units of government and is fiscally independent of all other units of local government. The Authority's Board of Directors has the sole authority to determine financial programs, establish fare, and issue bonded debt.

#### **Fund Accounting**

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

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

#### **Measurement Focus and Basis of Accounting**

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

## NOTES TO FINANCIAL STATEMENTS

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

#### **Basis of Presentation**

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

#### **Management Estimates**

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

#### **Cash and Investments**

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

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

Investments are stated at fair value.

## NOTES TO FINANCIAL STATEMENTS

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

#### Prepaid Expenses

Payments made to vendors for services that will benefit periods beyond June 30, 2014, are recorded as prepaid expenses.

#### Accounts Receivable

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

#### Inventory

Inventory, which is comprised of all-day passes, 10 ride passes, 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, 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:

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

## NOTES TO FINANCIAL STATEMENTS

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

#### Capital Assets (Continued)

Maintenance and repairs of capital assets are charged to operations and major improvements are capitalized. Upon retirement, sale or other disposition of capital assets, the cost and accumulated depreciation are eliminated from the accounts, and a gain or loss is recognized.

#### Compensated Absences

It is the Authority's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Employees of the Authority may carry over a maximum of 240 hours of vacation to the next year, which may be taken either as time off or as pay upon termination. There is no liability for nonvesting accumulated rights to receive sick pay benefits. All vacation pay is accrued when incurred in the financial statements.

#### Deferred Outflows / Inflows of Resources

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

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

## NOTES TO FINANCIAL STATEMENTS

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

#### **Net Position Classification**

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

- a) Investment in capital assets consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.
- b) Restricted net position consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c) Unrestricted net position consists of all other net position that does not meet the definition of "restricted" or "investment in capital assets".

#### **Capital Contributions**

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

#### **Operating and Non-operating Revenues and Expenses**

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

## NOTES TO FINANCIAL STATEMENTS

### NOTE 2. CASH AND CASH EQUIVALENTS

Total cash and cash equivalents as of June 30, 2014 and 2013 are summarized as follows:

	2014	2013
As reported in the Statement of Net Position:		
Cash and cash equivalents (restricted and nonrestricted)	\$ 3,938,051	\$ 1,370,424
Cash deposited with financial institutions	\$ 3,938,051	\$ 1,370,424

**Custodial Credit Risk – Deposits.** Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. State statutes required all deposits and investments (other than federal or state government instruments) to be collateralized by depository insurance, obligations of the U.S. government, or bonds of public authorities, counties, or municipalities. As of June 30, 2014 and 2013, all the Authority's funds which were uninsured were collateralized as required by South Carolina state statutes and as defined by GASB pronouncements.

### NOTE 3. RECEIVABLES

Receivables consisted of the following at June 30, 2014 and 2013:

	2014	2013
Receivables:		
1% Sales Tax	\$ 6,387,159	\$ 2,233,691
Accounts	11,606	8,382
Intergovernmental receivable	464,824	12,106
Total receivables	\$ 6,863,589	\$ 2,254,179

## NOTES TO FINANCIAL STATEMENTS

### NOTE 4. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2014 is as follows:

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

## NOTES TO FINANCIAL STATEMENTS

### NOTE 4. CAPITAL ASSETS (CONTINUED)

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

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

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 5. LEASES

The Authority leases the main transit center and the smaller transit stop from the City of Columbia to assist in its operation of the public transportation system. The City of Columbia does not charge for this lease, but rather treats it as a donation. The total fair market value of this lease for the year ended June 30, 2014 and the nine months ended June 30, 2013 is \$60,000 and \$45,000, respectively.

### NOTE 6. OTHER ASSETS

The Authority had four buses that were not being used that were inherited from SCANA Corporation and the South Carolina Electric & Gas Company (SCE&G). As of June 30, 2013, the four units had a salvage value of approximately \$6,000. These assets were disposed of during the year ended June 30, 2014.

In addition, the Authority had six Compressed Natural Gas buses and two diesel buses that were no longer in service, but were being maintained for contingency purposes. As of June 30, 2013, these buses had a salvage value of \$206,562. These assets were disposed of during the year ended June 30, 2014.

### NOTE 7. RETIREMENT SYSTEM

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

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

## NOTES TO FINANCIAL STATEMENTS

### NOTE 7. RETIREMENT SYSTEM (CONTINUED)

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

Plan members are required to contribute 7.5% of their covered salary and the Authority is required to contribute at an actuarially determined rate of 10.60% of their annual-covered payroll at June 30, 2014 and 2013. The Authority's contributions to the system for the year ended June 30, 2014 and the nine months ended June 30, 2013 were \$59,341 and \$12,776, respectively. The total covered payroll for the year ended June 30, 2014 and the nine months ended June 30, 2013 was \$469,781 and \$115,454, respectively.

<u>Fiscal Year Ended:</u>	<u>Required Contribution</u>	<u>Percentage Contribution</u>
September 30, 2012	\$ 19,238	100%
 <u>Nine Months Ended:</u>		
June 30, 2013	\$ 12,776	100%
 <u>Fiscal Year Ended:</u>		
June 30, 2014	\$ 59,341	100%

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

## NOTES TO FINANCIAL STATEMENTS

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### **NOTE 8. COMMITMENTS AND CONTINGENCIES**

Grant income from local governments and federal grantor agencies for the year ended June 30, 2014 and the nine months ended June 30, 2013 totaled \$3,883,347 and \$4,819,644, 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 9. RISK MANAGEMENT**

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

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

The Authority expended \$51,943 during the year ended June 30, 2014 for coverage through the South Carolina Insurance Reserve Fund. The Authority did not make any payments during the nine months ended June 30, 2013.

For all covered risks, the transfer of risk culminates upon filing a claim. Consequently, for items not covered, the members separately purchase policies to bear the risk up to policy premiums. For the year ended June 30, 2014 and the nine months ended June 30, 2013, there were no liabilities which exceeded the coverage available through the South Carolina Insurance Reserve Fund and separate purchased carriers.

## **SUPPLEMENTARY INFORMATION**

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# CENTRAL MIDLANDS REGIONAL TRANSIT AUTHORITY

## SCHEDULES OF OPERATING AND NONOPERATING REVENUES, EXPENSES, AND CHANGES IN NET POSITION FOR THE FISCAL YEAR ENDED JUNE 30, 2014 AND THE NINE MONTHS ENDED JUNE 30, 2013

	2014	2013	
<b>Operating revenues</b>			
Farebox	\$ 1,340,818	\$ 882,614	
Ticket sales	517,731	286,873	
Advertising	16,808	38,762	
Contracted services	437	51,952	
Miscellaneous	-	140	
Total operating revenues	1,875,794	1,260,341	
<b>Operating expenses</b>			
Contract services:			
Contractor - fixed route	6,200,470	4,063,382	
Contractor - DART	1,352,078	1,014,720	
Contractor - Santee Wateree	10,074		
Contractor - contract services	-	19,839	5,097,941
Vehicle fuel	1,160,967		643,840
Facility rental expense	60,000		45,000
Compensation and related taxes and benefits:			
Salaries	579,670	139,829	
Annual leave	18,792	8,467	
Sick leave	3,870	5,937	
Retirement	59,341	12,776	
FICA and Medicare	37,479	9,226	
Employee health insurance	38,767	8,521	
Worker compensation	627	1,528	186,284
Contract labor	143,604		4,957
Security services	112,204		78,854
Repair and maintenance:			
Software & equipment maintenance	-	19,956	
Vehicle repairs & maintenance	291,646	68,036	
Transit facility repairs & maintenance - federal grants (96)	339	1,271	
Transit facility repairs & maintenance	138,580	95,553	
Transit facility repairs & maintenance - capital	77,124	-	
Software & equipment maintenance - federal grants (96)	163,426	12,882	
Software & equipment maintenance - federal grants (210)	18,590	9,375	
Software & equipment maintenance - federal grants	29,932	-	207,073
Training:			
Employee training	(390)	110	
Employee training (210)	20,264	5,668	
Meetings/Seminars/Events	675	-	5,778
Supplies:			
Office supplies / other expense	10,083	2,801	
Fare collection services / supplies	52,000	26,639	
Ticket supplies	7,433	14,755	44,195

Continued

	<u>2014</u>	<u>2013</u>
<b>Operating expenses (continued)</b>		
Postage and shipping	\$ 1,974	\$ 754
Board committee expense	545	202
Taxes and fees	15,014	10,950
Rental:		
Office equipment lease	13,621	7,567
Office equipment and furniture	<u>1,075</u>	<u>-</u>
Utilities:		
Electricity	93,075	74,674
Water and sewer	5,605	5,584
Telephone	50,184	33,073
Natural gas	7,829	5,847
Mobile telephone	<u>3,844</u>	<u>-</u>
Insurance:		
Insurance - vehicle	7,807	22,849
Insurance - facilities	2,574	11,126
Insurance - vehicle - capital	26,956	-
Insurance - Lucius Road Facility	10,052	-
Insurance - tort	6,988	7,285
Insurance - officers - directors	<u>4,478</u>	<u>2,858</u>
Marketing, printing, and advertising:		
Marketing / advertising / promotion	78,830	72,609
Legal advertising	1,534	140
Printing	24,329	13,886
Meals and entertainment	1,147	-
Apparel and merchandise	<u>20,222</u>	<u>-</u>
Professional, technical, and legal:		
Professional and technical legal	376,494	116,072
Dues and subscriptions	1,096	210
Other operating expenses:		
Administration - miscellaneous	6,844	3,548
Other services	<u>225,398</u>	<u>74,264</u>
Depreciation expense	1,156,888	1,083,878
Total operating expenses	<u>12,732,048</u>	<u>7,861,298</u>
Operating loss	<u>(10,856,254)</u>	<u>(6,600,957)</u>

# CENTRAL MIDLANDS REGIONAL TRANSIT AUTHORITY

## SCHEDULES OF OPERATING AND NONOPERATING REVENUES, EXPENSES, AND CHANGES IN NET POSITION FOR THE FISCAL YEAR ENDED JUNE 30, 2014 AND THE NINE MONTHS ENDED JUNE 30, 2013

	2014		2013	
<b>Nonoperating revenues (expenses)</b>				
Operating grants - local assistance				
Local revenue - Columbia	\$ 60,000		\$ 2,908,522	
Local revenue - Lexington County	125,066		87,649	
Local revenue - Richland County	-		1,252,493	
Local revenue - SMTF	<u>776,747</u>	961,813	<u>382,322</u>	4,630,986
Operating grants - federal assistance				
Federal revenue - planning (210)	9,479		6,195	
Federal revenue - operations	31,678		-	
Federal revenue - capital (PM)	<u>2,199,429</u>	2,240,586	<u>107,742</u>	113,937
1% Sales tax revenue		15,110,853		2,233,691
Insurance claim		18,696		-
Interest income		667		495
Intergovernmental refund expense		(2,904,683)		-
Interest expense		(19,050)		-
Loss on disposal of capital assets		(177,451)		-
Other		<u>(6,500)</u>		-
Total nonoperating revenues, net		<u>15,224,931</u>		<u>6,979,109</u>
Capital contributions - federal grants				
Federal revenue - capital		680,948		74,721
Change in net position		5,049,625		452,873
<b>Net position, beginning of year</b>		<u>19,610,003</u>		<u>19,157,130</u>
<b>Net position, end of year</b>		<u><u>\$ 24,659,628</u></u>		<u><u>\$ 19,610,003</u></u>

# 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, 2014

	Actual	Final Budget	Variance with Budget
<b>Revenues</b>			
Farebox	\$ 1,340,818	\$ 1,476,402	\$ (135,584)
Ticket sales	517,731	425,000	92,731
Advertising	16,808	44,500	(27,692)
In-kind revenue on use of facilities	60,000	60,000	-
Local funds - Lexington County	125,066	116,250	8,816
1% Sales tax revenue	15,110,853	14,985,186	125,667
Interest income	667	-	667
Federal revenue	680,948	2,070,014	(1,389,066)
Federal revenue - section 5307 - facility funding	2,240,586	6,305,347	(4,064,761)
State Mass Transit Funds - operating	776,747	471,121	305,626
Contracted service revenue	437	-	437
Insurance claim	18,696	-	18,696
Total revenues	20,889,357	25,953,820	(5,064,463)
<b>Operating expenses</b>			
<b>Administrative:</b>			
Staff - labor and fringes	882,150	925,753	43,603
Dues and subscriptions	1,096	22,500	21,404
Training and development	20,549	6,695	(13,854)
Office equipment lease	14,696	12,360	(2,336)
Office supplies and other expenses	10,082	12,360	2,278
Postage and shipping	1,974	1,236	(738)
Marketing, printing, and advertising	126,062	176,370	50,308
Administrative - miscellaneous	7,389	1,545	(5,844)
Tickets, transfers, zone passes	7,434	40,000	32,566
Custodial and other services	225,398	119,481	(105,917)
Total administrative	1,296,830	1,318,300	21,470
<b>Operations and maintenance:</b>			
In-kind expense on use of facilities	60,000	60,000	-
Transit facility maintenance and repairs	216,043	160,188	(55,855)
Contractor - fixed route	6,200,470	6,513,858	313,388
Contractor - DART	1,352,078	1,288,726	(63,352)
Contractor - Santee Wateree	10,074	-	(10,074)
Software equipment and maintenance	211,948	63,592	(148,356)
Vehicle fuel	1,160,967	1,321,327	160,360
Vehicle maintenance, repairs, and insurance deductible	291,646	614,936	323,290
Total operations and maintenance	9,503,226	10,022,627	519,401
<b>Depreciation expense</b>	1,156,888	2,163,447	1,006,559

	<u>Actual</u>	<u>Final Budget</u>	<u>Variance with Budget</u>
<b>Insurance:</b>			
Insurance - vehicle - comp and collision	\$ 34,763	\$ 35,142	\$ 379
Insurance - facilities	12,626	16,995	4,369
Insurance - tort liability	6,988	11,124	4,136
Insurance - officers and directors and employee bonding	4,478	3,863	(615)
Total insurance	<u>58,855</u>	<u>67,124</u>	<u>8,269</u>
<b>Technical services:</b>			
Professional and technical/legal	376,494	330,000	(46,494)
Security services	112,204	98,365	(13,839)
Fare collection services and supplies	52,000	38,750	(13,250)
	<u>540,698</u>	<u>467,115</u>	<u>(73,583)</u>
<b>Utilities:</b>			
Electricity - all services	93,075	100,940	7,865
Water and sewer	5,605	10,043	4,438
Telephone	50,184	41,715	(8,469)
Mobile Telephone	3,844	-	(3,844)
Natural gas	7,829	7,468	(361)
Total utilities	<u>160,537</u>	<u>160,166</u>	<u>(371)</u>
<b>Taxes and fees:</b>			
Taxes and fees	2,952	8,240	5,288
Banking fees	12,062	-	(12,062)
Total taxes and fees	<u>15,014</u>	<u>8,240</u>	<u>(6,774)</u>
Total operating expenses	<u>12,732,048</u>	<u>14,207,019</u>	<u>1,474,971</u>
<b>Nonoperating expenses</b>			
Intergovernmental refund expense	2,904,683	2,811,667	(93,016)
Loss on disposal of capital assets	177,451	-	(177,451)
Interest expense	19,050	-	(19,050)
Other	6,500	-	(6,500)
Total nonoperating expenses	<u>3,107,684</u>	<u>2,811,667</u>	<u>(296,017)</u>
<b>Major capital expenses</b>			
Facility renovations	1,712,804	305,347	(1,407,457)
Total capital expenses	<u>1,712,804</u>	<u>305,347</u>	<u>(1,407,457)</u>
Total expenses	<u>17,552,536</u>	<u>17,324,033</u>	<u>(228,503)</u>
Revenues over expenses	<u>\$ 3,336,821</u>	<u>\$ 8,629,787</u>	<u>\$ 5,292,966</u>
<b>Reconciliation of revenues over expenses to change in net position:</b>			
Change in net position	\$ 5,049,625		
Capitalized items	(1,712,804)		
Revenues over expenses	<u>\$ 3,336,821</u>		

## CENTRAL MIDLANDS REGIONAL TRANSIT AUTHORITY

### SCHEDULE OF BUDGETED TO ACTUAL COSTS - SCDOT GRANTS FOR THE FISCAL YEAR ENDED JUNE 30, 2014

DMT Contract #	PT-3M499-02				
Contract Period	July 1, 2013 - June 30, 2014				
Actual Cost	Contract Budget	Section 5307	SMTF	Local	Total Program Variance
Performance period:	July 2013 through June 2014	July 1, 2013 through June 30, 2014	July 1, 2013 through June 30, 2014	July 1, 2013 through June 30, 2014	
SMTF Operations					
Fuel & Lube	1,321,327	-	648,685	512,282	160,360
Funds to Offset Operations					
Operations	16,002,706	2,921,534	-	11,579,783	1,501,389
Total Program	17,324,033	2,921,534	648,685	12,092,065	1,661,749
Approved Budget	17,324,033				
TI Federal Costs	2,921,534				
TI State Costs	648,685				
TI Local Costs	12,092,065				
Budget over Actual	<u>1,661,749</u>				

**COMPLIANCE SECTION**

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# CENTRAL MIDLANDS REGIONAL TRANSIT AUTHORITY

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE FISCAL YEAR ENDED JUNE 30, 2014

<u>Federal Grantor</u>	<u>Federal CFDA Number</u>	<u>Agency Grant Number</u>	<u>Expenditures</u>
U.S. Department of Transportation:			
Federal Transit Administration			
Federal Transit Cluster			
ARRA - Urbanized Area Formula Grant	20.507	SC-96-X010-01	\$ 310,579
Urbanized Area Grant	20.507	SC-90-X210-00	15,768
Oper/Maint/Admin Facility Construction	20.507	SC-03-0045-00	556,502
Oper/Maint/Admin Facility Construction	20.507	SC-90-X267-00	<u>2,190,236</u>
Total Federal Transit Cluster			3,073,085
Transit Services Program Cluster			
2010 JARC Mobility Manager & Job Assistance	20.516	SC-37-X018-00	41,462
2010 Travel Trainer	20.516	SC-57-X015-00	<u>21,379</u>
Total Transit Services Program Cluster			62,841
Total U.S. Department of Transportation Grant Programs			<u>3,135,926</u>
Total Federal Expenditures			<u>\$ 3,135,926</u>

# CENTRAL MIDLANDS REGIONAL TRANSIT AUTHORITY

## NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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### 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 \$300,000 or three percent of total federal expenditures. The threshold of \$300,000 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 did not qualify as a low-risk auditee for the fiscal year ended June 30, 2014.

#### **Amount Provided to Subrecipients**

The Authority had no programs that provided amounts to subrecipients.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Central Midlands Regional Transit Authority (the Authority) as of and for the year ended June 30, 2014 and as of and for the nine months ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated October 24, 2014.

**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.

Macon, Georgia  
October 24, 2014

*Mauldin & Jenkins, LLC*

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR  
FEDERAL PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

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**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 ("Authority") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended June 30, 2014. 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 the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

*Auditor's Responsibility*

Our responsibility is to express an opinion on compliance for each of 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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, 2014.

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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 OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Mauldin & Jenkins, LLC*

Macon, Georgia  
October 24, 2014

# CENTRAL MIDLANDS REGIONAL TRANSIT AUTHORITY

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE FISCAL YEAR ENDED JUNE 30, 2014

### SECTION I SUMMARY OF AUDIT RESULTS

#### **Financial Statements**

Type of auditor's report issued Unmodified

Internal control over financial reporting:  
Material weaknesses identified?  yes  no

Significant deficiency identified not considered  
to be material weaknesses?  yes  none reported

Noncompliance material to financial statements noted?  yes  no

#### **Federal Awards**

Internal control over major programs:  
Material weaknesses identified?  yes  no

Significant deficiencies identified not considered  
to be material weaknesses?  yes  none reported

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

Any audit findings disclosed that are required to  
be reported in accordance with OMB Circular  
A-133, Section 510(a)?  yes  no

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
20.507	U.S. Department of Transportation; Federal Transit Cluster (Urbanized Area Formula Grant-ARRA)

Dollar threshold used to distinguish between  
Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee?  yes  no

# CENTRAL MIDLANDS REGIONAL TRANSIT AUTHORITY

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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### 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