

**CENTRAL MIDLANDS REGIONAL
TRANSIT AUTHORITY**

FINANCIAL REPORT

**FOR THE FISCAL YEARS ENDED
JUNE 30, 2015 AND 2014**

CENTRAL MIDLANDS REGIONAL TRANSIT AUTHORITY

FINANCIAL REPORT FOR THE FISCAL YEARS ENDED JUNE 30, 2015 AND 2014

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the **Central Midlands Regional Transit Authority** (the "Authority") as of and for the years ended June 30, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Central Midlands Regional Transit Authority as of June 30, 2015 and 2014, and the changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 9, the Authority implemented Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, as well as Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*, as of July 1, 2014. These standards significantly changed the accounting for the Authority's net pension liability and the related disclosures. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information - Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (on pages 4 through 16) and the pension information for the Retirement Plan for the employees of the Central Midlands Regional Transit Authority (on pages 38 and 39) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information - Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Central Midland Regional Transit Authority's basic financial statements. The Schedules of Operating and Non-operating Revenues, Expenses, and Changes in Net Position; the Schedule of Revenues, Expenses, and Changes in Net Position – Budget (Non-GAAP Basis) and Actual; the Schedule of Budgeted to Actual Costs – SCDOT Grants; and the Schedule of Expenditures of Federal Awards (as required by 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 Non-operating Revenues, Expenses, and Changes in Net Position; the Schedule of Revenues, Expenses, and Changes in Net Position – Budget (Non-GAAP Basis) and Actual; the Schedule of Budgeted to Actual Costs – SCDOT Grants; and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedules of Operating and Non-operating Revenues, Expenses, and Changes in Net Position; the Schedule of Revenues, Expenses, and Changes in Net Position – Budget (Non-GAAP Basis) and Actual; the Schedule of Budgeted to Actual Costs – SCDOT Grants; and the Schedule of Expenditures of Federal Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2015, 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.



Macon, Georgia
October 30, 2015

CENTRAL MIDLANDS REGIONAL TRANSIT AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis (MD&A) of the Central Midlands Regional Transit Authority (the "Authority") provides an overview of the major financial activities affecting the operations of the Authority. This overview encompasses the financial performance and financial statements of the Central Midlands Regional Transit Authority for the fiscal years ended June 30, 2015 and 2014. 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, and Lexington County and Forest Acres jurisdictions each having one member. In addition to the local government appointees, and in accordance with the State of South Carolina Code of Laws, each of the County Legislative Delegations is eligible to appoint a Delegation member to the Authority's Board of Directors.

The Authority provides Fixed-Route and Dial-A-Ride (DART) paratransit services within Richland County and portions of Lexington County, Fixed Route carrying an average 6,755 passengers every weekday, 3,339 passengers on Saturday and 2,329 passengers on Sunday with Ridership of 2,059,884. Dial-A-Ride-Transit (DART) carrying an average 193 passengers every weekday and 35 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 25 weekday and 19 weekend routes starting/ending at the Downtown Transfer Center (DTC), located in downtown Columbia at 1224 Laurel and Sumter Streets. Also, there are 2 Flex Routes 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 Sales Tax. 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. 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. There is great excitement and expectation among Board members, staff, contractors, partners and the community as a whole.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Authority Activities and Highlights

Key activities for fiscal year 2015 are as follows:

- In July 2014, the Board of Directors approved the reinstatement of Holiday Services, except for Thanksgiving and Christmas Day.
- The Board of Directors approved that all route changes with the Central Midlands RTA will come before the board then the board will send to committees. In addition, public hearings will be held specific to that region affected by the change. The By-laws will be amended to reflect such language.
- In October 2014, the board of directors approved the Disadvantaged Business Enterprise (DBE) program. In July 2013, CMRTA established a small local disadvantage business enterprises (SLDBE) goal that is not limited to DBE's certified by the SCDOT. As part of the procurement process for the contract operator, CMRTA included a DBE goal as one of the criteria upon which proposals will be evaluated. The Executive Committee/Procurement Committee has established a DBE goal of 25% for the contract operator.
- On August 18, 2014 The Central Midlands RTA board of directors approved and re-issued the RFP for Contract Operator. The current Contractor Operator Veolia Transportation contract was extended through January 2015. On August 1, 2013 The Central Midlands RTA released a Request for Qualifications (RFQ) for the management and operations of their fixed route and paratransit transportation services. 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.
- In August 2014, Central Midlands RTA received the first ever Shelters. This is just a part of the commitment of the Penny Transportation Sales Tax obligation to the ridership of the Midlands.
- In October 2014, Central Midlands Regional Transit Authority board of directors voted and directed staff to create a plan to provide paratransit service within a 10 mile radius of Fixed Route Services.
- The Board of Directors voted to award the Contract Operator Contract to TransDev Transportation in February 2015.
- At the end of the fiscal year the Board of Directors contracted with P.J. Nobles & Associates to conduct a workshop for the Central Midlands RTA board members and management staff. As a result of this workshop, three committees were formed for the purpose of public relations, research, design and recommending guidelines for Central Midlands RTA. Committees include the following: the Board Governance Committee, the Communications Taskforce Committee and the Strategic Planning Committee.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Financial Highlights

Key financial highlights for fiscal year 2015 are as follows:

- The Authority's net position (amount that assets exceeded liabilities) was \$2,270,953 and \$24,659,628 as of June 30, 2015 and 2014, respectively. Of these amounts, \$15,950,016 and \$16,800,380, respectively, were invested in capital assets.
- The Authority's total net position increased \$2,636,048 and \$5,049,625 during the fiscal years ended June 30, 2015 and 2014, respectively. These net changes are further reflected in the Authority's statements of revenues, expenses, and change in net position.
- The Authority received contributions through federal, state, and local grants in the amounts of \$1,636,702 and \$3,883,347 for the fiscal years ended June 30, 2015 and 2014, respectively.
- The Authority received revenue from the 1% penny sales tax in the amounts of \$15,161,645 and \$15,110,853 for the fiscal year ended June 30, 2014 and the nine months ended June 30, 2013, respectively.
- The Board approved reinstating the Midday (peak) service on route 101 (North Main) and route 16 (Dentsville) and the reinstatement of Holiday Services, except for Thanksgiving and Christmas Day plus route 30 (Fairfield Road) for holiday services. In addition, a new route called the Garnet Route with 20 minutes service except for summer session and Route 22 (In-Town) was instituted. In November 2014, the Board approved to restore Route 55X Sandhills (old #35), which was eliminated during service reduction in 2012.
- During the year Central Midlands RTA established the Capital Reserve Account and the Operations Reserve Account. These reserve funds are set aside for the Authority to have adequate funding to finance capital projects, operations and local match in the future.
- In February 2015, the board of directors approved and directed staff to move forward with the purchase of up to nine diesel vehicles for fixed route. Staff identified a grant available in the amount of \$2,832,233.
- In March 2015, the board approved a promotional 50% discount on 31 day passes from May 1 to July 31, 2015 for the riders of the Central Midlands RTA. In addition, the Authority would promote the half-fare program with advertisement and promotional items.
- In May 2015, the Board of Directors approved the FY 2016 budget, with a footnote to amend costs for new service increases in the budget upon finalization.
- The Board approved a six (6) month pilot route in FY 2014. This new pilot route, the Northeast Richland Flex Route service, runs from 6am-7pm Monday – Friday, requires riders to call the day before to schedule a ride, and will be free until the rider connects with Fixed Route Service. As of June 2015, the Northeast Flex Route Service is still free to riders.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Financial Highlights (Continued)

- CMRTA and Central Midlands Council of Government (CMCOG) entered an agreement in July 2014 for the development of the Regional Intermodal Transit Facility Plan. The intent of this analysis is to conduct a site selection study. CMRTA agrees to pay CMCOG \$50,000 for the performance of services.
- In July 2014, Central Midlands RTA entered an agreement with Santee Wateree RTA to work together and provide general public transportation to citizens in the Lower Richland Area. Such services includes the fixed route services traveling from the Eastover, Gadsden and Hopkins areas into Columbia, SC.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. The notes to the financial statements contain more detail on some of the information presented in the financial statements. The financial statements of the Authority report information about the Authority using accounting methods similar to those used by private sector companies. These statements offer short- and long-term financial information about its activities. The Statement of Net Position presents information on all of the Authority's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating. The Statements of Net Position can be found on pages 17 and 18 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 21 through 37 of this report.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Financial Statements

Net Position: The following table summarizes the changes in net position for the fiscal years ended June 30, 2015 and 2014, and the nine months ended June 30, 2013.

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Current assets	\$ 11,085,233	\$ 9,834,320	\$ 3,646,160
Restricted assets	1,508,377	1,000,000	-
Capital assets	15,950,016	16,800,380	16,225,285
Other long-term assets	-	-	212,562
Total assets	<u>28,543,626</u>	<u>27,634,700</u>	<u>20,084,007</u>
Deferred outflows of resources	<u>106,571</u>	-	-
Current liabilities	1,252,246	2,975,072	474,004
Long-term liabilities	<u>1,039,371</u>	-	-
Total liabilities	<u>2,291,617</u>	<u>2,975,072</u>	<u>474,004</u>
Deferred inflows of resources	<u>87,627</u>	-	-
Net position:			
Net investment in capital assets	15,950,016	16,800,380	16,225,285
Restricted for capital projects	1,508,377	1,000,000	-
Restricted for rolling stock replacement	224,808	224,808	224,808
Unrestricted	<u>8,587,752</u>	6,634,440	3,159,910
Total net position	<u>\$ 26,270,953</u>	<u>\$ 24,659,628</u>	<u>\$ 19,610,003</u>

The Authority's total current assets increased by \$1,250,913 and \$6,188,160 during the fiscal years ended June 30, 2015 and 2014, respectively. Elements to consider related to these changes include:

- The Authority's unrestricted cash and cash equivalents increased approximately \$2.1 million during the fiscal year ended June 30, 2015.
- The Authority's accounts receivable from the 1% sales tax and intergovernmental receivables decreased approximately \$839,000 during the fiscal year ended June 30, 2015.
- The Authority had restricted cash of \$1.5 million as of June 30, 2015.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Financial Statements (Continued)

Net Position (Continued): The Authority's capital and other long-term assets increased by \$850,364 during the fiscal year ended June 30, 2015 and increased by \$362,533 during the year ended June 30, 2014. Elements to consider related to these changes include:

- For the fiscal year ended June 30, 2015, the Authority purchased capital assets in the amount of \$369,191, while incurring depreciation on capital assets in the amount of \$1,219,555, which was the cause of the decrease in capital and other long-term assets.
- 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.

The Authority's current liabilities decreased by \$1,722,826 during the fiscal year ended June 30, 2015 and increased by \$2,501,068 during the year ended June 30, 2014. Elements to consider related to these changes include:

- The Authority's accounts payable increased \$465,677 during the year ended June 30, 2015, coupled with a decrease in the intergovernmental payable discussed below, which accounted for the majority of the current year decrease in current liabilities.
- 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 funds that were paid to the Authority prior to the implementation of the 1% penny sales tax. This amount was paid off during the fiscal year ended June 30, 2015, accounting for the majority of the decrease.

The Authority's long-term liabilities increased in the amount of \$1,039,371 during the current year as a result of recording the net pension liability in accordance with Governmental Accounting Standards Board (GASB) Statement No. 68.

The Authority's net position increased by \$2,636,048 and \$5,049,625 during the fiscal years ended June 30, 2015 and 2014, respectively. These changes are attributed to collection of the 1% penny sales tax.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Financial Statements (Continued)

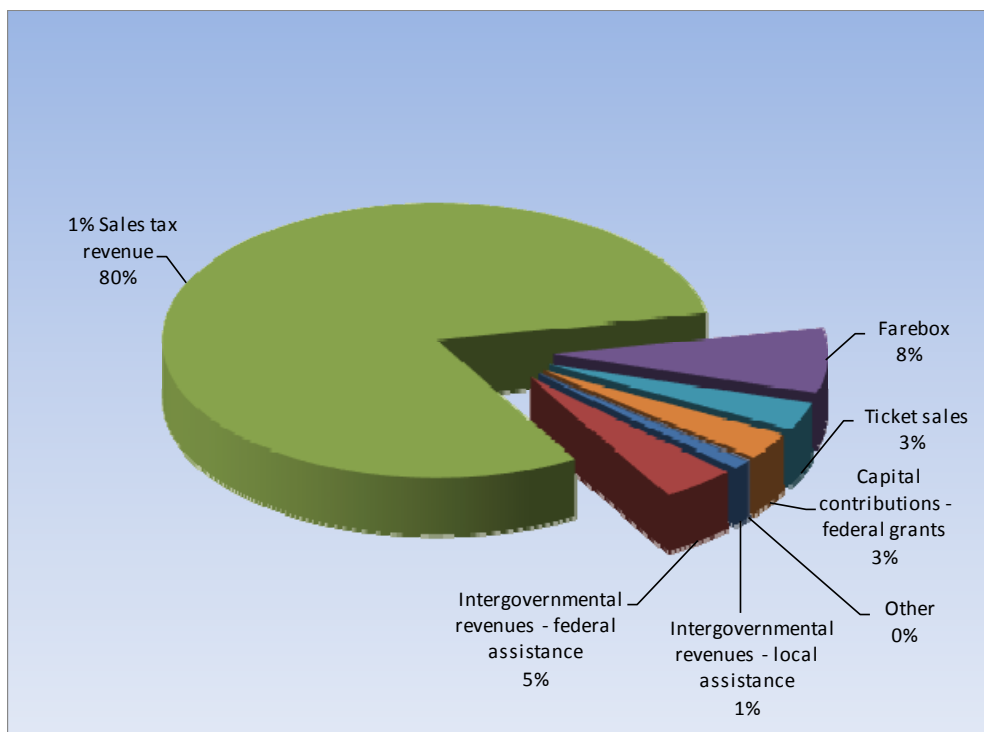
Revenues, Expenses and Changes in Net Position: The following table summarizes the revenues, expenses and changes in net position for the fiscal years ended June 30, 2015 and 2014, and the nine months ended June 30, 2013.

	2015	2014	2013
Operating revenues:			
Farebox	\$ 1,429,628	\$ 1,340,818	\$ 882,614
Ticket sales	622,105	517,731	286,873
Advertising	7,954	16,808	38,762
Contracted services	-	437	51,952
Miscellaneous	469	-	140
Operating revenues	2,060,156	1,875,794	1,260,341
Operating expenses:			
Contract services	10,103,967	7,562,622	5,097,941
Vehicle fuel	1,181,673	1,160,967	643,840
Other operating expense	3,726,472	2,851,571	1,035,639
Depreciation	1,219,555	1,156,888	1,083,878
Operating expenses	16,231,667	12,732,048	7,861,298
Operating loss	(14,171,511)	(10,856,254)	(6,600,957)
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	202,970	961,813	4,630,986
Intergovernmental revenues - federal assistance	827,101	2,240,586	113,937
1% Sales tax revenue	15,161,645	15,110,853	2,233,691
Insurance claim	-	18,696	-
Interest income	9,212	667	495
Other	-	(6,500)	-
Nonoperating revenue, net	16,200,928	15,224,931	6,979,109
Capital contributions - federal grants	606,631	680,948	74,721
Change in net position	\$ 2,636,048	\$ 5,049,625	\$ 452,873

MANAGEMENT'S DISCUSSION AND ANALYSIS

Financial Statements (Continued)

Revenues, Expenses and Changes in Net Position (Continued): The following chart shows the major revenue sources and percentages for revenues as of June 30, 2015.



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

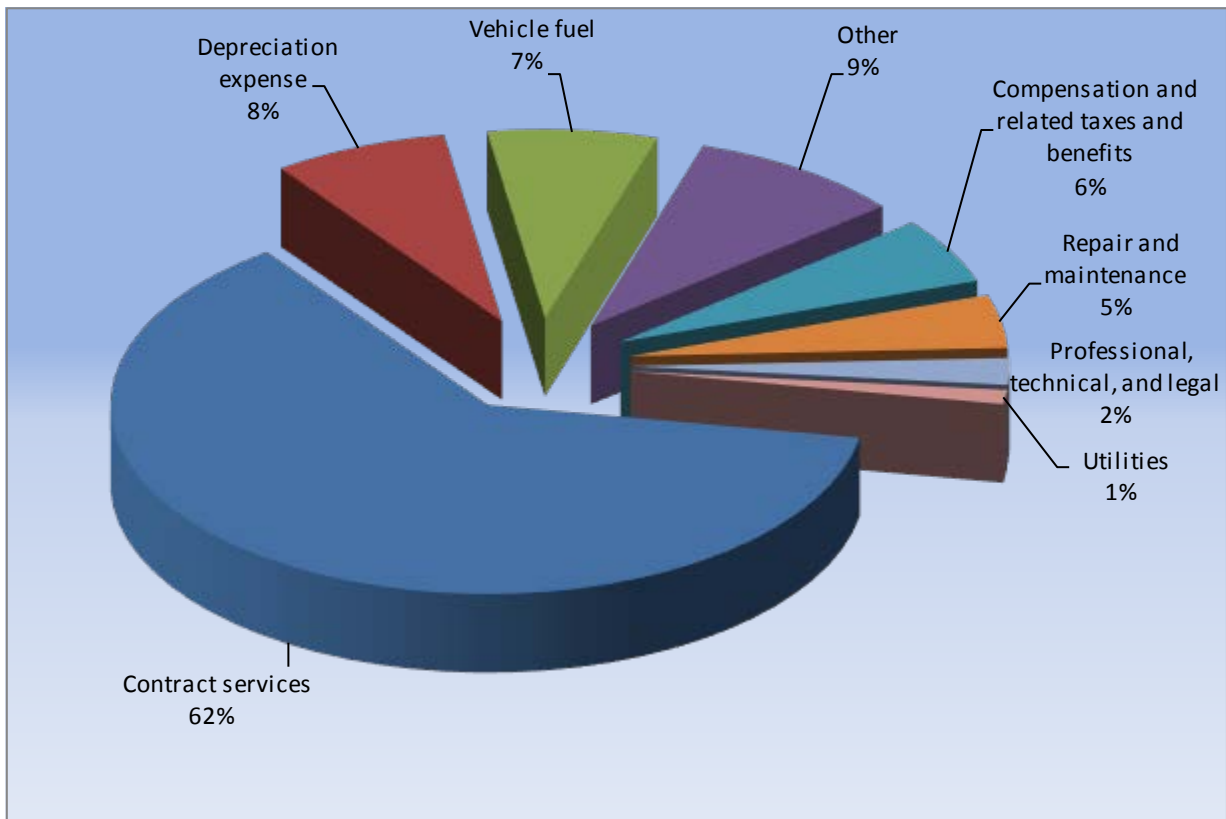
For the fiscal year ended June 30, 2015, operating revenues of the Authority were \$184,362, or 9% higher than 2014 revenues of \$1,875,794. The current year increase in revenues is the result of slight increases in farebox and ticket sale revenues. Elements to consider related to these changes include:

- Farebox Revenue increased by 6.62% or \$88,810 due to 50% promotional discount on 31 day passes for three months and implementation of Garnet route service.
- Advertising revenue decreased by 52.68% from \$16,808 to \$7,954 due to no special promotion this fiscal year.
- Ticket sales revenue increased by 20.16% or \$104,374 due to 50% promotional discount, the half-fare program and USC Gameday Wristbands sales.
- As noted in the chart above, the most significant source of revenue is the Richland County Transportation Penny Sales Tax, which accounts for approximately 80% of all revenue.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Financial Statements (Continued)

Revenues, Expenses and Changes in Net Position (Continued): The following chart shows the major expenses and the percentage for the total expenses as of 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, 2015, operating expenses increased \$3,499,619, or 27% to \$16,231,667. The majority of the current year increase in expenses is the result of increased contract services in the amount of \$2,541,345, increased other operating expenses of \$495,329, increased marketing, printing and advertising expenses of \$185,562 and increased compensation and benefits in the amount of \$179,975.

For the fiscal year ended June 30, 2015, non-operating revenues of the Authority totaled \$16,200,928, which was approximately \$976,000 higher than 2014. The majority of this increase is the result of a decrease in intergovernmental refund expense of \$2.9 million, coupled with decreased grant revenues of \$2.1 million.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Budget Analysis

Over the course of the year, the Authority operated under an approved budget for fiscal year 2015 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 was 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 \$15,161,645 during the fiscal year ended June 30, 2015.
- 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.
- In May 2015, the Board approved the 12-month budget for FY 2016.
- In June 2015, the Central Midlands Regional Transit Authority finance established an Operating Reserve Funding account at South Carolina Community Bank in the amount of \$1,000,000. The board agreed to set aside 4/12ths of the annual expense budget for reserves. There is not enough current year surplus to fully fund the reserve at this level.
- The repayment agreement to Richland County and City of Columbia went into effect in the first quarter of 2014 and Central Midlands RTA completed repayment in June 2015 to both Richland County and City of Columbia.
- In fiscal year 2015 (July 1, 2014 – June 30, 2015) the addition of 279.27 Fixed Route Service Hours was added back to transit system.

The fiscal year 2015 budget was \$18.3 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

Capital Assets

Capital Assets: The Authority's investment in capital assets was \$15,950,016 as of June 30, 2015. This represents a 5.1% decrease in the Authority's capital asset balance of \$16,800,380 as of June 30, 2014. These investments in capital assets include land, buildings, buses, and machinery and equipment.

Major capital asset additions included construction in process related to the maintenance bay extension in the amount of \$235,835 and upgrades to eleven (11) buses in the amount of \$91,674.

The decrease in capital assets was the result of depreciation expense of \$1,219,555 exceeding total capital asset additions of \$369,191.

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.

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 Authority will maintain its focus on its major activities, creating a renewed transit system that ended a decade of decline in service and ridership. As previously emphasized, outdated transit planning had to be re-tooled and now ridership is expanding in areas where routes have been streamlined and implied. Flexible services have been introduced for the first time and we are now seeing the widest service area ever known in the entire Midlands region.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Potential Future Impacts

Third, there is an emphasis on infrastructure, in particular, the transit center facility and passenger amenity infrastructure. This includes benches, shelters, park and ride lots, new transit technologies and general facility upgrades at the transit center in downtown Columbia. Processes are underway to identify whether the existing or a new location is best suited for that purpose, along with major planning efforts that will span the next several years.

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.

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 CMRTA to act on its behalf for access of Rural / Community Transportation Program Funding and Services. In 2015, CMRTA began providing rural transportation service for the Santee Wateree Regional Transit Authority (SWRTA) in the Eastover and Lower Richland area.

Vehicle Replacements. The vehicle replacement program is to 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%. In 2015, Central Midlands purchased eleven (11) propane fuel cutaway vehicles.

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, CMRTA 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. CMRTA wants to expand services for person with disabilities as service areas grow.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Potential Future Impacts (Continued)

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

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

Marketing and Customer Information. The Authority will be focusing on greater visibility and marketing of Authority transit services, which is essential to attracting and retaining customers as well as generating support within the community. Some strategies include keeping media outlets updated and engaged and using a website as an informational tool 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, CMRTA 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, 2015 AND 2014

	2015	2014
ASSETS		
Current assets		
Cash and cash equivalents	\$ 5,012,738	\$ 2,938,051
Receivables:		
1% Sales tax	6,000,000	6,387,159
Intergovernmental	12,590	464,824
Contract service	12,853	-
Ticket sales	16,787	11,164
Farebox revenue	442	442
Prepaid expenses	24,274	21,775
Ticket inventory	5,549	10,905
Total current assets	11,085,233	9,834,320
Restricted assets		
Cash and cash equivalents	1,508,377	1,000,000
Noncurrent assets		
Capital Assets - nondepreciable	1,742,522	2,250,626
Capital Assets - depreciable, net	14,207,494	14,549,754
Total noncurrent assets	15,950,016	16,800,380
 Total assets	 \$ 28,543,626	 \$ 27,634,700
DEFERRED OUTFLOWS OF RESOURCES		
Pension	\$ 106,571	\$ -
 Total deferred outflows of resources	 \$ 106,571	 \$ -

	<u>2015</u>	<u>2014</u>
LIABILITIES		
Current liabilities		
Accounts payable - operations	\$ 1,222,067	\$ 756,390
Intergovernmental payable	-	2,178,513
Retainage payable	8,903	19,179
Accrued liabilities	21,276	20,990
Total current liabilities	<u>1,252,246</u>	<u>2,975,072</u>
Noncurrent liabilities		
Net pension liability	<u>1,039,371</u>	-
Total liabilities	<u>\$ 2,291,617</u>	<u>\$ 2,975,072</u>
DEFERRED INFLOWS OF RESOURCES		
Pension	<u>\$ 87,627</u>	<u>\$ -</u>
Total deferred inflows of resources	<u>\$ 87,627</u>	<u>\$ -</u>
NET POSITION		
Investment in capital assets	\$ 15,950,016	\$ 16,800,380
Restricted for capital projects	1,508,377	1,000,000
Restricted for rolling stock replacement	224,808	224,808
Unrestricted	8,587,752	6,634,440
Total net position	<u>\$ 26,270,953</u>	<u>\$ 24,659,628</u>

CENTRAL MIDLANDS REGIONAL TRANSIT AUTHORITY

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION FOR THE FISCAL YEARS ENDED JUNE 30, 2015 AND 2014

	2015	2014
Operating revenues		
Farebox	\$ 1,429,628	\$ 1,340,818
Ticket sales	622,105	517,731
Advertising	7,954	16,808
Contracted services	-	437
Miscellaneous	469	-
Total operating revenues	2,060,156	1,875,794
Operating expenses		
Contract services	10,103,967	7,562,622
Vehicle fuel	1,181,673	1,160,967
Facility rental expense	60,000	60,000
Compensation and related taxes and benefits	918,521	738,546
Contract labor	55,925	143,604
Security services	46,550	112,204
Repair and maintenance	740,419	719,637
Training	44,430	20,549
Supplies	127,280	69,516
Postage and shipping	2,974	1,974
Board committee expense	2,250	545
Taxes and fees	21,021	15,014
Rental	18,434	14,696
Utilities	194,518	160,537
Insurance	65,111	58,855
Marketing, printing, and advertising	311,714	126,062
Professional, technical, and legal	369,654	376,494
Dues and subscriptions	20,100	1,096
Other operating expenses	727,571	232,242
Depreciation expense	1,219,555	1,156,888
Total operating expenses	16,231,667	12,732,048
Operating loss	(14,171,511)	(10,856,254)
Non-operating revenues (expenses)		
Intergovernmental refund expense	-	(2,904,683)
Interest expense	-	(19,050)
Loss on disposal of capital assets	-	(177,451)
Intergovernmental revenues - local assistance	202,970	961,813
Intergovernmental revenues - federal assistance	827,101	2,240,586
1% Sales tax revenue	15,161,645	15,110,853
Insurance claim	-	18,696
Interest income	9,212	667
Other expense	-	(6,500)
Total non-operating revenues, net	16,200,928	15,224,931
Capital contributions - federal grants	606,631	680,948
Change in net position	2,636,048	5,049,625
Net position, beginning of year	24,659,628	19,610,003
Prior period adjustment	(1,024,723)	-
Net position, beginning of year, as restated	23,634,905	19,610,003
Net position, end of year	\$ 26,270,953	\$ 24,659,628

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

CENTRAL MIDLANDS REGIONAL TRANSIT AUTHORITY

STATEMENTS OF CASH FLOWS FOR THE FISCAL YEARS ENDED JUNE 30, 2015 AND 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers and users	\$ 2,041,680	\$ 1,872,570
Payments to suppliers	(13,635,333)	(10,556,271)
Payments to employees	(922,531)	(726,636)
Net cash used in operating activities	(12,516,184)	(9,410,337)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Insurance claim	-	18,696
Intergovernmental receipts	17,031,109	13,707,066
Reimbursement to City of Columbia and Richland County	(2,178,513)	(726,171)
Net cash provided by non-capital financing activities	14,852,596	12,999,591
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition or construction of capital assets	(369,191)	(1,712,804)
Proceeds from the sale of capital assets	-	35,112
Capital grants	606,631	680,948
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)
Net cash provided by (used in) capital and related financing activities	237,440	(1,022,294)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	9,212	667
Net cash provided by investing activities	9,212	667
Increase in cash and cash equivalents	2,583,064	2,567,627
Cash and cash equivalents:		
Beginning of year	3,938,051	1,370,424
End of year	\$ 6,521,115	\$ 3,938,051
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	\$ (14,171,511)	\$ (10,856,254)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation expense	1,219,555	1,156,888
Changes in assets and liabilities:		
Increase in accounts receivable	(18,476)	(3,224)
Increase in prepaid expenses	(2,499)	(3,005)
(Increase) decrease in inventory	5,356	(8,118)
Increase in deferred outflows of resources - pension	(48,472)	-
Increase in accounts payable	465,677	291,466
Decrease in retainage payable	(10,276)	-
Increase in accrued liabilities	286	11,910
Increase in deferred inflows of resources - pension	87,627	-
Decrease in net pension liability	(43,451)	-
Net cash used in operating activities	\$ (12,516,184)	\$ (9,410,337)

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

CENTRAL MIDLANDS REGIONAL TRANSIT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Central Midlands Regional Transit Authority (the "Authority"), is a public entity created on October 16, 2002 under Section 58-25 of the South Carolina Code of Laws, Regional Transit Authority Enabling Act. The primary purpose of the Authority is to administer, manage, and operate fixed route bus service and demand-response paratransit service, in and around the Columbia, South Carolina urbanized area. The Authority is governed by an 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

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Prepaid Expenses

Payments made to vendors for services that will benefit periods beyond June 30, 2015, are recorded as prepaid expenses.

Accounts Receivable

Accounts receivable consist mainly of the 1% transportation sales tax and grants receivable from other governments and are reported net of any allowance for bad debts. Allowances for doubtful accounts are maintained based on historical results adjusted to reflect current conditions.

Inventory

Inventory, which is comprised of all-day passes, 10 ride passes, 5 day passes, 7 day passes, 31 day passes, all-day half fare passes, 5 day half fare passes, 7 day half fare passes, 31 day half fare passes, 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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets (Continued)

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

Compensated Absences

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

Deferred Outflows / Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to future period(s) and so will not be recognized as an outflow of resources (expense) until then. The Authority had two items that qualified for reporting in this category. The pension contribution subsequent to the measurement date and the differences between expected and actual experience are consumptions of net position in future periods, resulting in recognition as deferred outflows of resources.

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 had one item that qualified for reporting in this category. The net difference between projected and actual investment earnings on pension plan investments are acquisitions of net position which apply to future periods, resulting in recognition as a deferred inflow of resources

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position Classification

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

- a) 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.

Subsequent Events

In preparing these financial statements, the Authority has evaluated events and transactions for potential recognition or disclosure through October 30, 2015, the date the financial statements were available and issued.

NOTES TO FINANCIAL STATEMENTS

NOTE 2. CASH AND CASH EQUIVALENTS

Total cash and cash equivalents as of June 30, 2015 and 2014 are summarized as follows:

	2015	2014
As reported in the Statement of Net Position:		
Cash and cash equivalents (restricted and nonrestricted)	\$ 6,521,115	\$ 3,938,051
Cash deposited with financial institutions	\$ 6,521,115	\$ 3,938,051

Custodial Credit Risk – Deposits. Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. State statutes require all deposits and investments (other than federal or state government instruments) to be collateralized by depository insurance, obligations of the U.S. government, or bonds of public authorities, counties, or municipalities. As of June 30, 2015 and 2014, 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, 2015 and 2014:

	2015	2014
Receivables:		
1% Sales Tax	\$ 6,000,000	\$ 6,387,159
Intergovernmental	12,590	464,824
Contract service	12,853	-
Ticket sales	16,787	11,164
Farebox revenue	442	442
Total receivables	\$ 6,042,672	\$ 6,863,589

NOTES TO FINANCIAL STATEMENTS

NOTE 4. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2015 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
Construction in progress	508,104	235,385	-	(743,489)	-
Total	<u>2,250,626</u>	<u>235,385</u>	<u>-</u>	<u>(743,489)</u>	<u>1,742,522</u>
Capital assets, being depreciated:					
Buildings	13,250,779	-	-	743,489	13,994,268
Fixed route buses	11,637,596	91,674	(232,049)	-	11,497,221
DART vehicles	974,577	-	-	-	974,577
Vehicles	111,115	-	-	-	111,115
Machinery and equipment	2,917,395	15,523	-	-	2,932,918
Furniture and fixtures	196,294	26,609	-	-	222,903
Total	<u>29,087,756</u>	<u>133,806</u>	<u>(232,049)</u>	<u>743,489</u>	<u>29,733,002</u>
Less accumulated depreciation for:					
Buildings	(3,407,781)	(546,097)	-	-	(3,953,878)
Fixed route buses	(8,280,054)	(391,685)	232,049	-	(8,439,690)
DART vehicles	(902,485)	(29,118)	-	-	(931,603)
Vehicles	(79,029)	(5,134)	-	-	(84,163)
Machinery and equipment	(1,812,824)	(229,212)	-	-	(2,042,036)
Furniture and fixtures	(55,829)	(18,309)	-	-	(74,138)
Total	<u>(14,538,002)</u>	<u>(1,219,555)</u>	<u>232,049</u>	<u>-</u>	<u>(15,525,508)</u>
Total capital assets, being depreciated, net	<u>14,549,754</u>	<u>(1,085,749)</u>	<u>-</u>	<u>743,489</u>	<u>14,207,494</u>
Total capital assets, net	<u>\$ 16,800,380</u>	<u>\$ (850,364)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,950,016</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 4. CAPITAL ASSETS (CONTINUED)

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
Construction in progress	-	508,104	-	-	508,104
Total	<u>1,742,522</u>	<u>508,104</u>	<u>-</u>	<u>-</u>	<u>2,250,626</u>
Capital assets, being depreciated:					
Buildings					
Fixed route buses	13,250,779	-	-	-	13,250,779
DART vehicles	11,088,341	1,017,203	(467,948)	-	11,637,596
Trolleys	1,029,777	-	(55,200)	-	974,577
Vehicles	75,179	35,936	-	-	111,115
Machinery and equipment	2,874,310	43,085	-	-	2,917,395
Furniture and fixtures	68,639	127,655	-	-	196,294
Total	<u>28,387,025</u>	<u>1,223,879</u>	<u>(523,148)</u>	<u>-</u>	<u>29,087,756</u>
Less accumulated depreciation for:					
Buildings	(2,869,710)	(538,071)	-	-	(3,407,781)
Fixed route buses	(8,468,290)	(279,712)	467,948	-	(8,280,054)
DART vehicles	(906,839)	(50,846)	55,200	-	(902,485)
Trolleys	(75,179)	(3,850)	-	-	(79,029)
Vehicles	(1,539,463)	(273,361)	-	-	(1,812,824)
Machinery and equipment	(44,781)	(11,048)	-	-	(55,829)
Furniture and fixtures	(13,904,262)	(1,156,888)	523,148	-	(14,538,002)
Total					
Total capital assets, being depreciated, net	<u>14,482,763</u>	<u>66,991</u>	<u>-</u>	<u>-</u>	<u>14,549,754</u>
Total capital assets, net	<u>\$ 16,225,285</u>	<u>\$ 575,095</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,800,380</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 5. LEASES

The Authority leases the main transit center and the smaller transit stop from the City of Columbia to assist in its operation of the public transportation system. The City of Columbia does not charge for this lease, but rather treats it as a donation. The total fair market value of this lease for the years ended June 30, 2015 and 2014 is \$60,000 and \$60,000, respectively.

NOTE 6. RETIREMENT SYSTEM

Overview

The South Carolina Public Employee Benefit Authority (PEBA), which was created July 1, 2012, administers the various retirement systems and retirement programs managed by its Retirement Division. PEBA has an 11-member Board of Directors, appointed by the Governor and General Assembly leadership, which serves as co-trustee and co-fiduciary of the systems and the trust funds. By law, the Budget and Control Board, which consists of five elected officials, also reviews certain PEBA Board decisions regarding the funding of the Systems and serves as a co-trustee of the Systems in conducting that review. PEBA issues a Comprehensive Annual Financial Report (CAFR) containing financial statements and required supplementary information for the South Carolina Retirement Systems' Pension Trust Funds. The CAFR is publicly available on the Retirement Benefits' link on PEBA's website at www.peba.sc.gov, or a copy may be obtained by submitting a request to PEBA, PO Box 11960, Columbia, SC 29211-1960. PEBA is considered a division of the primary government of the state of South Carolina and therefore, retirement trust fund financial information is also included in the comprehensive annual financial report of the state.

Plan Description

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

Membership

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

NOTES TO FINANCIAL STATEMENTS

NOTE 6. RETIREMENT SYSTEM (CONTINUED)

Benefits

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

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

Contributions

Contributions are prescribed in Title 9 of the South Carolina Code of Laws. The PEBA Board may increase the System's employer and employee contribution rates on the basis of the actuarial valuations, but any such increase may not result in a differential between the employee and employer contribution rate that exceeds 2.9% of earnable compensation for the System. An increase in the contribution rates adopted by the board may not provide for an increase of more than one-half of one percent in any one year. If the scheduled employee and employer contributions provided in statute or the rates last adopted by the board are insufficient to maintain a thirty year amortization schedule of the unfunded liabilities of the plans, the board shall increase the contribution rates in equal percentage amounts for the employer and employee as necessary to maintain the thirty-year amortization period; this increase is not limited to one-half of one percent per year.

Required employee contribution rates for the year ended June 30, 2015 are as follows:

Employee class two	8.00% of earnable compensation
Employee class three	8.00% of earnable compensation

NOTES TO FINANCIAL STATEMENTS

NOTE 6. RETIREMENT SYSTEM (CONTINUED)

Contributions (Continued)

Required employer contribution rates for the year ended June 30, 2015 are as follows:

Employee class two	10.75% of earnable compensation
Employee class three	10.75% of earnable compensation
Employer incidental death benefit	0.15% of earnable compensation

Net Pension Liability

The most recent annual actuarial valuation report adopted by the PEBA Board and Budget and Control Board is as of July 1, 2013. The net pension liability of the System was therefore determined based on the July 1, 2013 actuarial valuations, using membership data as of July 1, 2013, projected forward to the end of the fiscal year, and financial information of the pension trust fund as of June 30, 2014, using generally accepted actuarial procedures. Information included in the following schedules is based on the certification provided by the System's consulting actuary, Gabriel, Roeder, Smith and Company.

As of June 30, 2014, the net pension liability for the South Carolina Retirement System is as follows:

Total pension liability	\$ 42,955,205,796
Plan fiduciary net position	<u>25,738,521,026</u>
Employers' net pension liability	<u>\$ 17,216,684,770</u>
Plan fiduciary net position as a percentage of the total pension liability	59.9%

NOTES TO FINANCIAL STATEMENTS

NOTE 6. RETIREMENT SYSTEM (CONTINUED)

Net Pension Liability (Continued)

Total pension liability	
Service cost	\$ 739,021,148
Interest	3,021,003,664
Difference between actual and expected experience	638,744,910
Benefit payments	<u>(2,571,048,582)</u>
Net change in total pension liability	1,827,721,140
Total pension liability - beginning June 30, 2013	41,127,484,656
Total pension liability - ending June 30, 2014	<u>42,955,205,796</u>
Plan fiduciary net position	
Contributions - employer	962,798,170
Contributions - member	652,630,491
Refunds of contributions to members	(90,250,597)
Retirement benefits	(2,461,557,940)
Death benefits	(19,240,045)
Net investment income	3,517,324,405
Administrative expense	(11,765,475)
Net transfers to affiliated systems	<u>(2,469,905)</u>
Net change in Plan fiduciary net position	2,547,469,104
Plan fiduciary net position - beginning June 30, 2013	23,191,051,922
Plan fiduciary net position - ending June 30, 2014	<u>25,738,521,026</u>
Net pension liability	<u><u>\$ 17,216,684,770</u></u>

The Authority's proportionate share of the net pension liability as of June 30, 2015 is \$1,039,371.

NOTES TO FINANCIAL STATEMENTS

NOTE 6. RETIREMENT SYSTEM (CONTINUED)

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

For the year ended June 30, 2015, the Authority recognized pension expense of \$72,848. At June 30, 2015, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 29,451	\$ -
Net difference between projected and actual earnings on pension plan investments	-	87,627
Employer contributions subsequent to the measurement date	<u>77,120</u>	<u>-</u>
Total	<u>\$ 106,571</u>	<u>\$ 87,627</u>

Authority contributions subsequent to the measurement date of \$77,120 are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2016	\$ 12,797
2017	12,797
2018	12,797
2019	19,785

NOTES TO FINANCIAL STATEMENTS

NOTE 6. RETIREMENT SYSTEM (CONTINUED)

Actuarial Assumptions and Methods

Actuarial valuations involve estimates of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and future salary increases. Amounts determined during the valuation process are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. South Carolina state statute requires that an actuarial experience study be completed at least once in each five-year period. The last experience study was performed on data through June 30, 2010, and the next experience study is scheduled to be conducted after the June 30, 2015 annual valuation is complete.

Assumptions and methods used in the July 1, 2013 valuation for the System are as follows:

Actuarial cost method	Entry age
Investment rate of return	7.50%
Projected salary increase	Levels off at 3.50%
Inflation	2.75%
Benefit adjustments	Lesser of 1.00% or \$500

The post-retiree mortality assumption is dependent upon the member's job category and gender. This assumption includes base rates which are automatically adjusted for future improvement in mortality using published Scale AA projected from the year 2000.

The long-term expected rate of return on pension plan investments for actuarial purposes is based upon the 30 year capital market outlook at the end of the third quarter 2012. The actuarial long-term expected rates of return represent best estimates of arithmetic real rates of return for each major asset class and were developed in coordination with the investment consultant for the Retirement System Investment Commission (RSIC) using a building block approach, reflecting observable inflation and interest rate information available in the fixed income markets as well as Consensus Economic forecasts. The actuarial long-term assumptions for other asset classes are based on historical results, current market characteristics and professional judgment.

The RSIC has exclusive authority to invest and manage the retirement trust funds' assets. As co-fiduciary of the Systems, statutory provisions and governance policies allow the RSIC to operate in a manner consistent with a long-term investment time horizon. The expected real rates of investment return, along with the expected inflation rate, form the basis for the target asset allocation adopted annually by the RSIC. For actuarial purposes, the long-term expected rate of return is calculated by weighting the expected future real rates of return by the target allocation percentage and then adding the actuarial expected inflation which is summarized in the table on the following page. For actuarial purposes, the 7.50% assumed annual investment rate of return used in the calculation of the total pension liability includes a 4.75% real rate of return and a 2.75% inflation component.

NOTES TO FINANCIAL STATEMENTS

NOTE 6. RETIREMENT SYSTEM (CONTINUED)

Actuarial Assumptions and Methods (Continued)

Asset Class	Target Asset Allocation	Expected Arithmetic Real Rate of Return	Long-Term Expected Portfolio Real Rate of Return
Short Term	5.0%		
Cash	2.0%	0.3	0.01
Short duration	3.0%	0.6	0.02
Domestic Fixed Income	13.0%		
Core fixed income	7.0%	1.1	0.08
High yield	2.0%	3.5	0.07
Bank loans	4.0%	2.8	0.11
Global Fixed Income	9.0%		
Global fixed income	3.0%	0.8	0.02
Emerging markets debt	6.0%	4.1	0.25
Global Public Equity	31.0%	7.8	2.42
Global Tactical Asset Allocation	10.0%	5.1	0.51
Alternatives	32.0%		
Hedge funds (low beta)	8.0%	4	0.32
Private debt	7.0%	10.2	0.71
Private equity	9.0%	10.2	0.92
Real estate (broad market)	5.0%	5.9	0.29
Commodities	3.0%	5.1	0.15
			<hr/>
		Total expected real return	5.88
		Inflation for actuarial purposes	2.75
		Total expected nominal return	<hr/> 8.63

Discount Rate

The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers in SCRS will be made based on the actuarially determined rates based on provisions in the South Carolina State Code of Laws. Based on those assumptions, SCRS' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

NOTES TO FINANCIAL STATEMENTS

NOTE 6. RETIREMENT SYSTEM (CONTINUED)

Discount Rate (Continued)

The following table presents the sensitivity of the net pension liability to changes in the discount rate.

<u>Sensitivity of the Net Position Liability to Changes in the Discount Rate</u>		
	Current	
1% Decrease	Discount Rate	1% Increase
(6.50%)	(7.50%)	(8.50%)
\$ 22,279,455,340	\$ 17,216,684,770	\$ 12,992,881,787

Pension Plan Fiduciary Net Position

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

NOTE 7. COMMITMENTS AND CONTINGENCIES

Grant income from local governments and federal grantor agencies for the years ended June 30, 2015 and 2014 totaled \$1,636,702 and \$3,883,347, 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 8. RISK MANAGEMENT

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

NOTES TO FINANCIAL STATEMENTS

NOTE 8. RISK MANAGEMENT (CONTINUED)

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

Expenses for coverage through the South Carolina Insurance Reserve Fund for the years ended June 30, 2015 and 2014 totaled \$62,229 and \$51,943, respectively.

For all covered risks, the transfer of risk culminates upon filing a claim. Consequently, for items not covered, the members separately purchase policies to bear the risk up to policy premiums. For the years ended June 30, 2015 and 2014, there were no liabilities which exceeded the coverage available through the South Carolina Insurance Reserve Fund and separate purchased carriers.

NOTE 9. CHANGES IN ACCOUNTING PRINCIPLES

The Authority has determined that a restatement to the July 1, 2014 beginning net position was required to recognize the changes in accounting principles for implementation of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, as well as Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – and amendment of GASB Statement No. 68*, through which accounting for pension plans and the related disclosure requirements were modified. This adjustment resulted in a change to the beginning net position of the Authority as follows:

Beginning net position, July 1, 2014, as previously presented	\$	24,659,628
Change in accounting principle due to the implementation of GASB Statement No. 68		<u>(1,024,723)</u>
Beginning net position, July 1, 2014, as restated	\$	<u>23,634,905</u>

The Authority concluded that it was not practical to implement GASB Statement No. 68 and GASB Statement No. 71 as of July 1, 2013 due to the fact that the South Carolina Public Employee Benefit Authority was unable to provide the necessary information.

REQUIRED SUPPLEMENTARY INFORMATION

CENTRAL MIDLANDS REGIONAL TRANSIT AUTHORITY

Required Supplementary Information Schedule of Proportionate Share of the Net Pension Liability South Carolina Retirement System For the Year Ended June 30

	<u>2015</u>
Authority's proportion of the net pension liability	0.006037%
Authority's proportionate share of the net pension liability	\$ 1,039,371
Authority's covered-employee payroll	\$ 532,621
Authority's proportionate share of the net pension liability as a percentage of its covered-employee payroll	195.1%
Plan fiduciary net position as a percentage of the total pension liability	59.9%

CENTRAL MIDLANDS REGIONAL TRANSIT AUTHORITY

Required Supplementary Information Schedule of Contributions South Carolina Retirement System For the Year Ended June 30

	<u>2015</u>
Actuarially determined contribution	\$ 58,099
Contributions in relation to the actuarially determined contribution	<u>58,099</u>
Contribution deficiency (excess)	<u>\$ -</u>
Covered employee payroll	\$ 532,621
Contributions as a percentage of covered-employee payroll	10.91%

SUPPLEMENTARY INFORMATION

CENTRAL MIDLANDS REGIONAL TRANSIT AUTHORITY

SCHEDULES OF OPERATING AND NON-OPERATING REVENUES, EXPENSES, AND CHANGES IN NET POSITION FOR THE FISCAL YEARS ENDED JUNE 30, 2015 AND 2014

	2015	2014
Operating revenues		
Farebox	\$ 1,429,628	\$ 1,340,818
Ticket sales	622,105	517,731
Advertising	7,954	16,808
Contracted services	-	437
Miscellaneous	469	-
Total operating revenues	2,060,156	1,875,794
Operating expenses		
Contract services:		
Contractor - fixed route	8,223,351	6,200,470
Contractor - DART	1,475,653	1,352,078
Contractor - Santee Wateree	404,963	10,074
	10,103,967	7,562,622
Vehicle fuel	1,181,673	1,160,967
Facility rental expense	60,000	60,000
Compensation and related taxes and benefits:		
Salaries	691,923	579,670
Annual leave	9,912	18,792
Sick leave	5,361	3,870
Funeral leave	438	-
Retirement	72,824	59,341
FICA and Medicare	60,502	37,479
Employee health insurance	76,272	38,767
Worker compensation	1,289	627
	918,521	738,546
Contract labor	55,925	143,604
Security services	46,550	112,204
Repair and maintenance:		
Software & equipment maintenance	24,324	-
Vehicle repairs & maintenance	238,630	291,646
Transit facility repairs & maintenance - federal grants (96)	-	339
Transit facility repairs & maintenance	77,665	138,580
Transit facility repairs & maintenance - capital	73,766	77,124
Software & equipment maintenance - federal grants (96)	48,070	163,426
Software & equipment maintenance - federal grants (210)	227,011	18,590
Software & equipment maintenance - federal grants	50,953	29,932
	740,419	719,637
Training:		
Employee training	1,942	(390)
Employee training (008)	6,000	-
Employee training (210)	31,197	20,264
Meetings/Seminars/Events	5,291	675
	44,430	20,549
Supplies:		
Office supplies / other expense	15,604	10,083
Fare collection services / supplies	56,071	52,000
Ticket supplies	55,605	7,433
	127,280	69,516

	<u>2015</u>	<u>2014</u>
Operating expenses (continued)		
Postage and shipping	\$ 2,974	\$ 1,974
Board committee expense	2,250	545
Taxes and fees	21,021	15,014
Rental:		
Office equipment lease	18,434	13,621
Office equipment and furniture	-	1,075
Utilities:		
Electricity	109,591	93,075
Water and sewer	5,577	5,605
Telephone	65,613	50,184
Natural gas	8,155	7,829
Mobile telephone	5,582	3,844
Insurance:		
Insurance - vehicle	2,689	7,807
Insurance - facilities	-	2,574
Insurance - vehicle - capital	37,093	26,956
Insurance - Lucius Road Facility	12,211	10,052
Insurance - tort	7,266	6,988
Insurance - officers - directors	5,852	4,478
Marketing, printing, and advertising:		
Marketing / advertising / promotion	243,731	78,830
Legal advertising	2,050	1,534
Printing	55,146	24,329
Meals and entertainment	780	1,147
Apparel and merchandise	10,007	20,222
Professional and technical/legal:		
Professional and technical/legal	369,654	376,494
Dues and subscriptions	20,100	1,096
Other operating expenses:		
Administration - miscellaneous	9,908	6,844
Other services	717,663	225,398
Depreciation expense	1,219,555	1,156,888
Total operating expenses	<u>16,231,667</u>	<u>12,732,048</u>
Operating loss	<u>(14,171,511)</u>	<u>(10,856,254)</u>

Continued

CENTRAL MIDLANDS REGIONAL TRANSIT AUTHORITY

SCHEDULES OF OPERATING AND NON-OPERATING REVENUES, EXPENSES, AND CHANGES IN NET POSITION FOR THE FISCAL YEARS ENDED JUNE 30, 2015 AND 2014

	2015	2014
Non-operating revenues (expenses)		
Operating grants - local assistance		
Local revenue - Columbia	\$ 60,000	\$ 60,000
Local revenue - Lexington County	142,970	125,066
Local revenue - Richland County	-	-
Local revenue - SMTF	-	776,747
	202,970	961,813
Operating grants - federal assistance		
Federal revenue - planning (210)	2,891	9,479
Federal revenue - operations	192,467	31,678
Federal revenue - capital (PM)	631,743	2,199,429
	827,101	2,240,586
1% Sales tax revenue	15,161,645	15,110,853
Insurance claim	-	18,696
Interest income	9,212	667
Intergovernmental refund expense	-	(2,904,683)
Interest expense	-	(19,050)
Loss on disposal of capital assets	-	(177,451)
Other expense	-	(6,500)
Total non-operating revenues, net	16,200,928	15,224,931
Capital contributions - federal grants		
Federal revenue - capital	606,631	680,948
Change in net position	2,636,048	5,049,625
Net position, beginning of year	24,659,628	19,610,003
Prior period adjustment	(1,024,723)	-
Net position, beginning of year, as restated	23,634,905	19,610,003
Net position, end of year	\$ 26,270,953	\$ 24,659,628

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, 2015

	Actual	Final Budget	Variance with Budget
Revenues			
Farebox	\$ 1,429,628	\$ 1,374,777	\$ 54,851
Ticket sales	622,105	509,000	113,105
Advertising	7,954	20,349	(12,395)
In-kind revenue on use of facilities	60,000	60,000	-
Local funds - Lexington County	142,970	140,892	2,078
1% Sales tax revenue	15,161,645	14,400,000	761,645
Interest income	9,212	10,000	(788)
Federal revenue	606,631	1,165,008	(558,377)
Federal revenue - section 5307 - facility funding	827,101	2,049,128	(1,222,027)
State Mass Transit Funds - operating	-	607,611	(607,611)
Miscellaneous	469	-	469
Total revenues	18,867,715	20,336,765	(1,469,050)
Operating expenses			
Administrative:			
Staff - labor and fringes	974,446	809,398	(165,048)
Dues and subscriptions	20,100	22,500	2,400
Training and development	44,430	35,000	(9,430)
Office equipment lease	18,434	8,484	(9,950)
Office supplies and other expenses	15,604	9,986	(5,618)
Postage and shipping	2,974	1,373	(1,601)
Marketing, printing, and advertising	311,714	165,132	(146,582)
Administrative - miscellaneous	11,721	8,191	(3,530)
Tickets, transfers, zone passes	55,605	3,215	(52,390)
Custodial and other services	718,098	61,053	(657,045)
Total administrative	2,173,126	1,124,332	(1,048,794)
Operations and maintenance:			
In-kind expense on use of facilities	60,000	60,000	-
Transit facility maintenance and repairs	151,431	125,000	(26,431)
Contractor - fixed route	8,223,351	8,586,518	363,167
Contractor - DART	1,475,653	1,536,379	60,726
Contractor - Santee Wateree	404,963	368,308	(36,655)
Software equipment and maintenance	350,358	43,785	(306,573)
Vehicle fuel	1,181,673	2,092,836	911,163
Vehicle maintenance, repairs, and insurance deductible	238,630	400,000	161,370
Total operations and maintenance	12,086,059	13,212,826	1,126,767
Depreciation expense	1,219,555	1,500,000	280,445

	<u>Actual</u>	<u>Final Budget</u>	<u>Variance with Budget</u>
Insurance:			
Insurance - vehicle - comp and collision	\$ 39,782	\$ 34,914	\$ (4,868)
Insurance - facilities	12,211	13,051	840
Insurance - tort liability	7,266	7,384	118
Insurance - officers and directors and employee bonding	5,854	4,566	(1,288)
Total insurance	<u>65,113</u>	<u>59,915</u>	<u>(5,198)</u>
Technical services:			
Professional and technical/legal	369,654	300,000	(69,654)
Security services	46,550	9,397	(37,153)
Fare collection services and supplies	56,071	57,098	1,027
	<u>472,275</u>	<u>366,495</u>	<u>(105,780)</u>
Utilities:			
Electricity - all services	109,592	95,980	(13,612)
Water and sewer	5,577	5,919	342
Telephone	65,613	50,975	(14,638)
Mobile Telephone	5,582	3,805	(1,777)
Natural gas	8,155	9,098	943
Total utilities	<u>194,519</u>	<u>165,777</u>	<u>(28,742)</u>
Taxes and fees:			
Taxes and fees	5,898	4,421	(1,477)
Banking fees	15,122	9,698	(5,424)
Total taxes and fees	<u>21,020</u>	<u>14,119</u>	<u>(6,901)</u>
Total operating expenses	<u>16,231,667</u>	<u>16,443,464</u>	<u>211,797</u>
Non-operating expenses			
Intergovernmental refund expense	-	1,452,340	1,452,340
Total non-operating expenses	<u>-</u>	<u>1,452,340</u>	<u>1,452,340</u>
Major capital expenses			
Software and equipment	11,359	164,270	152,911
Office equipment	30,773	14,506	(16,267)
Vehicles and equipment	91,674	255,551	163,877
Facility renovations	235,385	-	(235,385)
Total capital expenses	<u>369,191</u>	<u>434,327</u>	<u>65,136</u>
Total expenses	<u>16,600,858</u>	<u>18,330,131</u>	<u>1,729,273</u>
Revenues over expenses	<u>\$ 2,266,857</u>	<u>\$ 2,006,634</u>	<u>\$ (260,223)</u>
Reconciliation of revenues over expenses to change in net position:			
Change in net position	\$ 2,636,048		
Capitalized items	(369,191)		
Revenues over expenses	<u>\$ 2,266,857</u>		

CENTRAL MIDLANDS REGIONAL TRANSIT AUTHORITY

SCHEDULE OF BUDGETED TO ACTUAL COSTS - SCDOT GRANTS FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	PT-5M499-02				
OPT Contract #					
Contract Period	July 1, 2014 - June 30, 2015				
Actual Cost	CMRTA Budget FY2015	Section 5307	SMTF	Local	
Performance period:	July 2014 through June 2015	July 1, 2014 through June 30, 2015	July 1, 2014 through June 30, 2015	July 1, 2014 through June 30, 2015	Total Program Variance
SMTF Operations					
Vehicle Fuel	2,092,836	-	607,611	574,062	911,163
Funds to Offset Operations	16,237,295	1,433,732	-	13,616,262	1,187,301
Total Approved Budget	18,330,131	1,433,732	607,611	14,190,324	2,098,464
Approved Budget	18,330,131				
TI Federal Costs	1,433,732				
TI State Costs	607,611				
TI Local Costs	14,190,324				
Budget over Actual	<u>2,098,464</u>				

Note: The local funds shown above are for vehicle fuel and funds to offset the operating deficit. The \$6,326,204 reported in Form 600 for the local match is included in the above local match amount of \$14,190,324. The significant difference is the result of SMTF funds being fully expended five months prior to the Authority's year end and the schedule is based on budgeted amounts for the entire fiscal year.

COMPLIANCE SECTION

CENTRAL MIDLANDS REGIONAL TRANSIT AUTHORITY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Federal Grantor	Federal CFDA Number	Agency Grant Number	Expenditures
U.S. Department of Transportation:			
Federal Transit Administration			
Federal Transit Cluster			
Passed through the South Carolina Department of Transportation			
ARRA - Urbanized Area Formula Grant	20.507	SC-96-X010-01	\$ 133,561
Urbanized Area Grant	20.507	SC-90-X210-00	61,648
Formula Grant	20.507	SC-90-X247-00	160,961
Oper/Maint/Admin Facility Construction	20.507	SC-03-0045-00	245,913
Oper/Maint/Admin Facility Construction	20.507	SC-90-X267-00	572,987
Total Federal Transit Cluster			1,175,070
Transit Services Program Cluster			
Passed through the Central Midlands Council of Governments			
2010 JARC Mobility Manager & Job Assistance	20.516	SC-37-X018-00	44,000
2010 Travel Trainer	20.516	SC-57-X015-00	24,000
2009 Medical Escorts	20.516	SC-57-X015-00	11,468
Total Transit Services Program Cluster			79,468
Total U.S. Department of Transportation Grant Programs			1,254,538
Total Federal Expenditures			\$ 1,254,538

CENTRAL MIDLANDS REGIONAL TRANSIT AUTHORITY

NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

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

Measurement Focus

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

Program Type Determination

Type A programs are defined as federal programs with federal expenditures exceeding the larger of \$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, 2015.

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***

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Central Midlands Regional Transit Authority (the "Authority") as of and for the years ended June 30, 2015 and 2014, 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 30, 2015. Our report includes a reference to the changes in accounting principles resulting from the implementation of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27* as well as Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*, as of July 1, 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.

Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in cursive script that reads "Mauldin & Jenkins, LLC".

Macon, Georgia
October 30, 2015



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

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

Report on Compliance For Each Major Federal Program

We have audited the Central Midlands Regional Transit Authority's (the "Authority") compliance with the types of compliance requirements described in the *OMB 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, 2015. 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, 2015.

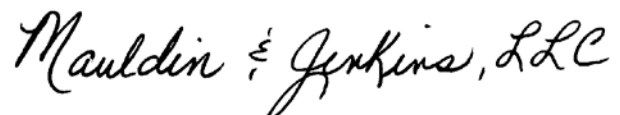
Report on Internal Control Over Compliance

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.



Macon, Georgia
October 30, 2015

CENTRAL MIDLANDS REGIONAL TRANSIT AUTHORITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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, 2015

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