CENTRAL MIDLANDS REGIONAL TRANSIT AUTHORITY

FINANCIAL REPORT

FOR THE FISCAL YEARS ENDED JUNE 30, 2016 AND 2015

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MAULDIN & JENKINS

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, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Central Midlands Regional Transit Authority as of June 30, 2016 and 2015, and the changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information - Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (on pages 4 through 17), the Schedule of Authority's Proportionate Share of the Net Pension Liability (on page 42), and the Schedule of Authority Contributions (on page 43) 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 Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards),* as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 2016, on our consideration of the Central Midlands Regional Transit Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Central Midlands Regional Transit Authority's internal control over financial reporting and compliance.

Mauldin & Jenkins, LLC

Macon, Georgia
October 26, 2016

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, 2016 and 2015. 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 7,593 passengers every weekday, 4,091 passengers on Saturday and 2,802 passengers on Sunday with Ridership of 2,332,723. DART carrying an average 230 passengers every weekday and 37.2 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 28 weekday and 23 weekend routes starting/ending at the Downtown Transfer Center (DTC), located in downtown Columbia at 1224 Laurel and Sumter Streets. The Authority's most critical task to establish a dedicated local funding source that can fund operations came to reality on November 6, 2012 with the Transportation Penny. 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 not to exceed 22 years, which amount is approximately 29% of the available proceeds of a sales and use tax collected in Richland County beginning May 1, 2013. 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. The Penny Sales Tax has provided Central Midlands with the financial means to implement a number of service improvements for transit growth throughout the Midlands. The funding allows for trip planning apps, new pass programs, extending of hours, increased frequency and development of new routes to meet the transit needs of Richland County. This has resulted in an increased ridership of 136% since the passage of the penny.

Authority Activities and Highlights

Key activities for fiscal year 2016 are as follows:

- In September 2015, Central Midlands RTA ridership for the month increased to over 200,000 passengers.

- The Board of Directors discussed new membership from other district areas such as Eastover, Arcadia Lakes and Irmo. The Columbia rural area of the Lower Richland route was approved, which is funded by OPT Rural Program 5311. 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. After the agreement Eastover government has requested a seat on the board of directors.

- In December 2015, the board of directors procurement updates included the following: The RFP for the Third Party Oversight was advertised. The committee will meet for recommendation and send to board for approval and the contract to begin in January 2016. Third Party Oversight motion canceled in January 2016. Secondly, the RFP for Electric Buses, included in the scope will be Diesel and CNG buses. Third, an Invitation for Bid for installation of shelters, benches and other amenities. Central Midlands received first batch of shelters in August 2014, which is part of Penny Sales Tax obligation to the ridership of the Midlands. Last, in January 2016 update on RFP for Project Manager for bus shelter installation.

- The Board of Directors approved Strategic Planning process included committees for Service and Design, Operational Excellence, Finance and Funding and Board Governance.

- In December 2015, the board of directors approved to have a moratorium on all route adjustments and extensions until new vehicles arrive. In addition, any route extensions and adjustments will be brought to the board to show all or any service reductions associated with change. In February 2016, motion was amended to that any route extensions and adjustments to the board should show any/all service reductions associated with it to service standards.

- In January 2016, the board of directors accepted recommendations concerning open Title VI complaint to Central Midlands RTA. The recommendation is that there is correspondence in the form of a certified letter from CMRTA sent all the complainants when we receive a Title VI complaint.

- In February 2016, the board of directors approved to proceed with an RFP to hire a turnkey contractor to manage all the aspects of placing our shelters and stops in the community with monthly reporting.

- Board of directors meetings beginning in March 2016 to be held every other month.

- In May 2016, Central Midlands RTA by-laws were amended.

- In May 2016, Board of directors approved communications matrix for Central Midlands RTA.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Financial Highlights

Key financial highlights for fiscal year 2016 are as follows:

- Board approved a 50% promotional discount on 31-Day tickets, which cost $40 and Half Fare tickets from May 1 – July 31, 2015. In addition, the promotion included advertising and customer oriented promotional items. All of these events are in the effort to increase summer ridership for the comet.

- In December 2015, the board of directors approved the annual grant resolution. The resolution authorizes the filing of grant applications with the United States Department of Transportation and the South Carolina Department of Transportation.

- In December 2015, the board of directors approved the recommendation of the Evaluation Committee to give the notice of intent to award of the purchase of eight (8) diesel buses to New Flyer. Also, the executive director was approved to negotiate specification change orders not to exceed 3% above the contract. 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 December 2015, the board approved issuance of 500 All-Day passes for participant incentives for the HUD homeless count, which was administered by the United Way of the Midlands during flood period.

- .In January 2016, the board approved and reviewed an established funding service model for Lexington County Service. In FY2016, Lexington County has two routes #28 running one am and two pm trips and #26 running two am and one pm trip. Fixed routes service is based on a fixed rate of $65.65 per hour charge while Paratransit service is based on a rate of $60.17 times the number of trips.

- In February 2016, the board of directors accepted the FY2015 independent audit's report.

- In April 2016, the board of directors approved FY2017 budget.

- The board of directors approved a contract with Richland School District #2, which consists of a pass program for the students. Also, they will reach out to the other Richland County school districts.

- The Authority's net position (amount that assets exceeded liabilities) was $33,680,987 and $26,270,953 at the close of fiscal years 2016 and 2015, respectively. Of these amounts, $16,499,460 and $15,950,016 respectively, were invested in capital assets, net of related debt.

- The Authority's total net position increased $7,410,034 and $2,636,048 during fiscal years 2016 and 2015, respectively. These net changes are further reflected in the Authority's statements of revenues, expenses, and change in net position.

- The Authority received contributions through federal, state, and local grants in the amount of $5,398,667 and $1,636,702 for the fiscal years 2016 and 2015, respectively.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. The notes to the financial statements contain more detail on some of the information presented in the financial statements. The financial statements of the Authority report information about the Authority using accounting methods similar to those used by private sector companies. These statements offer short- and long-term financial information about its activities. The Statement of Net Position presents information on all of the Authority's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating. The Statements of Net Position can be found on pages 18 and 19 of this report.

The Statements of Revenues, Expenses and Changes in Net Position presents information showing how the Authority's net position changed during the fiscal years ended June 30, 2016 and 2015. 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 20 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 22 through 41 of this report.

Financial Statements

Net Position: The following table summarizes the changes in net position for the fiscal years ended June 30, 2016, 2015, and 2014.

	2016	2015	2014
Current assets	$ **18,322,894**	$ 11,085,233	$ 9,834,320
Restricted assets	**2,105,574**	1,508,377	1,000,000
Capital assets	**16,499,460**	15,950,016	16,800,380
Total assets	**36,927,928**	28,543,626	27,634,700
Deferred outflows of resources	**323,889**	106,571	-
Current liabilities	**2,137,706**	1,252,246	2,975,072
Long-term liabilites	**1,430,566**	1,039,371	-
Total liabilities	**3,568,272**	2,291,617	2,975,072
Deferred inflows of resources	**2,558**	87,627	-
Net position:			
Investment in capital assets	**16,499,460**	15,950,016	16,800,380
Restricted for capital projects	**2,105,574**	1,508,377	1,000,000
Restricted for rolling stock replacement	**224,808**	224,808	224,808
Unrestricted	**14,851,145**	8,587,752	6,634,440
Total net position	$ **33,680,987**	$ 26,270,953	$ 24,659,628

The Authority's total current assets increased by $7,237,661 and $1,250,913 during the fiscal years ended June 30, 2016 and 2015, respectively. Elements to consider related to these changes include:

- The Authority's unrestricted cash and cash equivalents increased approximately $3.2 million during the fiscal year ended June 30, 2016.
- The Authority's accounts receivable from the 1% sales tax and intergovernmental receivables increased approximately $2.5 million during the fiscal year ended June 30, 2016.
- The Authority had restricted investments of $2.1 million as of June 30, 2016.

Financial Statements (Continued)

Net Position (Continued): The Authority's capital and other long-term assets increased by $549,444 during the fiscal year ended June 30, 2016 and decreased by $850,364 during the year ended June 30, 2015. Elements to consider related to these changes include:

- For the fiscal year ended June 30, 2016, the Authority purchased capital assets in the amount of $1,993,709, while incurring depreciation on capital assets in the amount of $1,444,265, which was the cause of the increase in capital and other long-term assets.
- 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 contributed to the $850,364 decrease in capital and other long-term assets.

The Authority's current liabilities increased by $885,460 during the fiscal year ended June 30, 2016 and decreased by $1,722,826 during the year ended June 30, 2015. Elements to consider related to these changes include:

- The Authority's accounts payable increased $703,216 during the year ended June 30, 2016, which accounted for the majority of the current year increase 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 by $391,195 during the current year as a result of the increase in the net pension liability.

The Authority's net position increased by $7,410,034 and $2,636,048 during the fiscal years ended June 30, 2016 and 2015, respectively. These changes are attributed to collection of the 1% penny sales tax.

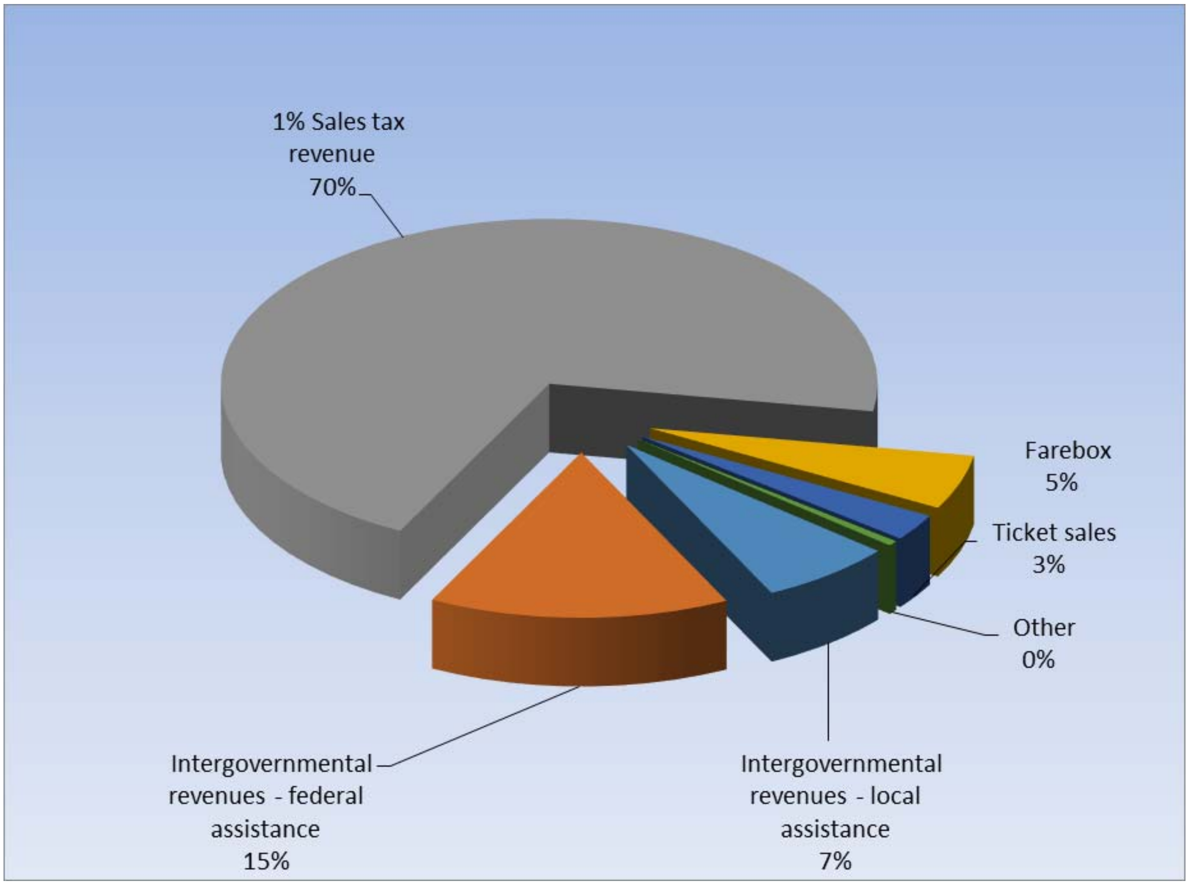
Financial Statements (Continued)

Revenues, Expenses and Changes in Net Position: The following table summarizes the revenues, expenses and changes in net position for the fiscal years ended June 30, 2016, 2015 and 2014.

	2016	2015	2014
Operating revenues:			
Farebox	**$ 1,341,273**	$ 1,429,628	$ 1,340,818
Ticket sales	**653,063**	622,105	517,731
Advertising	**30,630**	7,954	16,808
Contracted services	**-**	-	437
Miscellaneous	**43,424**	469	-
Operating revenues	**2,068,390**	2,060,156	1,875,794
Operating expenses:			
Contract services	**12,608,631**	10,103,967	7,562,622
Vehicle fuel	**989,677**	1,181,673	1,160,967
Other operating expense	**2,657,625**	3,726,472	2,851,571
Depreciation	**1,444,265**	1,219,555	1,156,888
Operating expenses	**17,700,198**	16,231,667	12,732,048
Operating loss	**(15,631,808)**	(14,171,511)	(10,856,254)
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	**1,658,165**	202,970	961,813
Intergovernmental revenues - federal assistance	**3,711,030**	827,101	2,240,586
1% Sales tax revenue	**17,621,058**	15,161,645	15,110,853
Insurance claim	**-**	-	18,696
Interest income	**22,117**	9,212	667
Other	**-**	-	(6,500)
Nonoperating revenue, net	**23,012,370**	16,200,928	15,224,931
Capital contributions - federal grants	**29,472**	606,631	680,948
Change in net position	**$ 7,410,034**	$ 2,636,048	$ 5,049,625

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, 2016.



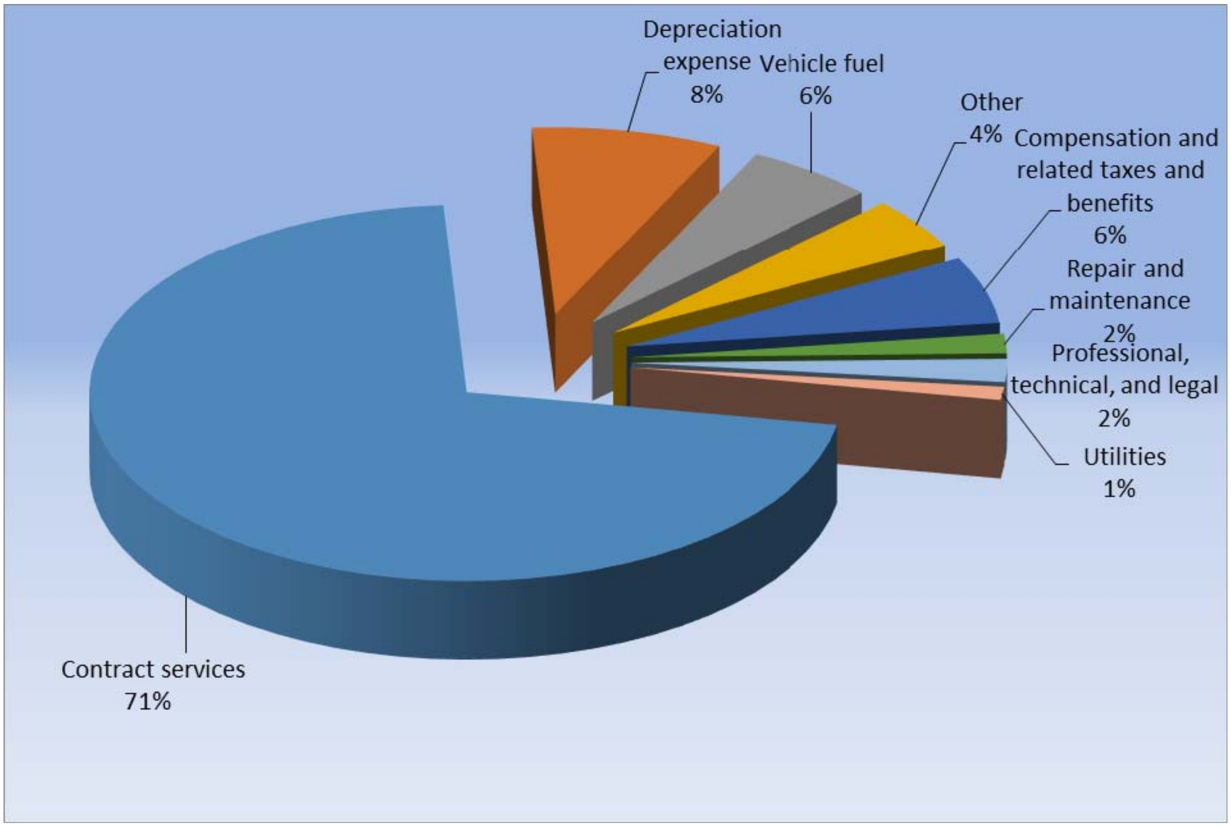
Note: Labels for some revenue accounts have been combined into an "Other" category because their individual portion was less than 1%.

For the fiscal year ended June 30, 2016, operating revenues of the Authority were $8,234, or 0.4% lower than 2015 revenues of $2,060,156. Elements to consider related to these changes include:

- Farebox Revenue decreased by 6.18% or $88,355 due to the half fare promotion that started in May 2015 and continued into fiscal year 2016. Riders in this program are all eligible to pay half fare for all ticket types.
- Advertising revenue increased by 285% from $7,954 to $30,630 due to the Authority receiving a one-time payment from Sightline Digital for $22,834 for skipped months of payments for ads.
- Ticket sales revenue increased by 4.98% or $30,958 due to discounts being offered to agencies that purchase tickets in bulk and new customers.

Financial Statements (Continued)

Revenues, Expenses and Changes in Net Position (Continued): The following chart shows the major expenses and the percentage for the total expenses as of June 30, 2016.



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, 2016, operating expenses increased $1,468,531, or 9% to $17,700,198. The majority of the current year increase in expenses is the result of increased contract services in the amount of $2,504,664, increased depreciation expense of $224,710, decreased other operating expenses of $698,165, and decreased repairs and maintenance expense in the amount of $443,236.

For the fiscal year ended June 30, 2016, non-operating revenues of the Authority totaled $23,012,370, which was approximately $6.8 million higher than 2015. The majority of this increase is the result of an increase in intergovernmental revenues of $4.3 million and an increase in 1% sales tax revenue of $2.5 million.

Budget Analysis

Over the course of the year, the Authority operated under an approved budget for fiscal year 2016 by the Board of Directors. The fiscal year 2016, 12-month budget was approved by the Board of Directors in April 2016.

- 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 $300,991,000 to be provided over not to exceed 22 years. The amount earned for fiscal year 2016 was $17,621,058.

- During the year the finance committee and board of directors was faced with the discussion of the strategic spending plan for the Penny Sales Tax Collection. The question is which event will culminate first for the Central Midlands RTA, the collection of the $300,991,000 or the 22 years for the Richland County Sales Tax.

- During FY2016, Department of Revenue sent a letter to Richland County that the agency would halt penny sales tax funds to the program as it was not in compliance with the state's tax laws. Richland County sued revenue department over penny tax dispute. In June 2016, the judge rules that Department of Revenue has no authority to withhold the penny sales tax collection. The Authority is still receiving its dedicated source of funding for the transit system.

- In April 2016, the Board approved the 12-month budget for FY2017.

- Central Midlands Regional Transit Authority established an Operating Reserve Fund and Capital Reserve Fund account at South Carolina Community Bank. The board agreed to set aside 4/12ths of the annual expense budget for reserves. There are not enough current year surpluses to fully fund the reserve at this level.

- In fiscal year, the addition of 36,062 Fixed Route Service Hours was added to transit system.

The fiscal year 2016 budget is $17.2 million. The Authority’s budget is able to sustain operations, after a successful Transportation Penny Sales Tax. The Authority’s Board has restored back the level of service hours before the reduction in May 2012 for the transit system. In addition, CMRTA 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 CMRTA 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.

Capital Assets and Debt Administration

Capital Assets: The Authority's investment in capital assets was $16,499,460 as of June 30, 2016. This represents a 3.4% increase in the Authority's capital asset balance of $15,950,016 as of June 30, 2015. These investments in capital assets include land, buildings, buses, and machinery and equipment.

During fiscal year 2016 with approved FTA grant funding, Rolling Stock was purchased to replace Paratransit route vehicles in current aged fleet. CMRTA obtain 21 New Ford E-450 Cutaways Propane Vehicles to be replacement vehicles for twenty-one (21) of the depreciated 1996 Fords and Chevrolets. In addition, the purchase of 2 minivans for Paratransit service at a cost of $34,862 each. Acquisition of twenty-one (21) vehicles at $82,163 per unit totaling $1,725,423 purchased in December 2015.

Other major capital asset purchase during fiscal year 2016 was for 4 Stabilizer Jack Lifts ($3,000), Signage decals and installation ($21,406), and Shelters installation and upfit which were purchased with Federal grant funding.

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

Debt Administration: The Authority had no long or short term debt to be paid in fiscal year 2016.

Single Audit

The Authority had projects which were audited for compliance as required by the Government Auditing Standards, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). These audits report on the Authority's compliance with laws, regulations, contracts and grants applicable to major federal programs through which the Authority received grant revenues. The auditor's report on compliance did not identify any material weaknesses.

Potential Future Impacts

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

Potential Future Impacts (Continued)

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

An additional lawsuit has been filed by a private citizen that claims the referendum does not comply with South Carolina legislation. The lawsuit questions whether transit funding is permitted within the scope of the law. That lawsuit will unfold in 2017, with the primary issue of the Department of Revenue at the forefront.

The third major financial impact is a very large series of capital purchases necessary to replace the outdated fleet. The COMET has issued a series of purchase orders for 39 buses to allow replacement of fleet as well as additional buses that would allow for expansion of services. The buses range from less than 30-foot neighborhood friendly minibuses up to 40-foot heavy-duty transit buses. This extremely large capital outlay within a one-year period will simultaneously improve the service but also deplete capital reserves and grant dollars.

Finally, The Central Midlands Council of Governments is conducting a transit center site selection study. This is a required first step to evaluate current and future operations needs for the system as well as identifies the types of infrastructure and amenities required for a growing transit system. Transit centers range in price from $10-$15 million, which means the organization needs to be prepared for a 5- to 7-year process with available capital match of as much as $4 million and the ability to expand a significant portion of future grant dollars on acquisition of property and construction of a facility.

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.

Potential Future Impacts (Continued)

Vehicle Replacements. The vehicle replacement program 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 fiscal year 2016, Central Midlands purchased twenty-one (21) propane fuel cutaways vehicles two (2) minivans to replace old DART 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. In FY2016, Central Midlands RTA placed an order with New Flyer for eight (8) 35ft diesel vehicles for fixed route. Expectation of arrival is in 2017 for new vehicles. The Authority did not receive any grant funding from the Ladders of Opportunities initiative.

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.

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

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

Potential Future Impacts (Continued)

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

Central Midlands RTA added two new technologies to make riding more enjoyable. Catch the COMET app is a live vehicle tracking system that allows passengers to track in real time and receive alerts when a bus arrives or departs from any location in the county. The app is available on desktop computers, laptops, tablets and smartphone's. The COMET also uses Passport, which allows passengers to pay for fares on their smartphone.

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, 2016 AND 2015

	2016	2015
ASSETS		
Current assets		
Cash and cash equivalents	**$ 8,171,160**	$ 5,012,738
Receivables:		
1% Sales tax	**8,582,760**	6,000,000
Intergovernmental	**1,491,738**	12,590
Contract service	**-**	12,853
Ticket sales	**39,253**	16,787
Farebox revenue	**442**	442
Prepaid expenses	**20,483**	24,274
Ticket inventory	**17,058**	5,549
Total current assets	**18,322,894**	11,085,233
Restricted assets		
Investments	**2,105,574**	1,508,377
Noncurrent assets		
Capital Assets - nondepreciable	**1,742,522**	1,742,522
Capital Assets - depreciable, net	**14,756,938**	14,207,494
Total noncurrent assets	**16,499,460**	15,950,016
Total assets	**$ 36,927,928**	$ 28,543,626
DEFERRED OUTFLOWS OF RESOURCES		
Pension	**$ 323,889**	$ 106,571
Total deferred outflows of resources	**$ 323,889**	$ 106,571

	2016	2015
LIABILITIES		
Current liabilities		
Accounts payable - operations	**$ 1,925,283**	$ 1,222,067
Retainage payable	**-**	8,903
Accrued liabilities	**26,950**	21,276
Unearned revenue	**185,473**	-
Total current liabilities	**2,137,706**	1,252,246
Noncurrent liabilities		
Net pension liability	**1,430,566**	1,039,371
Total liabilities	**$ 3,568,272**	$ 2,291,617
DEFERRED INFLOWS OF RESOURCES		
Pension	**$ 2,558**	$ 87,627
Total deferred inflows of resources	**$ 2,558**	$ 87,627
NET POSITION		
Investment in capital assets	**$ 16,499,460**	$ 15,950,016
Restricted for capital projects	**2,105,574**	1,508,377
Restricted for rolling stock replacement	**224,808**	224,808
Unrestricted	**14,851,145**	8,587,752
Total net position	**$ 33,680,987**	$ 26,270,953

CENTRAL MIDLANDS REGIONAL TRANSIT AUTHORITY

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE FISCAL YEARS ENDED JUNE 30, 2016 AND 2015

	2016	2015
Operating revenues		
Farebox	**$ 1,341,273**	$ 1,429,628
Ticket sales	**653,063**	622,105
Advertising	**30,630**	7,954
Miscellaneous	**43,424**	469
Total operating revenues	**2,068,390**	2,060,156
Operating expenses		
Contract services	**12,608,631**	10,103,967
Vehicle fuel	**989,677**	1,181,673
Facility rental expense	**60,000**	60,000
Compensation and related taxes and benefits	**1,019,723**	918,521
Contract labor	**90,216**	55,925
Security services	**5,139**	46,550
Repair and maintenance	**297,183**	740,419
Training	**55,881**	44,430
Supplies	**83,120**	127,280
Postage and shipping	**2,857**	2,974
Board committee expense	**-**	2,250
Taxes and fees	**24,515**	21,021
Rental	**45,528**	18,434
Utilities	**199,489**	194,518
Insurance	**64,898**	65,111
Marketing, printing, and advertising	**317,191**	311,714
Professional, technical, and legal	**350,674**	369,654
Dues and subscriptions	**11,805**	20,100
Other operating expenses	**29,406**	727,571
Depreciation expense	**1,444,265**	1,219,555
Total operating expenses	**17,700,198**	16,231,667
Operating loss	**(15,631,808)**	(14,171,511)
Non-operating revenues		
Intergovernmental revenues - local assistance	**1,658,165**	202,970
Intergovernmental revenues - federal assistance	**3,711,030**	827,101
1% Sales tax revenue	**17,621,058**	15,161,645
Interest income	**22,117**	9,212
Total non-operating revenues	**23,012,370**	16,200,928
Capital contributions - federal grants	**29,472**	606,631
Change in net position	**7,410,034**	2,636,048
Net position, beginning of year, as restated	**26,270,953**	23,634,905
Net position, end of year	**$ 33,680,987**	$ 26,270,953

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, 2016 AND 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers and users	**$ 2,058,777**	$ 2,041,680
Payments to suppliers	**(14,549,615)**	(13,635,333)
Payments to employees	**(925,241)**	(922,531)
Net cash used in operating activities	**(13,416,079)**	(12,516,184)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Intergovernmental receipts	**19,113,818**	17,031,109
Reimbursement to City of Columbia and Richland County	**-**	(2,178,513)
Net cash provided by non-capital financing activities	**19,113,818**	14,852,596
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition or construction of capital assets	**(1,993,709)**	(369,191)
Capital grants	**29,472**	606,631
Net cash provided by (used in) capital and related financing activities	**(1,964,237)**	237,440
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	**(575,080)**	(499,165)
Net cash used in investing activities	**(575,080)**	(499,165)
Increase in cash and cash equivalents	**3,158,422**	2,074,687
Cash and cash equivalents:		
Beginning of year	**5,012,738**	2,938,051
End of year	**$ 8,171,160**	$ 5,012,738
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	**$ (15,631,808)**	$ (14,171,511)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation expense	**1,444,265**	1,219,555
Changes in assets and liabilities:		
Increase in accounts receivable	**(9,613)**	(18,476)
(Increase) decrease in prepaid expenses	**3,791**	(2,499)
(Increase) decrease in inventory	**(11,509)**	5,356
Increase in deferred outflows of resources - pension	**(217,318)**	(48,472)
Increase in accounts payable	**703,216**	465,677
Decrease in retainage payable	**(8,903)**	(10,276)
Increase in accrued liabilities	**5,674**	286
Increase (decrease) in deferred inflows of resources - pension	**(85,069)**	87,627
Increase (decrease) in net pension liability	**391,195**	(43,451)
Net cash used in operating activities	**$ (13,416,079)**	$ (12,516,184)

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation

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

Management Estimates

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

Deposits and Investments

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

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

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Prepaid Expenses

Payments made to vendors for services that will benefit periods beyond June 30, 2016, are recorded as prepaid expenses.

Accounts Receivable

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

Inventory

Inventory, which is comprised of all-day passes, 10 ride passes, 5 day passes, 7 day passes, 31 day passes, all-day half fare passes, 5 day half fare passes, 7 day half fare passes, 31 day half fare passes, agency passes, and "U" passes are valued at cost, using the first-in, first-out method. The Authority utilizes the consumption method to recognize inventory usage. Under the consumption method, inventories are recorded as expenses when used rather than when purchased.

Restricted Assets

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

Capital Assets

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

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets (Continued)

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

Compensated Absences

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

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources,* represents a consumption of net position that applies to future period(s) and so will not be recognized as an outflow of resources (expense) until then. Four items relating to the Authority's Retirement Plan qualify for reporting in this category and are combined in the Statement of Net Position under the heading "Pension". The first item, experience losses, results from periodic studies by the actuary of the Retirement Plan, which adjust the net pension liability for actual experience for certain trend information that was previously assumed, for example the assumed dates of retirement of plan members. These experience losses are recorded as deferred outflows of resources and are amortized into pension expense over the expected remaining service lives of the plan members. The second item, differences between projected investment return on pension investments and actual return on those investments, is deferred and amortized against pension expense over a five year period, resulting in recognition as a deferred outflow of resources. The third item results from changes in the proportionate share and differences between employer contributions and the proportionate share of total plan employer contributions. These changes are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in future years. Additionally, any contributions made by the Authority to the pension plan before year-end but subsequent to the measurement date of the Authority's net pension liability are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability during the year ended June 30, 2017.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Outflows/Inflows of Resources (Continued)

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

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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent Events

In preparing these financial statements, the Authority has evaluated events and transactions for potential recognition or disclosure through October 26, 2016, the date the financial statements were available and issued.

NOTE 2. DEPOSITS AND INVESTMENTS

Total cash and cash equivalents as of June 30, 2016 and 2015 are summarized as follows:

	2016	2015
As reported in the Statement of Net Position:		
Cash and cash equivalents	**$ 8,171,160**	$ 5,012,738
Restricted:		
Investments	**2,105,574**	1,508,377
	$ 10,276,734	$ 6,521,115
Cash deposited with financial institutions	**$ 8,171,160**	$ 5,012,738
Certificates of deposit	**2,105,574**	1,508,377
	$ 10,276,734	$ 6,521,115

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

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

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

NOTE 2. DEPOSITS AND INVESTMENTS (CONTINUED)

At June 30, 2015, information on the interest rate risk related to the Authority's investments is disclosed as follows:

Investment	Maturities	Fair Value
Certificate of deposit	April 30, 2020	$ 1,008,377
Certificate of deposit	January 1, 2021	500,000
Total		$ 1,508,377

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, 2016 and 2015, 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, 2016 and 2015:

	2016	2015
Receivables:		
1% Sales Tax	**$ 8,582,760**	$ 6,000,000
Intergovernmental	**1,491,738**	12,590
Contract service	**-**	12,853
Ticket sales	**39,253**	16,787
Farebox revenue	**442**	442
Total receivables	**$ 10,114,193**	$ 6,042,672

NOTE 4. CAPITAL ASSETS

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

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

NOTE 4. CAPITAL ASSETS (CONTINUED)

Capital assets activity for the year ended June 30, 2015 is as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Capital assets, not being depreciated:					
Land	$ 1,742,522	$ -	$ -	$ -	$ 1,742,522
Construction in progress	508,104	235,385	-	(743,489)	-
Total	2,250,626	235,385	-	(743,489)	1,742,522
Capital assets, being depreciated:					
Buildings					
Fixed route buses	13,250,779	-	-	743,489	13,994,268
DART vehicles	11,637,596	91,674	(232,049)	-	11,497,221
Trolleys	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	29,087,756	133,806	(232,049)	743,489	29,733,002
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)
Trolleys	(79,029)	(5,134)	-	-	(84,163)
Vehicles	(1,812,824)	(229,212)	-	-	(2,042,036)
Machinery and equipment	(55,829)	(18,309)	-	-	(74,138)
Furniture and fixtures	(14,538,002)	(1,219,555)	232,049	-	(15,525,508)
Total					
Total capital assets, being depreciated, net	14,549,754	(1,085,749)	-	743,489	14,207,494
Total capital assets, net	$ 16,800,380	$ (850,364)	$ -	$ -	$ 15,950,016

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, 2016 and 2015 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 (State Fiscal Accountability Authority effective July 1, 2015), which consists of five elected officials, also reviews certain PEBA Board decisions regarding the funding of the South Carolina Retirement Systems (Systems) and serves as a co-trustee of the Systems in conducting that review.

For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Systems and additions to/deductions from the Systems fiduciary net position have been determined on the accrual basis of accounting as they are reported by the Systems in accordance with generally accepted accounting principles (GAAP). For this purpose, revenues are recognized when earned and expenses are recognized when incurred. Benefit and refund expenses are recognized when due and payable in accordance with the terms of the plan. Investments are reported at fair value.

PEBA issues a Comprehensive Annual Financial Report (CAFR) containing financial statements and required supplementary information for the Systems' Pension Trust Funds. The CAFR is publicly available through the Retirement Benefits' link on PEBA's website at www.peba.sc.gov, or a copy may be obtained by submitting a request to PEBA, PO Box 11960, Columbia, SC 29211-1960. PEBA is considered a division of the primary government of the state of South Carolina and therefore, retirement trust fund financial information is also included in the comprehensive annual financial report of the state.

Plan Description

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

NOTE 6. RETIREMENT SYSTEM (CONTINUED)

Membership

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

Benefits

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

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

The annual retirement allowance of eligible retirees or their surviving annuitants is increased by the lesser of 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.

NOTE 6. RETIREMENT SYSTEM (CONTINUED)

Contributions

Contributions are prescribed in Title 9 of the South Carolina Code of Laws. Upon recommendation by the actuary in the annual actuarial valuation, the PEBA Board may adopt and present to the Budget and Control Board for approval an increase in the SCRS and PORS employer and employee contribution rates, but any such increase may not result in a differential between the employee and total employer contribution rate that exceeds 2.9% of earnable compensation for SCRS and 5% for PORS. 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; and, this increase is not limited to one-half of one percent per year.

Required employee contribution rates for the years ended June 30, 2016 and 2015 are as follows:

	2016	2015
Employee class two	**8.16%**	8.00%
Employee class three	**8.16%**	8.00%

Required employer contribution rates for the year ended June 30, 2016 and 2015 are as follows:

	2016	2015
Employer class two	**10.91%**	10.75%
Employer class three	**10.91%**	10.75%
Employer incidental death benefit	**0.15%**	0.15%

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. Actuarial assumptions and methods used during the annual valuation process are subject to periodic revision, typically with an experience study, as actual results over an extended period of time are compared with past expectations and new estimates are made about the future. South Carolina state statute requires that an actuarial experience study be completed at least once in each five-year period. The last experience study was performed on data through June 30, 2010, and the next experience study, performed on data through June 30, 2015, is currently underway.

The June 30, 2015 total pension liability, net pension liability, and sensitivity information were determined by our consulting actuary, Gabriel, Roeder, Smith and Company (GRS) and are based on the July 1, 2014, actuarial valuations, as adopted by the PEBA Board and Budget and Control Board which utilized membership data as of July 1, 2014. The total pension liability was rolled-forward from the valuation date to the plan's fiscal year ended June 30, 2015, using generally accepted actuarial principles. Information included in the following schedules is based on the certification provided by GRS.

Assumptions and methods used in the July 1, 2014 and 2013 valuation for the System are as follows:

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

The post-retiree mortality assumption is dependent upon the member's job category and gender. This assumption includes base rates which are automatically adjusted for future improvement in mortality using published Scale AA projected from the year 2000. Assumptions used in the July 1, 2014 valuation for SCRS are as follows: Males – RP-2000 Males multiplied by 100% and Females – RP-2000 Females multiplied by 90%.

NOTE 6. RETIREMENT SYSTEM (CONTINUED)

Net Pension Liability

The net pension liability (NPL) is calculated separately for each system and represents that particular system's total pension liability determined in accordance with GASB No. 67 less that System's fiduciary net position. NPL totals, as of June 30, 2015 and 2014, for SCRS are presented below.

For the measurement periods ending June 30, 2015 and 2014, the net pension liability for the South Carolina Retirement System is as follows:

	2015	2014
Total pension liability	**$ 3,326,260**	$ 2,593,206
Plan fiduciary net position	**1,895,694**	1,553,835
Employers' net pension liability	**$ 1,430,566**	$ 1,039,371
Plan fiduciary net position as a percentage of the total pension liability	**57.0%**	59.9%

NOTE 6. RETIREMENT SYSTEM (CONTINUED)

Net Pension Liability (Continued)

Total pension liability	**2015**	2014
Service cost	**$ 56,135**	$ 44,615
Interest	**237,460**	182,378
Difference between actual and expected experience	**(3,367)**	38,561
Benefit payments	**(204,079)**	(155,214)
Net change in total pension liability	**86,149**	110,340
Total pension liability - beginning	**3,240,111**	2,482,866
Total pension liability - ending	**3,326,260**	2,593,206
Plan fiduciary net position		
Contributions - employer	**77,126**	58,124
Contributions - member	**54,016**	39,399
Refunds of contributions to members	**(7,174)**	(5,448)
Retirement benefits	**(195,386)**	(148,604)
Death benefits	**(1,519)**	(1,162)
Net investment income	**28,222**	212,341
Administrative expense	**(947)**	(710)
Net transfers to affiliated systems	**(100)**	(149)
Net change in Plan fiduciary net position	**(45,763)**	153,791
Plan fiduciary net position - beginning	**1,941,457**	1,400,044
Plan fiduciary net position - ending	**1,895,694**	1,553,835
Net pension liability	**$ 1,430,566**	$ 1,039,371

The total pension liability is calculated by the Systems' actuary, and each plan's fiduciary net position is reported in the Systems' financial statements. The net pension liability is disclosed in accordance with the requirements of GASB 67 in the Systems' notes to the financial statements and required supplementary information. Liability calculations performed by the Systems' actuary for the purpose of satisfying the requirements of GASB Nos. 67 and 68 are not applicable for other purposes, such as determining the plans' funding requirements.

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

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

NOTE 6. RETIREMENT SYSTEM (CONTINUED)

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

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

Authority contributions subsequent to the measurement date of $80,882 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, 2017.

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:

	Deferred Outflows of Resources	Deferred Inflows of Resources
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	77,120	-
Total	$ 106,571	$ 87,627

NOTE 6. RETIREMENT SYSTEM (CONTINUED)

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

Authority contributions subsequent to the measurement date of $77,120 are reported as deferred outflows of resources and were recognized as a reduction of the net pension liability during 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**	2015
2016	**$ -**	$ (12,797)
2017	**71,870**	(12,797)
2018	**71,870**	(12,797)
2019	**63,139**	(19,783)
2020	**33,570**	-

Long-term Expected Rate of Return

The long-term expected rate of return on pension plan investments, as used in the July 1, 2014, actuarial valuations, was based upon the 30 year capital market outlook at the end of the fourth quarter 2013, as developed by the Retirement Systems Investment Commission in collaboration with its investment consultant, Aon Hewitt. The long-term expected rate of returns represent assumptions developed using an arithmetic building block approach, reflecting observable inflation and interest rate information available in the fixed income markets as well as Consensus Economics forecasts. Long-term assumptions for other asset classes are based on historical results, current market characteristics, and professional judgment.

For the years ended June 30, 2016 and 2015, the expected real rates of investment return, along with the expected inflation rate, form the basis for the target asset allocation adopted annually by the RSIC. For actuarial purposes, the long-term expected rate of return is calculated by weighting the expected future real rates of return by the target allocation percentage and then adding the actuarial expected inflation which is summarized in the table on the following page. For actuarial purposes, the 7.50% assumed annual investment rate of return used in the calculation of the total pension liability includes a 4.75% real rate of return and a 2.75% inflation component.

NOTE 6. RETIREMENT SYSTEM (CONTINUED)

Long-term Expected Rate of Return (Continued)

Asset Class	Target Asset Allocation	Expected Arithmetic Real Rate of Return	Long-Term Expected Portfolio Real Rate of Return
Short Term	**5.0%**		
Cash	2.0%	1.9%	0.04%
Short duration	3.0%	2.0%	0.06%
Domestic Fixed Income	**13.0%**		
Core fixed income	7.0%	2.7%	0.19%
Mixed credit	6.0%	3.8%	0.23%
Global Fixed Income	**9.0%**		
Global fixed income	3.0%	2.8%	0.08%
Emerging markets debt	6.0%	5.1%	0.31%
Global Public Equity	**31.0%**	7.1%	2.20%
Global Tactical Asset Allocati	**10.0%**	4.9%	0.49%
Alternatives	**32.0%**		
Hedge funds (low beta)	8.0%	4.3%	0.34%
Private debt	7.0%	9.9%	0.69%
Private equity	9.0%	9.9%	0.89%
Real estate (broad market)	5.0%	6.0%	0.30%
Commodities	3.0%	5.9%	0.18%
	Total expected real return		6.00%
	Inflation for actuarial purposes		2.75%
	Total expected nominal return		8.75%

Discount Rate

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

NOTE 6. RETIREMENT SYSTEM (CONTINUED)

Sensitivity Analysis

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

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

Fiscal Year	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
2016	$ 1,803,535	$ 1,430,566	$ 1,117,971
2015	1,345,011	1,039,371	784,380

Additional Financial and Actuarial Information

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

NOTE 7. COMMITMENTS AND CONTINGENCIES

Grant income from local governments and federal grantor agencies for the years ended June 30, 2016 and 2015 totaled $5,398,667 and $1,636,702, 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.

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, 2016 and 2015 totaled $61,035 and $62,229, 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, 2016 and 2015, there were no liabilities which exceeded the coverage available through the South Carolina Insurance Reserve Fund and separate purchased carriers.

NOTE 9. CHANGE IN ACCOUNTING PRINCIPLES

The Authority 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	(1,024,723)
Beginning net position, July 1, 2014, as restated	$ 23,634,905

REQUIRED SUPPLEMENTARY INFORMATION

CENTRAL MIDLANDS REGIONAL TRANSIT AUTHORITY

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

	2016	2015
Authority's proportion of the net pension liability	0.007543%	0.006037%
Authority's proportionate share of the net pension liability	$ 1,430,566	$ 1,039,371
Authority's covered-employee payroll	$ 685,309	$ 532,621
Authority's proportionate share of the net pension liability as a percentage of its covered-employee payroll	208.7%	195.1%
Plan fiduciary net position as a percentage of the total pension liability	57.0%	59.9%

CENTRAL MIDLANDS REGIONAL TRANSIT AUTHORITY

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

	2016	2015
Actuarially determined contribution	$ 77,090	$ 58,099
Contributions in relation to the actuarially determined contribution	77,090	58,099
Contribution deficiency (excess)	$ -	$ -
Covered employee payroll	$ 685,309	$ 532,621
Contributions as a percentage of covered-employee payroll	11.25%	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, 2016 AND 2015

	2016		2015	
Operating revenues				
Farebox		**$ 1,341,273**		$ 1,429,628
Ticket sales		**653,063**		622,105
Advertising		**30,630**		7,954
Miscellaneous		**43,424**		469
Total operating revenues		**2,068,390**		2,060,156
Operating expenses				
Contract services:				
Contractor - fixed route	**$ 10,418,104**		$ 8,223,351	
Contractor - DART	**2,110,869**		1,475,653	
Contractor - Santee Wateree	**79,658**	**12,608,631**	404,963	10,103,967
Vehicle fuel		**989,677**		1,181,673
Facility rental expense		**60,000**		60,000
Compensation and related taxes and benefits:				
Salaries	**683,984**		691,923	
Annual leave	**28,329**		9,912	
Sick leave	**8,083**		5,361	
Funeral leave	**1,534**		438	
Other paid leave	**3,147**		-	
Retirement	**169,690**		72,824	
FICA and Medicare	**52,486**		60,502	
Employee health insurance	**69,660**		76,272	
Worker compensation	**2,810**	**1,019,723**	1,289	918,521
Contract labor		**90,216**		55,925
Security services		**5,139**		46,550
Repair and maintenance:				
Software & equipment maintenance	**71,483**		24,324	
Vehicle repairs & maintenance	**13,817**		238,630	
Transit facility repairs & maintenance - federal grants	**79,655**		-	
Transit facility repairs & maintenance	**86,840**		77,665	
Transit facility repairs & maintenance - capital	**-**		73,766	
Shelters & bus stop signs	**6,614**		-	
Software & equipment maintenance - federal grants (96)	**-**		48,070	
Software & equipment maintenance - federal grants (210)	**35,896**		227,011	
Software & equipment maintenance - federal grants	**2,878**	**297,183**	50,953	740,419
Training:				
Employee training	**-**		1,942	
Employee training (008)	**-**		6,000	
Employee training (210)	**55,235**		31,197	
Meetings/Seminars/Events	**646**	**55,881**	5,291	44,430
Supplies:				
Office supplies / other expense	**9,874**		15,604	
Fare collection services / supplies	**51,209**		56,071	
Ticket supplies	**22,037**	**83,120**	55,605	127,280

	2016		2015	
Operating expenses (continued)				
Postage and shipping		**$ 2,857**		$ 2,974
Board committee expense		**-**		2,250
Taxes and fees		**24,515**		21,021
Rental:				
Office equipment lease	**16,045**		18,434	
Office equipment and furniture	**29,483**	**45,528**	-	18,434
Utilities:				
Electricity	**115,189**		109,591	
Water and sewer	**12,631**		5,577	
Telephone	**37,066**		65,613	
Natural gas	**8,495**		8,155	
Internet	**19,815**		-	
Mobile telephone	**6,293**	**199,489**	5,582	194,518
Insurance:				
Insurance - vehicle	**30,903**		2,689	
Insurance - facilities	**8,820**		-	
Insurance - vehicle - capital	**9,843**		37,093	
Insurance - Lucius Road Facility	**3,052**		12,211	
Insurance - tort	**6,950**		7,266	
Insurance - officers - directors	**5,330**	**64,898**	5,852	65,111
Marketing, printing, and advertising:				
Marketing / advertising / promotion	**292,772**		243,731	
Legal advertising	**7,558**		2,050	
Printing	**5,817**		55,146	
Meals and entertainment	**1,812**		780	
Apparel and merchandise	**9,232**	**317,191**	10,007	311,714
Professional and technical/legal:				
Professional and technical/legal		**350,674**		369,654
Dues and subscriptions		**11,805**		20,100
Other operating expenses:				
Administration - miscellaneous	**3,340**		9,908	
Other services	**26,066**	**29,406**	717,663	727,571
Depreciation expense		**1,444,265**		1,219,555
Total operating expenses		**17,700,198**		16,231,667
Operating loss		**(15,631,808)**		(14,171,511)

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, 2016 AND 2015

	2016		2015	
Non-operating revenues (expenses)				
Operating grants - local assistance				
Local revenue - Columbia	**$ 60,000**		$ 60,000	
Local revenue - Lexington County	**142,017**		142,970	
Local revenue - Rural transit program	**258,896**		-	
Local revenue - SMTF	**1,197,252**	**$ 1,658,165**	-	$ 202,970
Operating grants - federal assistance				
Federal revenue - planning (210)	**8,328**		2,891	
Federal revenue - operations	**70,698**		192,467	
Federal revenue - capital (PM)	**3,632,004**	**3,711,030**	631,743	827,101
1% Sales tax revenue		**17,621,058**		15,161,645
Interest income		**22,117**		9,212
Total non-operating revenues, net		**23,012,370**		16,200,928
Capital contributions - federal grants				
Federal revenue - capital		**29,472**		606,631
Change in net position		**7,410,034**		2,636,048
Net position, beginning of year		**26,270,953**		24,659,628
Prior period adjustment		**-**		(1,024,723)
Net position, beginning of year, as restated		**26,270,953**		23,634,905
Net position, end of year		**$ 33,680,987**		$ 26,270,953

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, 2016

	Actual	Final Budget	Variance with Budget
Revenues			
Farebox	$ 1,341,273	$ 1,487,567	$ (146,294)
Ticket sales	653,063	627,973	25,090
Advertising	30,630	8,124	22,506
In-kind revenue on use of facilities	60,000	60,000	-
Local funds - Lexington County	142,017	141,919	98
1% Sales tax revenue	17,621,058	15,250,000	2,371,058
Interest income	22,117	2,000	20,117
Federal revenue	29,472	4,689,553	(4,660,081)
Federal revenue - section 5307 - facility funding	3,711,030	4,332,000	(620,970)
State Mass Transit Funds - operating	1,197,252	589,641	607,611
Rural transit program	258,896	-	258,896
Miscellaneous	43,424	-	43,424
Total revenues	25,110,232	27,188,777	(2,078,545)
Operating expenses			
Administrative:			
Staff - labor and fringes	1,109,939	989,326	(120,613)
Dues and subscriptions	11,805	27,041	15,236
Training and development	55,881	33,091	(22,790)
Office equipment lease	45,528	10,672	(34,856)
Office supplies and other expenses	9,874	20,717	10,843
Postage and shipping	2,857	2,307	(550)
Marketing, printing, and advertising	317,191	242,235	(74,956)
Administrative - miscellaneous	3,340	9,607	6,267
Tickets, transfers, zone passes	22,037	62,782	40,745
Custodial and other services	26,066	3,090	(22,976)
Total administrative	1,604,518	1,400,868	(203,650)
Operations and maintenance:			
In-kind expense on use of facilities	60,000	60,000	-
Transit facility maintenance and repairs	166,495	135,719	(30,776)
Contractor - fixed route	10,418,104	9,167,606	(1,250,498)
Contractor - DART	2,110,869	2,202,511	91,642
Contractor - Santee Wateree	79,658	66,344	(13,314)
Software equipment and maintenance	110,257	82,482	(27,775)
Vehicle and propane fuel	989,677	1,497,703	508,026
Shelters and bus stop signs	6,614	-	(6,614)
Vehicle maintenance, repairs, and insurance deductible	13,817	-	(13,817)
Total operations and maintenance	13,955,491	13,212,365	(743,126)
Depreciation expense	1,444,265	1,480,000	35,735

	Actual	Final Budget	Variance with Budget
Insurance:			
Insurance - vehicle - comp and collision	$ 40,746	$ 39,898	$ (848)
Insurance - facilities	11,872	12,580	708
Insurance - tort liability	6,950	7,427	477
Insurance - officers and directors and employee bonding	5,330	5,919	589
Total insurance	64,898	65,824	926
Technical services:			
Professional and technical/legal	350,674	484,479	133,805
Security services	5,139	-	(5,139)
Fare collection services and supplies	51,209	59,613	8,404
	407,022	544,092	137,070
Utilities:			
Electricity - all services	115,189	115,210	21
Water and sewer	12,631	5,328	(7,303)
Telephone	37,066	71,582	34,516
Mobile Telephone	6,293	5,337	(956)
Internet	19,815	-	(19,815)
Natural gas	8,495	9,270	775
Total utilities	199,489	206,727	7,238
Taxes and fees:			
Taxes and fees	4,715	6,949	2,234
Banking fees	19,800	14,112	(5,688)
Total taxes and fees	24,515	21,061	(3,454)
Total operating expenses	17,700,198	16,930,937	(769,261)
Major capital expenses			
Software and equipment	-	-	-
Office equipment	-	62,869	62,869
Vehicles and equipment	1,993,709	222,079	(1,771,630)
Total capital expenses	1,993,709	284,948	(1,708,761)
Total expenses	19,693,907	17,215,885	(2,478,022)
Revenues over expenses	$ 5,416,325	$ 9,972,892	$ 4,556,567

Reconciliation of revenues over expenses to change in net position:

Change in net position	$ 7,410,034
Capitalized items	(1,993,709)
Revenues over expenses	$ 5,416,325

CENTRAL MIDLANDS REGIONAL TRANSIT AUTHORITY

SCHEDULE OF BUDGETED TO ACTUAL COSTS - SCDOT GRANTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

OPT Contract #	PT-6M499-28				
Contract Period	July 1, 2015 - June 30, 2016				
Actual Cost	CMRTA Budget FY2016	Section 5307	SMTF	Local	
Performance period:	July 2015 through June 2016	July 1, 2015 through June 30, 2016	July 1, 2015 through June 30, 2016	July 1, 2015 through June 30, 2016	Total Program Variance
SMTF Operations					
Vehicle Fuel	1,179,282	-	589,641	400,036	189,605
Funds to Offset Operations	15,668,295	3,740,367	-	12,869,494	(941,566)
Total Approved Budget	16,847,577	3,740,367	589,641	13,269,530	(751,961)

Approved Budget	16,847,577
TI Federal Costs	3,740,367
TI State Costs	589,641
TI Local Costs	13,269,530
Actual over Budget	(751,961)

OPT Contract #	PT-6M411-48				
Contract Period	July 1, 2015 - June 30, 2016				
Actual Cost		FTA	SCDOT 5311	Local	
	Contract Budget	Current	Current	Current	
Performance period:	July 2015 through June 2016	July 1, 2015 through June 30, 2016	July 1, 2015 through June 30, 2016	July 1, 2015 through June 30, 2016	Total Program Variance
Project Administration					
Operating (Lower Richland)	368,308	135	50,195	50,330	267,648
Funds to Offset Operating Deficit	-	-	-	-	-
Total Program	368,308	135	50,195	50,330	267,648

Approved Budget	368,308
TI Federal Costs	135
TI State Costs	50,195
TI Local Costs	50,330
Budget over Actual	267,648

COMPLIANCE SECTION

CENTRAL MIDLANDS REGIONAL TRANSIT AUTHORITY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Federal Grantor	Federal CFDA Number	Agency Grant Number	Expenditures	Passed through to Subrecipients
U.S. Department of Transportation:				
Federal Transit Administration				
Federal Transit Cluster				
Passed through the South Carolina Department of Transportation - OPT				
Urbanized Area Grant	20.507	SC-90-X278-00	$ 2,553,362	$ -
Urbanized Area Grant	20.507	SC-90-X291-00	884,635	-
Urbanized Area Grant	20.507	SC-90-X210-00	186,334	-
Formula Grant	20.507	SC-90-X247-00	11,428	-
Oper/Maint/Admin Facility Construction	20.507	SC-03-0045-00	3,471	-
Oper/Maint/Admin Facility Construction	20.507	SC-90-X267-00	16,000	-
Total Federal Transit Cluster			3,655,230	-
Rural Area Program				
Passed through the South Carolina Department of Transportation - OPT				
Section 5311	20.509	PT-6M411-48	50,195	-
Section 5311	20.509	PT-5M411-16	158,432	-
Total Rural Area Program			208,627	-
Transit Services Program Cluster				
Passed through the Central Midlands Council of Governments				
2010 JARC Mobility Manager & Job Assistance	20.516	SC-37-X018-00	45,981	-
2010 Travel Trainer	20.516	SC-57-X015-00	25,513	-
Total Transit Services Program Cluster			71,494	-
Total U.S. Department of Transportation Grant Programs			3,935,351	-
Total Federal Expenditures			$ 3,935,351	

NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

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

Measurement Focus

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

Program Type Determination

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

Method of Major Program Selection

The risk based approach was used in the selection of federal programs to be tested as major programs. The Authority qualified as a low-risk auditee for the fiscal year ended June 30, 2016.

De-Minimis Indirect Cost Rate

During the year ended June 30, 2016, the Authority did not use the de-minimis indirect cost rate.

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Central Midlands Regional Transit Authority (the "Authority") as of and for the years ended June 30, 2016 and 2015, 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 26, 2016.

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.

Mauldin & Jenkins, LLC

Macon, Georgia
October 26, 2016

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

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

Report on Compliance For Each Major Federal Program

We have audited the Central Midlands Regional Transit Authority's (the "Authority") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended June 30, 2016. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

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Report on Internal Control Over Compliance

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

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

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

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

Mauldin & Jenkins, LLC

Macon, Georgia
October 26, 2016

CENTRAL MIDLANDS REGIONAL TRANSIT AUTHORITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

SECTION I
SUMMARY OF AUDIT RESULTS

Financial Statements

Type of auditor's report issued	Unmodified
Internal control over financial reporting: Material weaknesses identified?	____ Yes __X__ No
Significant deficiencies identified not considered to be material weaknesses?	____ Yes __X__ None reported
Noncompliance material to financial statements noted?	____ Yes __X__ No

Federal Awards

Internal control over major programs: Material weaknesses identified?	____ Yes __X__ No
Significant deficiencies identified not considered to be material weaknesses?	____ Yes __X__ None reported
Type of auditor's report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance?	____ Yes __X__ No

Identification of major programs:

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

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

CENTRAL MIDLANDS REGIONAL TRANSIT AUTHORITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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