

**LOWCOUNTRY REGIONAL
TRANSPORTATION AUTHORITY
DBA PALMETTO BREEZE**

COMPREHENSIVE ANNUAL FINANCIAL REPORT

**FOR THE FISCAL YEARS ENDED
JUNE 30, 2017 AND 2016**



Board of Directors

David Blauch, Chairman
Barbara Ann Childs, Vice-Chairman
Ginnie Kozak, Ex-Officio

Jake Rawl
Chris Bickley
Susan Zellman

Louise Pinkney
Richard Hamilton

Executive Director

Mary Lou Franzoni

Prepared By:

Mary Lou Franzoni, Executive Director
Paula Tilley, Finance Director

LOWCOUNTRY REGIONAL TRANSPORTATION AUTHORITY

FINANCIAL REPORT FOR THE FISCAL YEARS ENDED JUNE 30, 2017 AND 2016

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October 9, 2017

The Honorable Members of the Board of Directors and the Citizens of Allendale, Beaufort, Colleton, Hampton, and Jasper Counties, South Carolina

State law requires that all regional government transit systems publish, within six months of the close of each fiscal year, a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted accounting standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the Lowcountry Regional Transportation Authority (the LRTA) for the fiscal year ended June 30, 2017.

This report consists of management's representations concerning the finances of the Lowcountry Regional Transportation Authority. As a result, management assumes full responsibility for the completeness and accuracy of all information contained within in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute assurance that the financial statements are free of any material misstatements.

The Authority's financial statements have been audited by Mauldin & Jenkins, LLC, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the Authority's financial statements for the fiscal year ended June 30, 2017, are free from material misstatement. The independent audit involves examination of evidence supporting the amounts and disclosures in the financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the Authority's financial statements for the fiscal year ended June 30, 2017, were fairly presented, as the first component of the financial section of this report.

A narrative introduction, overview, and analysis accompany the basic financial statements in the form of management's discussion and analysis (MD&A). This letter of transmittal is designed to complement the MD&A. The Authority's MD&A immediately follows the independent auditor's report.

Major Initiatives

The LRTA is a partner of the new Lowcountry Metropolitan Planning Organization (LATS), the first new MPO to be formed in South Carolina in 20 years. It consists of the new designated Urban Area (UZA-which is made up of the Towns of Hilton Head and Bluffton and the surrounding unincorporated Beaufort County). The LRTA is well represented, with the chairman of the Board of Directors being a voting member of the policy committee and the Executive Director a voting member of the technical committee.

As a result, a new source of revenue for the urbanized area service has been allocated called Section 5307. The funds have been awarded in the first grant for LRTA and include vehicle purchases, the addition of a mobile office building, a facility generator, building renovations, preventative maintenance funding, and operating assistance for the urban area services.

Long-term Financial Planning

The Authority intends to continue to apply for and receive Federal, State and local grants and appropriations. Diversification of funding streams remains an ongoing long-term financial planning effort. The Authority is actively seeking out additional revenues through increased local contributions, additional purchase of service contracts, coordination, and consolidation of transportation services throughout the region. With the addition of Section 5307 funds for the small urban area, this will impact the long-term financial planning of the Authority.

Efforts to reduce expenses and optimize efficiency through technology advancements will be critical to the long term health of the Authority. Other efforts to balance the budget include a 20% increase in passenger fares implemented on September 1, 2015, increasing local contributions, an emphasis on increasing purchase of service contracts, and a reduction in contracts that are not adequately funded.

Additionally, the development and distribution of the annual audit to all Board members and member counties is important to provide the operating statistics, funding sources, and the overall outlook of the Authority.

As a result of the last strategic planning workshop, the Board identified opportunities for growth in the five counties that we serve that are strategically placed and financially supported.

Relevant Financial Policies

The Authority uses the proprietary fund type of accounting for its activities conducted on a fee-for-service basis in a manner similar to commercial enterprises. The accrual method of accounting is used whereby revenues are recognized with earned and expenses are recognized with the related liabilities are incurred. The Authority applies *Governmental Accounting Standards* for its enterprise fund.

The financial policies of the Authority are subject to the guidance and approval of the South Carolina Department of Transportation (SCDOT). The Authority has recently adopted a new financial policies manual that was reviewed and approved by the SCDOT.

Awards and Acknowledgments

The Government Finance Officers Association (GFOA) awarded the Certificate of Achievement for Excellence in Financial Reporting to the Authority for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2016. This is the sixth year that the Authority has received this prestigious award. In order to be awarded the Certificate of Achievement, the Authority must publish an easily readable and efficiently organized CAFR that satisfies both generally accepted accounting principles (GAAP), GASB standards, and legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate program's requirements and we have submitted it to the GFOA to determine its eligibility for another Certificate.

The preparation of the comprehensive report was made possible by the cooperation of the Authority staff, Board of Directors, and the independent auditing firm. Much appreciation is extended to each of these individuals for the contributions made in the preparation of this report.

Sincerely,



Mary Lou Franzoni
Executive Director



Paula Tilley
Finance Director

Organizational Chart

LRTA Board of Directors

Mary Lou Franzoni
Executive Director /
Procurement Manager

Laura Atkinson
AGM / Operations/
Mobility Manager

Yazmin
Winston
Safety and
Training
Coordinator

Mark Stanley
AGM /
Maintenance

Paula Tilley
Finance and
Admin Director

Nigeria
Walker

Linda Norton
Dispatcher

Tyrone
Drayton

Kristi Wendland
Part Time
Dispatcher

Supervisors

Full-Time Mechanics:
Spencer Miller
Emanuel Taylor .
Part-Time Mechanic
Charles Ragland

Part-Time Utility
Dontez Pinckney

Kerry Guzman
Full-Time HR and
Payroll
Administrator

Katie Kiehl
Full-Time
Accounting Clerk

John Travers
Full-Time
Communication and
Procurement
Director

16 Full-Time Drivers

15 Part-Time Drivers





Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**Lowcountry Regional
Transportation Authority DBA
Palmetto Breeze, South Carolina**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2016

Christopher P. Morill

Executive Director/CEO

LOWCOUNTRY REGIONAL TRANSPORTATION AUTHORITY

PRINCIPAL OFFICIALS JUNE 30, 2017

BOARD OF DIRECTORS

David L. Blauch	Chairman
Barbara Ann Childs	Vice Chairman
Louise Pinkney	Board Member
Jake Rawl	Board Member
Richard Hamilton	Board Member
Chris Bickley	Board Member
Susan Zellman	Board Member
Ginnie Kozak	Ex-Officio Board Member

AUTHORITY MANAGEMENT

Mary Lou Franzoni	Executive Director
Paula Tilley	Director of Finance and Administration
Mark Stanley	Assistant General Manager-Maintenance
Laura Atkinson	Assistant General Manager-Operations and Mobility Manager
Yazmin Winston-Black	Safety and Training Coordinator



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the
Lowcountry Regional Transportation Authority
DBA Palmetto Breeze
Bluffton, South Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the **Lowcountry Regional Transportation Authority** (the "Authority") as of and for the years ended June 30, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Lowcountry Regional Transportation Authority as of June 30, 2017 and 2016, and the changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (on pages 4 through 9), the Schedule of Proportionate Share of the Net Pension Liability – South Carolina Retirement System (on page 33), and the Schedule of Contributions – South Carolina Retirement System (on page 34) 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 Lowcountry Regional Transportation Authority's basic financial statements. The introductory section, the Schedules of Operating Expenses, the Schedules of Budget to Actual Costs for South Carolina Department of Transportation Contracts; the statistical section, and the Schedule of Expenditures of Federal and State Awards (as required by the Uniform Guidance), 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 Expenses, the Schedules of Budget to Actual Costs for South Carolina Department of Transportation Contracts; and the Schedule of Expenditures of Federal and State 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 Expenses, the Schedules of Budget to Actual Costs for South Carolina Department of Transportation Contracts; and the Schedule of Expenditures of Federal and State Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 9, 2017, on our consideration of the Lowcountry Regional Transportation Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Lowcountry Regional Transportation Authority's internal control over financial reporting and compliance.

Mauldin & Jenkins, LLC

Macon, Georgia
October 9, 2017

LOWCOUNTRY REGIONAL TRANSPORTATION AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis (MD&A) of the Lowcountry Regional Transportation 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 Lowcountry Regional Transportation Authority for the fiscal years ended June 30, 2017 and 2016. The information contained in this MD&A is prepared by management and should be considered in conjunction with the information contained in the Independent Auditor's Report and notes to the financial statements. Following this MD&A are the basic financial statements of the Authority, together with the notes, which are essential to a full understanding of the data contained in the financial statements.

Financial Highlights

- The Authority reported a net loss (decrease in net position) of \$1,179,052 for the fiscal year ended June 30, 2017, compared to a net loss of \$236,392 in the prior fiscal year.
- Operating revenues, which exclude federal and state grants and local appropriations and awards decreased 0.4% or approximately \$3,000 to \$855,050 for fiscal year 2017.
- Non-operating revenues over non-operating expenses consisting primarily of federal and state operating grants and local county appropriations and grants decreased 8.9% or approximately \$175,178 to \$1,800,984 for fiscal year 2017.
- The Authority's net position decreased from \$2,246,568 during fiscal year 2016 to \$1,067,516 in fiscal year 2017.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. The notes to the financial statements contain more detail on some of the information presented in the financial statements. The financial statements of the Authority report information about the Authority using accounting methods similar to those used by private sector companies. These statements offer short- and long-term financial information about its activities. The Statement of Net Position presents information on all of the Authority's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating. The Statements of Net Position can be found on page 10 of this report.

The Statements of Revenues, Expenses and Changes in Net Position presents information showing how the Authority's net position changed during the fiscal year ended June 30, 2017. 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 11 of this report.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Overview of the Financial Statements (Continued)

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 13 through 32 of this report.

Financial Statements

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

	2017	2016	2015
Current assets	\$ 676,493	\$ 458,417	\$ 536,174
Capital assets	1,827,372	2,920,805	3,145,236
Total assets	2,503,865	3,379,222	3,681,410
Deferred outflows of resources	525,018	308,835	92,966
Current liabilities	294,772	200,449	259,708
Long-term liabilities	1,664,787	1,238,825	953,168
Total liabilities	1,959,559	1,439,274	1,212,876
Deferred inflows of resources	1,808	2,215	78,540
Net position:			
Net investment in capital assets	1,827,372	2,899,232	3,102,089
Unrestricted	(759,856)	(652,664)	(619,129)
Total net position	\$ 1,067,516	\$ 2,246,568	\$ 2,482,960

The Authority's total current assets increased and decreased by approximately \$218,000 and \$78,000 during the fiscal years ended June 30, 2017 and 2016, respectively. The fiscal year 2017 increase is the result of increases in cash and accounts receivable during the current year in the approximate amounts of \$55,000 and \$151,000, respectively. The fiscal year 2016 decrease is the result of decreases in cash, prepaid expenses and inventory during the current year in the approximate amounts of \$63,000, \$18,000, and \$15,000, respectively, coupled with increased accounts receivable in the amount of \$18,000.

The Authority's total liabilities increased by approximately \$520,000 and \$226,000 during the fiscal years ended June 30, 2017 and 2016, respectively. The majority of this increase is the result of an increase in the net pension liability for both fiscal years 2017 and 2016.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Financial Statements (Continued)

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Operating revenues:			
Contract income	\$ 335,359	\$ 340,737	\$ 459,093
Fares	487,783	478,257	385,071
Other operating revenue	31,908	39,189	32,997
Total operating revenue	<u>855,050</u>	<u>858,183</u>	<u>877,161</u>
Operating expenses:			
Fixed route transportation	1,111,263	1,090,131	1,251,703
General and administration	534,793	565,910	511,185
Demand response	233,474	225,788	213,148
Maintenance	172,698	160,026	138,487
RTAP funding	16,573	13,116	9,719
Small urbanized area	79,002	56,080	69,972
New Freedom	27,300	23,670	120,860
Job Access Reverse Commute	50,577	113,179	141,321
Allendale County 5310 and 5311	27,627	32,396	34,871
Contract services	399,932	318,441	439,027
Depreciation	1,181,847	472,000	408,424
Total operating expenses	<u>3,835,086</u>	<u>3,070,737</u>	<u>3,338,717</u>
Operating loss	<u>(2,980,036)</u>	<u>(2,212,554)</u>	<u>(2,461,556)</u>
Non-operating revenues (expenses):			
Federal grants	973,983	1,137,842	1,108,876
State grants	320,378	329,485	373,879
County and other local appropriations	513,280	523,280	574,025
Interest income	927	346	132
Gain (loss) on disposal of assets	(7,584)	(14,791)	(27,634)
Fares - Daufuskie Island ferry service	67,802	(30,044)	24,125
remitted to Beaufort County	(67,802)	30,044	(24,125)
Total non-operating revenues, net	<u>1,800,984</u>	<u>1,976,162</u>	<u>2,029,278</u>
Change in net position	<u>(1,179,052)</u>	<u>(236,392)</u>	<u>(432,278)</u>
Net position, beginning of year	<u>2,246,568</u>	<u>2,482,960</u>	<u>3,833,706</u>
Prior period adjustment	-	-	(918,470)
Net position, beginning of year, as restated	<u>2,246,568</u>	<u>2,482,960</u>	<u>2,915,238</u>
Net position, end of year	<u>\$ 1,067,516</u>	<u>\$ 2,246,568</u>	<u>\$ 2,482,960</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS

Financial Statements (Continued)

Revenues, Expenses, and Changes in Net Position (Continued): Fiscal year 2017 and 2016 operating revenues saw a slight decrease of \$3,000 or 0.4% and \$19,000 or 2.2%. The operating revenues have remained consistent from year to year.

Operating expenses in fiscal year end 2017 increased approximately \$764,000, or 24.9% to approximately \$3,835,000. The majority of the current year increase in operating expenses is from a significant increase in depreciation expense, which is the result of changing the useful life of certain vehicles from 15 years to 12 years during the current year. For the fiscal year end June 30, 2016, operating expenses decreased approximately \$268,000 or 8%. The majority of this decrease is the result of decreases in contract services and the New Freedom program expenses.

Non-operating revenues (net) for fiscal year 2017 decreased approximately \$175,000 or 8.9%. The decrease was the result of decreased federal grants. Non-operating revenues (net) for fiscal year 2016 decreased approximately \$53,000 or 2.6%. The decrease was the result of decreased state and local grants.

Fiscal Year 2017 versus Fiscal Year 2016

- For the fiscal year ended June 30, 2016, operating revenues of the Authority were approximately \$855,000, which is a decrease of \$3,000, or 0.4% from 2016 operating revenues of \$858,000. The current year decrease in revenues is the result of a decrease in contract income and other operating revenues of approximately \$5,000 and \$7,000, respectively, which exceeded the increases in fares of \$9,000.
- For the fiscal year ended June 30, 2017, operating expenses increased approximately \$764,000, or 24.9% to approximately \$3,836,000. The majority of the current year increase in operating expenses is from the large increase in depreciation, which is the result of changing the useful life from 15 years to 12 years for certain vehicles.
- For the fiscal year ended June 30, 2016, non-operating revenues (net) of the Authority totaled approximately \$1,801,000, which was approximately \$175,000 lower than 2016. The majority of this decrease is the result of a decrease in federal grants of approximately \$163,000.
- As a result of the above noted changes, net position decreased approximately \$1,179,000.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal Year 2016 versus Fiscal Year 2015

- For the fiscal year ended June 30, 2016, operating revenues of the Authority were approximately \$858,000, which is a decrease of \$19,000, or 2.2% from 2015 operating revenues of \$877,000. The current year decrease in revenues is the result of a significant decrease in contract income of approximately \$118,000, which exceeded the increases in fares of \$93,000 and other operating revenue of \$6,000.
- For the fiscal year ended June 30, 2016, operating expenses decreased approximately \$268,000, or 8.0% to approximately \$3,071,000. The majority of the current year decrease in operating expenses is the result of decreased contract services, fixed route transportation expenses, and the New Freedom program.
- For the fiscal year ended June 30, 2016, non-operating revenues (net) of the Authority totaled approximately \$1,976,000, which was approximately \$53,000 lower than 2015. The majority of this decrease is the result of a decrease in state grants of approximately \$44,000.
- As a result of the above noted changes, net position decreased approximately \$236,000.

Capital Assets

The Authority's investment in capital assets were approximately \$1,827,000 and \$2,921,000 as of the fiscal years ended June 30, 2017 and 2016, respectively. This represents a 37.4% and 7.1% decrease in the Authority's capital asset balances. These investments in capital assets include land, buildings, buses, vehicles, computer software, and machinery and equipment.

Major capital asset additions during fiscal year 2017 included the addition of vehicle improvements for a several buses and maintenance equipment. The decrease in capital assets for the fiscal year 2017 was the result of depreciation expense of \$1,182,000 exceeding total capital asset additions of approximately \$102,000.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Capital Assets (Continued)

Major capital asset additions during fiscal year 2016 included transmission replacement on three buses, the addition of 3 new Ford Goshen buses, 2 MCI Coach buses, and vehicle diagnostic equipment. The decrease in capital assets for the fiscal year 2016 was the result of depreciation expense of \$472,000 exceeding total capital asset additions of approximately \$276,000.

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

Long-term Liabilities

The Authority's long-term liabilities consist of the net pension liability and capital advances provided by the South Carolina Department of Transportation for the purchase of transportation vehicles. The Authority's long-term liabilities increased \$425,962 and \$285,657 during fiscal years 2017 and 2016, respectively. These increases resulted from the addition of the net pension liability in fiscal year 2016, and the increase in the net pension liability as actuarially determined in fiscal year 2017.

Additional information on the Authority's long-term liabilities can be found in Notes 6 and 7 to the financial statements.

Economic Outlook

Palmetto Breeze has completed the process to become a direct recipient of small urban grant funding from the Federal Transit Administration (FTA). The urban grant is active and the funds are available for reimbursement of project expenditures. One of the challenges facing the Authority for this year is the amount of local funding available to match the grants. The urban grant for FY 17-18 is actually a combination of this years' allotment as well as previous years' apportionments. The Authority does own several acres of land in Jasper County that we are in the process of evaluating in order to liquidate. We are mid-way through our large bus rehab project with 3 buses completed and 3 buses still to be rehabbed. We are hopeful that additional funding will become available from the SCDOT to rehab the remaining 5 large buses. With 11 large buses in good working order, we will be able to expand our services to get employees from the outlying areas to the job sites in Bluffton and Hilton Head. Our preliminary expansion plans would include a second shift service as well as coordinating transfer passengers with the Chatham Area Transit in Savannah. A study will be completed for planning of the transit services in the small urbanized area of Bluffton, Hilton Head and portions of Beaufort County. Included in the plan will be seasonal Trolley service on Hilton Head as well as ADA complementary paratransit service.

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 Director's office at P.O. Box 2029, 25 Benton Field Road, Bluffton, South Carolina, 29910 or call (843)757-5782.

LOWCOUNTRY REGIONAL TRANSPORTATION AUTHORITY

STATEMENTS OF NET POSITION JUNE 30, 2017 AND 2016

	2017	2016
ASSETS		
Current assets		
Cash	\$ 343,392	\$ 288,037
Accounts receivable, net	260,394	109,484
Prepaid expenses	15,202	17,220
Inventory	57,505	43,676
Total current assets	676,493	458,417
Noncurrent assets		
Capital assets - nondepreciable	151,019	151,019
Capital assets - depreciable, net	1,676,353	2,769,786
Total noncurrent assets	1,827,372	2,920,805
Total assets	2,503,865	3,379,222
DEFERRED OUTFLOWS OF RESOURCES		
Pension	525,018	308,835
Total deferred outflows of resources	525,018	308,835
LIABILITIES		
Current liabilities		
Accounts payable	221,697	116,671
Accrued payroll and withholding	38,602	29,705
Accrued compensated absences	18,424	20,604
Unearned insurance revenue	16,049	11,896
Short-term portion of advances from SCDOT - vehicle acquisition payback	-	21,573
Total current liabilities	294,772	200,449
Noncurrent liabilities		
Net pension liability	1,664,787	1,238,825
Total noncurrent liabilities	1,664,787	1,238,825
Total liabilities	1,959,559	1,439,274
DEFERRED INFLOWS OF RESOURCES		
Pension	1,808	2,215
Total deferred inflows of resources	1,808	2,215
NET POSITION		
Net investment in capital assets	1,827,372	2,899,232
Unrestricted	(759,856)	(652,664)
Total net position	\$ 1,067,516	\$ 2,246,568

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

LOWCOUNTRY REGIONAL TRANSPORTATION AUTHORITY

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

	2017	2016
Operating revenues		
Contract income	\$ 335,359	\$ 340,737
Fares - fixed route	446,693	441,810
Fares - demand response	41,090	36,447
Miscellaneous	31,908	39,189
Total operating revenues	855,050	858,183
Operating expenses		
Fixed route	1,111,263	1,090,131
General administration	534,793	565,910
Allendale County 5311	27,627	32,396
Demand response	233,474	225,788
Maintenance department	172,698	160,026
Jasper County Board of Disabilities and Special Needs	55,067	47,362
Beaufort County Board of Disabilities and Special Needs	232,293	167,808
Hampton County Council on Aging	-	14,738
Jasper County Council on Aging	-	29,656
Job Access Reverse Commute	-	39,101
Job Access Reverse Commute 5307	25,560	45,483
Job Access Reverse Commute 5311	25,017	28,595
Senior services of Beaufort County	49,334	35,334
New freedom	27,300	23,670
Small urbanized area	79,002	56,080
Hotel shuttle	19,534	23,543
Access Health VIM	1,176	-
Palmetto Bluff	42,528	-
RTAP funding	16,573	13,116
Depreciation expense	1,181,847	472,000
Total operating expenses	3,835,086	3,070,737
Operating loss	(2,980,036)	(2,212,554)
Non-operating revenues (expenses)		
Federal grants	973,983	1,137,842
State grants	320,378	329,485
County and other local appropriations	513,280	523,280
Interest income	927	346
Loss on disposal of assets	(7,584)	(14,791)
Fares - Daufuskie Island ferry service	(67,802)	(30,044)
Fares - Daufuskie Island ferry service remitted to Beaufort County	67,802	30,044
Total non-operating revenues, net	1,800,984	1,976,162
Change in net position	(1,179,052)	(236,392)
Net position, beginning of year	2,246,568	2,482,960
Net position, end of year	\$ 1,067,516	\$ 2,246,568

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

LOWCOUNTRY REGIONAL TRANSPORTATION AUTHORITY

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

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 704,140	\$ 840,294
Payments to suppliers	(901,972)	(1,211,564)
Payments to employees	(1,437,810)	(1,398,925)
Net cash used in operating activities	(1,635,642)	(1,770,195)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Federal and state grant receipts	1,294,361	1,467,327
County appropriations	513,280	523,280
Fares - Daufuskie Island ferry service	(67,802)	(30,044)
Fares - Daufuskie Island ferry service fares remitted to Beaufort County	67,802	30,044
Net cash provided by non-capital financing activities	1,807,641	1,990,607
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition or construction of capital assets	(102,009)	(275,910)
Proceeds from the sale of capital assets	6,011	13,550
Advances from SCDOT - vehicle acquisition payback	(21,573)	(21,574)
Net cash used in capital and related financing activities	(117,571)	(283,934)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	927	346
Net cash provided by investing activities	927	346
Increase (decrease) in cash and cash equivalents	55,355	(63,176)
Cash and cash equivalents:		
Beginning of year	288,037	351,213
End of year	\$ 343,392	\$ 288,037
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	\$ (2,980,036)	\$ (2,212,554)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation expense	1,181,847	472,000
(Increase) decrease in:		
Accounts receivable	(150,910)	(17,889)
Prepaid expenses	2,018	17,746
Inventory	(13,829)	14,724
Deferred outflows of resources	(216,183)	(215,869)
Increase (decrease) in:		
Accounts payable	105,026	(6,658)
Accrued payroll and withholding	8,897	(5,274)
Accrued compensated absences	(2,180)	(4,333)
Net pension liability	425,962	307,230
Deferred insurance reimbursement	4,153	(42,993)
Deferred inflows of resources	(407)	(76,325)
Net cash used in operating activities	\$ (1,635,642)	\$ (1,770,195)

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

LOWCOUNTRY REGIONAL TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Lowcountry Regional Transportation Authority (the "Authority"), was established in 1978 under the Regional Transportation Authority Law, Section 58-25-10 of the Code of Laws of South Carolina to provide bus transportation to the public and under private contracts. The Authority's primary transportation services include rural commuter fixed route bus service from Allendale, Colleton, Hampton, Beaufort, and Jasper counties to and from Beaufort County. Additional services include demand response, human service agency transportation, hotel shuttle transportation, and coordination of public transportation service in Allendale County.

Fund Accounting

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

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

Measurement Focus and Basis of Accounting

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

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation

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

Cash, Cash Equivalents and Investments

Cash and cash equivalents include cash on hand, bank deposits, repurchase agreements, and other highly liquid marketable securities with a maturity date within three months of the date acquired by the Authority.

The Authority is authorized by the South Carolina Code of Laws, Section 11-9-660, to invest in obligations of the United States and its agencies, obligations of the State of South Carolina and its political subdivisions, collateralized or federally insured certificates of deposit, and collateralized repurchase agreements.

Accounts Receivable

Accounts receivable consist of trade accounts receivable for transportation services stated at amounts invoiced less an allowance for doubtful accounts, local appropriations and pledges, and operating grants. Credit is extended to customers after an evaluation of the customer's financial condition and collateral is not generally required. Management's determination of the allowance for doubtful accounts is based on an evaluation of the individual balances, past experience, current economic conditions, and other risks inherent in the accounts receivable portfolio.

Prepaid Expenses

Prepaid expenses include a provision for insurance, software and website maintenance, and hosting contracts whose contract periods extend beyond the Authority's fiscal year-end.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventory

Inventory, which is comprised of maintenance spare parts that are not purchased for immediate repair projects, 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.

Capital Assets

Capital assets with individual costs of \$1,000 or more purchased by the Authority are recorded at cost. The Authority has not recorded the value of vehicles donated under service contracts whose ownership transfers back on the termination of the contract. Other donated capital assets are recorded at acquisition value. Repairs and maintenance are expensed as incurred, while expenditures that extend the useful life of a capital asset are capitalized. Depreciation is computed using the straight-line method over the estimated useful life of the asset using a mid-month convention as follows:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	10 - 40
Buses and vans	4 - 12
Support vehicles	5
Office furniture	5 - 10
Maintenance equipment	5 - 10
Fare box tokens and radios	10

Compensated Absences

It is the Authority's policy to provide for the accumulation of up to 160 hours of earned vacation leave, which is fully vested as it is earned. This amount is accrued in the financial statements as an expense and a current liability. Sick leave accumulates for employees, but does not vest. As such, the Authority has no obligation for accumulated sick leave until the sick leave is taken and no accrual is recorded.

Capital Contributions

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

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position Classification

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

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

When an expense is incurred for purposes which both restricted and unrestricted resources are available, it is the Authority’s policy to apply restricted resources first and then apply unrestricted resources.

Operating and Non-operating Revenues and Expenses

Fare box receipts, contractual transportation, advertising, and maintenance revenue are reported as operating revenues. Federal and State operating grants, local appropriations, and interest income are reported as non-operating revenues. All expenses related to operating the Authority and a provision for depreciation expense on the Authority’s capital assets are reported as operating expenses. Losses on the disposal of capital assets and sub-awards of Federal and State operating grants are reported as non-operating expenses.

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to future period(s) and so will not be recognized as an outflow of resources (expense) until then. The Authority had four items that qualified for reporting in this category, all of which are related to the Authority’s pension plan. The difference between expected and actual experience, the difference between projected and actual earnings on pension plan investments, the change in proportion and differences between the employer contributions and proportionate share of contributions, and the contributions subsequent to the measurement date represent consumptions of net position that apply to future periods, and thus are reported as deferred outflows of resources until they are consumed.

NOTES TO FINANCIAL STATEMENTS

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. The Authority had one item that qualified for reporting in this category, which relates to the Authority's pension plan. The difference between expected and actual experience are acquisitions of net position which apply to future periods, resulting in recognition as a deferred inflow of resources

Concentrations

During the years ended June 30, 2017 and 2016, the Authority received 49% and 51% of its revenues (excluding capital grants) from federal and state operating grants. At June 30, 2017 and 2016, those grants accounted for 73% and 56% of accounts receivable, respectively.

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.

Change in Accounting Estimates

The Authority revised the estimated useful life of certain vehicles from 15 years to 12 years during the current year. The revisions were accounted for prospectively as a change in accounting estimates, which resulted in depreciation expense for the current fiscal year to have increased by \$711,181.

NOTES TO FINANCIAL STATEMENTS

NOTE 2. DEPOSITS

Custodial Credit Risk – Deposits. Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the Authority 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. All deposits in excess of the Federal Deposit insurance limit are swept to a master repurchase agreement where the Authority's deposits are collateralized by the underlying securities. The Authority's cash balances as of June 30, 2017 and 2016, were \$343,392 and \$288,037, respectively. The Authority's bank balances as of June 30, 2017 and 2016, were \$355,985 and \$310,879, respectively.

	June 30,	
	2017	2016
Amounts insured by the Federal Deposit Insurance Corporation	\$ 40,127	\$ 40,517
Repurchase agreements collateralized by federal securities held by the pledging financial institution not in the name of the Authority	315,858	270,362
Total collateralized amounts	<u>\$ 355,985</u>	<u>\$ 310,879</u>

Interest Rate Risk. Interest rate risk is the risk that subsequent increases in market interest rates will adversely affect the fair value of an investment paying a fixed stated interest rate. The Authority's investment policy does not address interest rate risk. The maturities on the Authority's deposits are all short-term, thus mitigating its interest rate risk.

NOTE 3. ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following at June 30, 2017 and 2016:

	June 30,	
	2017	2016
Receivables:		
Operating and capital grants receivable from the South Carolina Department of Transportation	\$ 190,816	\$ 72,311
Local grants and other receivables	69,578	37,173
Total receivables	<u>\$ 260,394</u>	<u>\$ 109,484</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 4. CAPITAL ASSETS

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ 151,019	\$ -	\$ -	\$ 151,019
Total	<u>151,019</u>	<u>-</u>	<u>-</u>	<u>151,019</u>
Capital assets, being depreciated:				
Buildings and improvements	926,574	-	-	926,574
Vehicles	5,164,600	90,658	(181,344)	5,073,914
Furniture and equipment	91,114	-	(27,383)	63,731
Maintenance and other equipment	184,140	11,351	(11,937)	183,554
Computer software	105,423	-	-	105,423
Total	<u>6,471,851</u>	<u>102,009</u>	<u>(220,664)</u>	<u>6,353,196</u>
Less accumulated depreciation for:				
Buildings and improvements	(479,305)	(24,531)	-	(503,836)
Vehicles	(2,965,410)	(1,118,458)	167,749	(3,916,119)
Furniture and equipment	(81,473)	(4,301)	27,383	(58,391)
Maintenance and other equipment	(108,496)	(21,483)	11,937	(118,042)
Computer software	(67,381)	(13,074)	-	(80,455)
Total	<u>(3,702,065)</u>	<u>(1,181,847)</u>	<u>207,069</u>	<u>(4,676,843)</u>
Total capital assets, being depreciated, net	<u>2,769,786</u>	<u>(1,079,838)</u>	<u>(13,595)</u>	<u>1,676,353</u>
Total capital assets, net	<u>\$ 2,920,805</u>	<u>\$ (1,079,838)</u>	<u>\$ (13,595)</u>	<u>\$ 1,827,372</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 4. CAPITAL ASSETS (CONTINUED)

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ 151,019	\$ -	\$ -	\$ 151,019
Total	<u>151,019</u>	<u>-</u>	<u>-</u>	<u>151,019</u>
Capital assets, being depreciated:				
Buildings and improvements	926,574	-	-	926,574
Vehicles	5,155,373	268,710	(259,483)	5,164,600
Furniture and equipment	116,118	-	(25,004)	91,114
Maintenance and other equipment	176,940	7,200	-	184,140
Computer software	105,423	-	-	105,423
Total	<u>6,480,428</u>	<u>275,910</u>	<u>(284,487)</u>	<u>6,471,851</u>
Less accumulated depreciation for:				
Buildings and improvements	(454,774)	(24,531)	-	(479,305)
Vehicles	(2,797,387)	(407,277)	239,254	(2,965,410)
Furniture and equipment	(92,842)	(5,523)	16,892	(81,473)
Maintenance and other equipment	(89,275)	(19,221)	-	(108,496)
Computer software	(51,933)	(15,448)	-	(67,381)
Total	<u>(3,486,211)</u>	<u>(472,000)</u>	<u>256,146</u>	<u>(3,702,065)</u>
Total capital assets, being depreciated, net	<u>2,994,217</u>	<u>(196,090)</u>	<u>(28,341)</u>	<u>2,769,786</u>
Total capital assets, net	<u>\$ 3,145,236</u>	<u>\$ (196,090)</u>	<u>\$ (28,341)</u>	<u>\$ 2,920,805</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 5. UNEARNED REVENUE

The Authority received insurance proceeds from the South Carolina State Treasurer for repairs to vehicles that were involved in collisions. The Authority expended these funds for repair work. Other advances relate to cash received in advance for contracted routes. The balance has been deferred to offset the cost of repairing the vehicles.

A summary of the Authority's unearned revenue for the fiscal years ended June 30, 2017 and 2016, are as follows:

	Balance Beginning of Year	Amounts Received	Amounts Expended or Earned	Balance End of Year
Fiscal year ended June 30, 2017				
Insurance reimbursement	\$ 11,896	\$ -	\$ 4,153	\$ 16,049
Total unearned revenue	\$ 11,896	\$ -	\$ 4,153	\$ 16,049
Fiscal year ended June 30, 2016				
Insurance reimbursement	\$ 32,673	\$ -	\$ (20,777)	\$ 11,896
Advance contract revenue	22,216	-	(22,216)	-
Total unearned revenue	\$ 54,889	\$ -	\$ (42,993)	\$ 11,896

NOTE 6. ADVANCES FROM SOUTH CAROLINA DEPARTMENT OF TRANSPORTATION

The Authority purchased vehicles financed with federal capital grants, capital advances from the South Carolina Department of Transportation and funds provided as a local match by the Authority. A summary of the Authority's capital grant contracts that relate to outstanding advances are as follows:

Awarded During the Fiscal Year Ended June 30,	Capital Grant	Capital Advance	Equipment Cost
2011	\$ 260,000	\$ 53,254	\$ 313,254
2014	50,000	11,467	61,467
	\$ 310,000	\$ 64,721	\$ 374,721

NOTES TO FINANCIAL STATEMENTS

NOTE 6. **ADVANCES FROM SOUTH CAROLINA DEPARTMENT OF TRANSPORTATION (CONTINUED)**

Under the terms of the grant award, capital advances provided by the South Carolina Department of Transportation are repayable over three fiscal years through offsets against future State operating grant payments. The first payment was made during the year ended June 30, 2015. The South Carolina Department of Transportation is not charging any interest on these capital advances. Activity related to the capital advances from the South Carolina Department of Transportation for the fiscal years ended June 30, 2017 and 2016, are as follows:

	June 30, 2017	June 30, 2016
Balance on capital advances - beginning of year	\$ 21,573	\$ 43,147
Repayment of advances	(21,573)	(21,574)
Balance on capital advances - end of year	\$ -	\$ 21,573

NOTE 7. **PENSION PLAN**

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.

NOTES TO FINANCIAL STATEMENTS

NOTE 7. PENSION PLAN (CONTINUED)

Overview (Continued)

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.

Membership

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

Benefits

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

NOTES TO FINANCIAL STATEMENTS

NOTE 7. PENSION PLAN (CONTINUED)

Benefits (Continued)

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

Contributions

Contributions are prescribed in Title 9 of the South Carolina Code of Laws. Upon recommendation by the actuary in the annual actuarial valuation, the PEBA Board may adopt and present to the Budget and Control Board for approval an increase in the SCRS employer and employee contribution rates, but any such increase may not result in a differential between the employee and total employer contribution rate that exceeds 2.9 percent of earnable compensation for SCRS. An increase in the contribution rates adopted by the Board may not provide for an increase of more than one-half of 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 year ended June 30, 2017, are as follows:

Employee class two	8.66% of earnable compensation
Employee class three	8.66% of earnable compensation

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

Employee class two	11.41% of earnable compensation
Employee class three	11.41% of earnable compensation
Employer incidental death benefit	0.15% of earnable compensation

NOTES TO FINANCIAL STATEMENTS

NOTE 7. PENSION PLAN (CONTINUED)

Contributions (Continued)

Required employee contribution rates for the year ended June 30, 2016, are as follows:

Employee class two	8.16% of earnable compensation
Employee class three	8.16% of earnable compensation

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

Employee class two	10.91% of earnable compensation
Employee class three	10.91% of earnable compensation
Employer incidental death benefit	0.15% of earnable compensation

Net Pension Liability

The most recent annual actuarial valuation report adopted by the PEBA Board and Budget and Control Board is as of July 1, 2015. The net pension liability of the System was therefore determined based on the July 1, 2015, actuarial valuations, using membership data as of July 1, 2015, projected forward to the end of the fiscal year, and financial information of the pension trust fund as of June 30, 2016, using generally accepted actuarial procedures. Information included in the following schedules is based on the certification provided by the System's consulting actuary, Gabriel, Roeder, Smith and Company.

As of June 30, 2017 and 2016, the Authority's portion of the net pension liability is as follows:

	<u>2017</u>	<u>2016</u>
Total pension liability	<u>\$ 3,535,063</u>	<u>2,880,436</u>
Plan fiduciary net position	<u>1,870,276</u>	<u>1,641,611</u>
Employers' net pension liability	<u>\$ 1,664,787</u>	<u>\$ 1,238,825</u>
Plan fiduciary net position as a percentage of the total pension liability	52.9%	57.0%

NOTES TO FINANCIAL STATEMENTS

NOTE 7. PENSION PLAN (CONTINUED)

Net Pension Liability (Continued)

	2017	2016
Total pension liability		
Service cost	\$ 59,496	\$ 48,611
Interest	251,869	205,633
Difference between actual and expected experience	3,641	(2,916)
Benefit payments	<u>(216,887)</u>	<u>(176,726)</u>
Net change in total pension liability	98,119	74,602
Total pension liability - beginning	<u>3,436,944</u>	<u>2,805,834</u>
Total pension liability - ending	<u>3,535,063</u>	<u>2,880,436</u>
Plan fiduciary net position		
Contributions - employer	83,603	66,788
Contributions - member	58,779	46,776
Refunds of contributions to members	(7,303)	(6,212)
Retirement benefits	(207,974)	(169,198)
Death benefits	(1,610)	(1,316)
Net investment income	(12,891)	24,440
Administrative expense	(1,025)	(820)
Net transfers to affiliated systems	<u>(78)</u>	<u>(87)</u>
Net change in Plan fiduciary net position	(88,499)	(39,629)
Plan fiduciary net position - beginning	<u>1,958,775</u>	<u>1,681,240</u>
Plan fiduciary net position - ending	<u>1,870,276</u>	<u>1,641,611</u>
Net pension liability	<u>\$ 1,664,787</u>	<u>\$ 1,238,825</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 7. PENSION PLAN (CONTINUED)

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

For the year ended June 30, 2017, the Authority recognized pension expense of \$294,186. At June 30, 2017, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 17,257	\$ 1,808
Net difference between projected and actual earnings on pension plan investments	140,062	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	282,885	-
Employer contributions subsequent to the measurement date	84,814	-
Total	\$ 525,018	\$ 1,808

Authority contributions subsequent to the measurement date of \$84,814, are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ended June 30, 2018.

NOTES TO FINANCIAL STATEMENTS

NOTE 7. PENSION PLAN (CONTINUED)

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

For the year ended June 30, 2016, the Authority recognized pension expense of \$138,737. At June 30, 2016, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 22,010	\$ 2,215
Net difference between projected and actual earnings on pension plan investments	8,292	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	154,832	-
Employer contributions subsequent to the measurement date	123,701	-
Total	\$ 308,835	\$ 2,215

Authority contributions subsequent to the measurement date of \$123,701, are reported as deferred outflows of resources and were recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	2017	2016
2017	\$ -	\$ 54,240
2018	144,342	54,240
2019	135,321	46,680
2020	120,651	27,759
2021	38,082	-

NOTES TO FINANCIAL STATEMENTS

NOTE 7. PENSION PLAN (CONTINUED)

Actuarial Assumptions and Methods

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

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

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

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%.

Long-Term Expected Rate of Return

The long-term expected rate of return on pension plan investments for actuarial purposes is based upon the 30 year capital market outlook at the end of the fourth quarter 2013. The actuarial long-term expected rates of return represent best estimates of arithmetic real rates of return for each major asset class and were developed in coordination with the investment consultant for the Retirement System Investment Commission (RSIC) using a building block approach, reflecting observable inflation and interest rate information available in the fixed income markets as well as Consensus Economic forecasts. The actuarial long-term assumptions for other asset classes are based on historical results, current market characteristics and professional judgment.

NOTES TO FINANCIAL STATEMENTS

NOTE 7. PENSION PLAN (CONTINUED)

Long-Term Expected Rate of Return (Continued)

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

Asset Class	Target Asset Allocation	Expected Arithmetic Real Rate of Return	Long-Term Expected Portfolio Real Rate of Return
Global equity	43.0%		
Global public equity	34.0%	6.52%	2.22%
Private equity	9.0%	9.30%	0.84%
Real assets	8.0%		
Real estate	5.0%	4.32%	0.22%
Commodities	3.0%	4.53%	0.13%
Opportunistic	20.0%		
GTAA/Risk Parity	10.0%	3.90%	0.39%
HF (Low beta)	10.0%	3.87%	0.39%
Diversified credit	17.0%		
Mixed credit	5.0%	3.52%	0.17%
Emerging markets debt	5.0%	4.91%	0.25%
Private debt	7.0%	4.47%	0.31%
Conservative fixed income	12.0%		
Core fixed income	10.0%	1.72%	0.17%
Cash and short duration (net)	2.0%	0.71%	0.01%
			<hr/>
		Total expected real return	5.10%
		Inflation for actuarial purposes	2.75%
		Total expected nominal return	<hr/> 7.85%

NOTES TO FINANCIAL STATEMENTS

NOTE 7. PENSION PLAN (CONTINUED)

Discount Rate

For the years ended June 30, 2017 and 2016, the discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers in SCRS will be made based on the actuarially determined rates based on provisions in the South Carolina State Code of Laws. Based on those assumptions, SCRS' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity Analysis

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

Sensitivity of the Net Position Liability to Changes in the Discount Rate			
Fiscal Year	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
2017	\$ 2,076,776	\$ 1,664,787	\$ 1,321,821
2016	1,561,805	1,238,825	968,127

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 8. COMMITMENTS AND CONTINGENCIES

The Authority is subject to various claims and contingencies related to compliance with regulations associated with various grants, lawsuits, and other matters arising out of the normal course of business.

The Authority extended its management agreement with First Transit, Inc. on January 1, 2016 through December 31, 2016. This agreement can be extended by mutual agreement of the parties for four additional one year terms. This contract includes the salaries for the positions of Executive Director and AGM – Maintenance. The Authority paid \$136,400 and \$273,306 to First Transit, Inc. under this management agreement for the fiscal years June 30, 2017 and 2016, respectively.

NOTES TO FINANCIAL STATEMENTS

NOTE 8. COMMITMENTS AND CONTINGENCIES (CONTINUED)

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 Authority expects such amounts, if any, to be immaterial.

NOTE 9. RISK MANAGEMENT

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

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

Expenses for coverage through the South Carolina Insurance Reserve Fund for the years ended June 30, 2017 and 2016, totaled \$98,369 and \$135,815, 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. The amount of settlements has not exceeded coverage in each of the past three years.

REQUIRED SUPPLEMENTARY INFORMATION

LOWCOUNTRY REGIONAL TRANSPORTATION AUTHORITY

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Authority's proportion of the net pension liability	0.007794%	0.006532%	0.005411%
Authority's proportionate share of the net pension liability	\$ 1,664,787	\$ 1,238,825	\$ 931,595
Authority's covered-employee payroll	\$ 605,250	\$ 492,513	\$ 402,298
Authority's proportionate share of the net pension liability as a percentage of its covered-employee payroll	275.1%	251.5%	231.6%
Plan fiduciary net position as a percentage of the total pension liability	52.9%	57.0%	59.9%

Note: This schedule will present 10 years of information once it is accumulated.

LOWCOUNTRY REGIONAL TRANSPORTATION AUTHORITY

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contribution	\$ 83,603	\$ 66,788	\$ 66,569
Contributions in relation to the actuarially determined contribution	<u>83,603</u>	<u>66,788</u>	<u>66,569</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 733,685	\$ 605,250	\$ 492,513
Contributions as a percentage of covered-employee payroll	11.39%	11.03%	13.52%

Note: This schedule will present 10 years of information once it is accumulated.

SUPPLEMENTARY INFORMATION

LOWCOUNTRY REGIONAL TRANSPORTATION AUTHORITY

SCHEDULES OF OPERATING EXPENSES FOR THE FISCAL YEARS ENDED JUNE 30, 2017 AND 2016

	2017	2016
Fixed route		
Salaries and wages	\$ 495,324	\$ 404,595
Payroll taxes, employee retirement, and fringe benefits	191,154	162,361
Contract maintenance	27,017	35,165
Employee training, physicals, and drug testing	6,937	4,110
Fuel and lubricants	146,759	157,792
Management service contract	60,394	129,022
Materials and supplies	107,302	94,827
Miscellaneous	-	9,972
Other services	7,437	11,984
Tires	20,821	36,096
Travel and meetings	10,866	10,209
Uniforms	8,876	7,179
Utilities	28,376	26,819
Total fixed route	\$ 1,111,263	1,090,131
General and administration		
Salaries and wages	\$ 210,549	\$ 125,279
Payroll taxes, employee retirement, and fringe benefits	68,762	75,575
Advertising	3,891	3,035
Contract maintenance	5,893	3,769
Copier rental	3,853	4,025
Dues and subscriptions	1,840	1,400
Employee training, physicals, and drug testing	581	433
Insurance	102,423	127,783
Management service contract	60,394	129,022
Materials and supplies	12,672	14,849
Miscellaneous	1,098	1,483
Other contract services	3,567	3,816
Professional fees - management, legal, and audit	39,175	54,085
Travel and meetings	1,387	1,348
Utilities	18,708	20,008
Total general and administration	\$ 534,793	\$ 565,910
Allendale County 5311		
Other contract services	\$ 27,627	\$ 32,396
Total Allendale County 5311	\$ 27,627	\$ 32,396
Demand response		
Salaries and wages	\$ 142,369	\$ 138,443
Payroll taxes, employee retirement, and fringe benefits	53,943	54,519
Fuel and lubricants	37,162	32,826
Total demand response	\$ 233,474	\$ 225,788

LOWCOUNTRY REGIONAL TRANSPORTATION AUTHORITY

SCHEDULES OF OPERATING EXPENSES FOR THE FISCAL YEARS ENDED JUNE 30, 2017 AND 2016

	2017	2016
Maintenance department		
Salaries and wages	\$ 120,021	\$ 104,211
Payroll taxes, employee retirement, and fringe benefits	32,608	31,953
Employee training, physicals, and drug testing	232	668
Fuel and lubricants	2,724	2,909
Materials and supplies	11,453	14,397
Travel and meetings	90	151
Uniforms and safety supplies	3,335	3,041
Utilities	2,235	2,696
Total maintenance department	\$ 172,698	\$ 160,026
Jasper County Board of Disabilities and Special Needs		
Salaries and wages	\$ 44,314	\$ 27,242
Payroll taxes, employee retirement, and fringe benefits	4,052	5,470
Insurance	-	4,216
Fuel and lubricants	6,701	10,434
Total Jasper County Board of Disabilities and Special Needs	\$ 55,067	\$ 47,362
Beaufort County Board of Disabilities and Special Needs		
Salaries and wages	\$ 169,412	\$ 92,985
Payroll taxes, employee retirement, and fringe benefits	30,339	27,797
Employee training, physicals, and drug testing	-	141
Insurance	-	16,864
Fuel and lubricants	32,538	30,021
Materials and supplies	4	-
Total Beaufort County Board of Disabilities and Special Needs	\$ 232,293	\$ 167,808
Hampton County Council on Aging		
Salaries and wages	\$ -	\$ 7,119
Payroll taxes, employee retirement, and fringe benefits	-	2,444
Insurance	-	949
Fuel and lubricants	-	3,661
Materials and supplies	-	565
Total Hampton County Council on Aging	\$ -	\$ 14,738
Jasper County Council on Aging		
Salaries and wages	\$ -	\$ 16,817
Payroll taxes, employee retirement, and fringe benefits	-	4,488
Insurance	-	1,775
Fuel and lubricants	-	5,669
Materials and supplies	-	907
Total Jasper County Council on Aging	\$ -	\$ 29,656

LOWCOUNTRY REGIONAL TRANSPORTATION AUTHORITY

SCHEDULES OF OPERATING EXPENSES FOR THE FISCAL YEARS ENDED JUNE 30, 2017 AND 2016

	2017	2016
Job Access Reverse Commute		
Salaries and wages	\$ -	\$ 20,438
Payroll taxes, employee retirement, and fringe benefits	-	10,038
Fuel and lubricants	-	2,285
Materials and supplies	-	888
Professional fees	-	4,698
Travel and meetings	-	233
Uniforms	-	87
Utilities	-	434
Total Job Access Reverse Commute	\$ -	\$ 39,101
Job Access Reverse Commute 5307		
Salaries and wages	\$ 17,004	\$ 27,809
Payroll taxes, employee retirement, and fringe benefits	3,605	9,282
Employee training, physicals, and drug testing	14	14
Fuel and lubricants	2,746	2,971
Materials and supplies	-	34
Professional fees	1,822	5,134
Travel and meetings	-	16
Uniforms	96	32
Utilities	273	191
Total Job Access Reverse Commute 5307	\$ 25,560	\$ 45,483
Job Access Reverse Commute 5311		
Salaries and wages	\$ 16,422	\$ 14,341
Payroll taxes, employee retirement, and fringe benefits	3,644	5,758
Employee training, physicals, and drug testing	14	-
Fuel and lubricants	2,746	945
Materials and supplies	-	34
Professional fees	1,822	7,125
Travel and meetings	-	16
Uniforms	96	110
Utilities	273	266
Total Job Access Reverse Commute 5311	\$ 25,017	\$ 28,595
Senior Services of Beaufort County		
Salaries and wages	\$ 38,742	\$ 24,973
Payroll taxes, employee retirement, and fringe benefits	3,857	5,051
Insurance	-	740
Fuel and lubricants	6,735	4,570
Total Senior Services of Beaufort County	\$ 49,334	\$ 35,334

LOWCOUNTRY REGIONAL TRANSPORTATION AUTHORITY

SCHEDULES OF OPERATING EXPENSES FOR THE FISCAL YEARS ENDED JUNE 30, 2017 AND 2016

	2017	2016
New Freedom		
Salaries and wages	\$ 21,118	\$ 15,968
Payroll taxes, employee retirement, and fringe benefits	2,605	3,428
Fuel and lubricants	3,577	4,274
Total New Freedom	\$ 27,300	\$ 23,670
Small Urban Mass Transit Funds		
Salaries and wages	\$ 60,330	\$ 27,237
Payroll taxes, employee retirement, and fringe benefits	7,672	13,230
Employee training, physicals, and drug testing	-	27
Fuel	10,345	6,507
Insurance	-	4,216
Materials and supplies	-	725
Professional fees - management, legal, and audit	-	3,407
Travel and meetings	108	187
Uniforms	179	165
Utilities	368	379
Total Small Urban Mass Transit Funds	\$ 79,002	\$ 56,080
Hotel Shuttle Service		
Salaries and wages	\$ 12,827	\$ 13,815
Payroll taxes, employee retirement, and fringe benefits	2,174	2,270
Fuel	4,533	7,403
Materials and supplies	-	21
Travel and meetings	-	34
Total Hotel Shuttle Service	\$ 19,534	\$ 23,543
RTAP Funding		
Employee training	\$ 16,573	\$ 13,116
Total RTAP Funding	\$ 16,573	\$ 13,116
Access Health VIM		
Salaries and wages	\$ 752	\$ -
Payroll taxes, employee retirement, and fringe benefits	267	-
Fuel	157	-
Total Access Health VIM	\$ 1,176	\$ -

LOWCOUNTRY REGIONAL TRANSPORTATION AUTHORITY

SCHEDULES OF OPERATING EXPENSES FOR THE FISCAL YEARS ENDED JUNE 30, 2017 AND 2016

	2017	2016
Palmetto Bluff		
Salaries and wages	\$ 33,156	\$ -
Payroll taxes, employee retirement, and fringe benefits	3,063	-
Fuel and lubricants	6,309	-
Total Palmetto Bluff	\$ 42,528	\$ -
 Depreciation expense		
Buildings and improvements	\$ 24,531	\$ 24,531
Vehicles	1,118,458	407,277
Furniture and equipment	4,301	5,523
Maintenance and other equipment	21,483	19,221
Computer software	13,074	15,448
Total Depreciation Expense	\$ 1,181,847	\$ 472,000

LOWCOUNTRY REGIONAL TRANSPORTATION AUTHORITY

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

OPT Contract #	PT-71311-30					
Contract Period	July 1, 2016 - June 30, 2017					
	Budget FY2017	Federal	State	Local	Total	
Performance period:	July 2016 through June 2017	July 1, 2016 through June 30, 2017	July 1, 2016 through June 30, 2017	July 1, 2016 through June 30, 2017	July 1, 2016 through June 30, 2017	Total Program Variance
Administration						
Other salaries and wages	116,000	87,609	6,571	15,332	109,512	6,488
Fringe benefits	70,000	29,573	2,218	5,175	36,966	33,034
Management service fees	137,000	38,386	2,879	6,718	47,983	89,017
Professional and technical services	41,000	18,455	1,384	3,230	23,069	17,931
Contract maintenance services	5,625	7,134	535	1,248	8,917	(3,292)
Materials and supplies	9,000	3,978	299	698	4,975	4,025
Utilities	16,500	6,788	509	1,188	8,485	8,015
Casualty and liability	115,000	(4,083)	(306)	(715)	(5,104)	120,104
Dues and subscriptions	2,000	1,364	102	239	1,705	295
In-state travel and meetings	2,000	465	35	81	581	1,419
Advertising and promotion media	1,500	682	51	119	852	648
Other miscellaneous	-	114,983	10,408	17,647	143,038	(143,038)
Leases and rentals	6,000	1,355	102	237	1,694	4,306
Total administration	521,625	306,689	24,787	51,197	382,673	138,952
Operations						
Operations wages	500,000	267,718	133,859	133,862	535,439	(35,439)
Operations fringe benefits	216,472	99,219	49,610	49,611	198,440	18,032
Management service fees	137,000	30,197	15,098	15,099	60,394	76,606
Contract maintenance services	21,500	7,422	3,711	3,712	14,845	6,655
Other services	35,000	12,680	6,340	6,340	25,360	9,640
Fuel and lubricants	300,000	84,961	42,481	42,482	169,924	130,076
Tubes and tires	40,000	11,179	5,590	5,590	22,359	17,641
Other materials and supplies	125,000	90,027	45,018	45,022	180,067	(55,067)
Utilities	25,000	12,823	6,412	6,412	25,647	(647)
Miscellaneous expenses	7,000	4,739	2,369	2,370	9,478	(2,478)
Total operations	1,406,972	620,965	310,488	310,500	1,241,953	165,019
Less contra expenses	-	(215,998)	(107,999)	(108,003)	(432,000)	432,000
Net operations	1,406,972	404,967	202,489	202,497	809,953	597,019
Capital						
Capital	153,500	129,200	16,656	27,389	173,245	(19,745)
Total capital	153,500	129,200	16,656	27,389	173,245	(19,745)
Total program	2,082,097	840,856	243,932	281,083	1,365,871	716,226
Approved Budget	2,082,097					
TI Federal Costs	840,856					
TI State Costs	243,932					
TI Local Costs	281,083					
Budget over Actual	<u>716,226</u>					

LOWCOUNTRY REGIONAL TRANSPORTATION AUTHORITY

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

	RTAP					
OPT Contract #	July 1, 2016 - June 30, 2017					
Contract Period	Budget FY2017	Federal	State	Local	Total	
Performance period:	July 2016 through June 2017	July 1, 2016 through June 30, 2017	July 1, 2016 through June 30, 2017	July 1, 2016 through June 30, 2017	July 1, 2016 through June 30, 2017	Total Program Variance
Operations						
Employee training, physicals, and drug testing						
SCA17R013-01	-	933	-	-	933	(933)
SCA17R013-02	-	250	-	-	250	(250)
SCA17R013-06	-	226	-	-	226	(226)
SCA17R013-05	-	167	-	-	167	(167)
SCA17R013-03	-	70	-	-	70	(70)
SCA17R013-04	-	226	-	-	226	(226)
SCA17R013-07	-	631	-	-	631	(631)
SCA17R013-08	-	1,110	-	-	1,110	(1,110)
SCA17R013-09	-	500	-	-	500	(500)
SCA17R013-10	-	907	-	-	907	(907)
SCAT17R013-01	-	1,914	-	-	1,914	(1,914)
SCAT17R013-02	-	2,299	-	-	2,299	(2,299)
SCAT17R013-03	-	920	-	-	920	(920)
SCAT17R013-04	-	920	-	-	920	(920)
U120118X3814	-	5,500	-	-	5,500	(5,500)
Total administration	-	16,573	-	-	16,573	(16,573)
Total program	-	16,573	-	-	16,573	(16,573)
Approved Budget	-					
TI Federal Costs		16,573				
TI State Costs		-				
TI Local Costs		-				
Actual over Budget		<u>(16,573)</u>				

	PT-71311-V5					
OPT Contract #	July 1, 2016 - June 30, 2017					
Contract Period	Budget FY2017	Federal	State	Local	Total	
Performance period:	July 2016 through June 2017	July 2016 through June 2017	July 2016 through June 2017	July 2016 through June 2017	July 2016 through June 2017	Total Program Variance
Capital						
Rehabilitation - Bus	600,000	77,059	13,599	-	90,658	509,342
Total program	600,000	77,059	13,599	-	90,658	509,342
Approved Budget	600,000					
TI Federal Costs		77,059				
TI State Costs		13,599				
TI Local Costs		-				
Budget over Actual		<u>509,342</u>				

LOWCOUNTRY REGIONAL TRANSPORTATION AUTHORITY

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

	PT-71399-45					
OPT Contract #						
Contract Period	July 1, 2016 - June 30, 2017					
	Budget FY2017	Federal	State	Local	Total	
Performance period:	July 2016 through June 2017	July 2016 through June 2017	July 2016 through June 2017	July 2016 through June 2017	July 2016 through June 2017	Total Program Variance
Administration						
Advertising fees	6,362	-	-	-	-	6,362
Professional and technical services	3,000	-	-	-	-	3,000
Casualty and liability	8,000	-	-	-	-	8,000
Miscellaneous expenses	-	-	12,044	3,011	15,055	(15,055)
Total administration	17,362	-	12,044	3,011	15,055	2,307
Operations						
Operations wages	25,000	-	19,051	19,881	38,932	(13,932)
Operations fringe benefits	15,940	-	4,981	5,197	10,178	5,762
Fuel and lubricants	10,000	-	6,382	6,661	13,043	(3,043)
Other materials and supplies	5,000	-	1,782	1,860	3,642	1,358
Utilities	350	-	180	187	367	(17)
Miscellaneous expenses	500	-	1,825	2,942	4,767	(4,267)
Total operations	56,790	-	34,201	36,728	70,929	(14,139)
Less contra expenses	-	-	(5,912)	(5,912)	(11,823)	11,823
Net operations	56,790	-	28,289	30,816	59,106	(2,316)
Capital						
Bus and trolley (expansion)	154,392	-	834	209	1,043	153,349
Total capital	154,392	-	834	209	1,043	153,349
Total program	228,544	-	41,167	34,036	75,204	153,340
Approved Budget	228,544					
TI Federal Costs	-					
TI State Costs	41,167					
TI Local Costs	34,036					
Budget over Actual	<u>153,341</u>					

LOWCOUNTRY REGIONAL TRANSPORTATION AUTHORITY

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

	PT-71310-73					
OPT Contract #						
Contract Period	July 1, 2016 - June 30, 2017					
Performance period:	Budget FY2017	Federal	State	Local	Total	Total Program Variance
Capital	July 2016 through June 2017	July 2016 through June 2017	July 2016 through June 2017	July 2016 through June 2017	July 2016 through June 2017	July 2016 through June 2017
Mobility management	50,000	40,000	-	10,000	50,000	-
Total program	50,000	40,000	-	10,000	50,000	-
Approved Budget	50,000					
TI Federal Costs	40,000					
TI State Costs	-					
TI Local Costs	10,000					
Budget over Actual	-					

STATISTICAL SECTION


STATISTICAL SECTION

This part of the Authority's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, required supplementary information, and supplementary information says about the Authority's overall financial health.

Contents

Page

Financial Trends	44 - 47
<i>These schedules contain trend information to help the reader understand how the Authority's financial performance and well-being have changed over time.</i>	
Revenue Capacity	48
<i>These schedules contain information to help the reader assess the Authority's most significant revenue sources.</i>	
Debt Capacity	49
<i>These schedules present information to help the reader assess the affordability of the Authority's current levels of outstanding debt and the Authority's ability to issue additional debt in the future.</i>	
Demographic and Economic Information	50 - 54
<i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the Authority's financial activities take place.</i>	
Operating Information	55 -57
<i>These schedules contain service and infrastructure data to help the reader understand how the information in the Authority's financial report relates to the services the Authority provides and the activities it performs.</i>	




Lowcountry Regional Transportation Authority Total Net Position by Component Last Ten Fiscal Years

Total Net Position at Year End

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Unrestricted	\$ 1,321,158	\$ 1,117,614	\$ 637,868	\$ 702,046	\$ 623,356	\$ 656,336	\$ 735,782	\$ (619,129)	\$ (652,664)	\$ (759,856)
Net investment in capital assets	4,209,646	3,882,644	3,353,970	3,311,344	3,114,370	3,427,406	3,097,926	3,102,089	2,899,232	1,827,372
Total Position	<u>\$ 5,530,804</u>	<u>\$ 5,000,258</u>	<u>\$ 3,991,838</u>	<u>\$ 4,013,390</u>	<u>\$ 3,737,726</u>	<u>\$ 4,083,742</u>	<u>\$ 3,833,708</u>	<u>\$ 2,482,960</u>	<u>\$ 2,246,568</u>	<u>\$ 1,067,516</u>

Source: LRTA Finance Department.





Lowcountry Regional Transportation Authority
Changes in Net Position
Last Ten Fiscal Years

Fiscal Year	Operating Revenue	Operating Expense	Operating Loss	Total Nonoperating Revenues/ (Expenses)	Gain (Loss) before Capital Contributions	Capital Contributions	Change in Net Position
2008	757,225	2,823,496	(2,066,271)	1,942,498	(123,773)	-	(123,773)
2009	694,252	2,738,532	(2,044,280)	1,803,234	(241,046)	-	(241,046)
2010	636,618	2,783,654	(2,147,036)	1,801,508	(345,528)	22,857	(322,671)
2011	485,218	2,627,772	(2,142,554)	1,907,965	(234,589)	256,141	21,552
2012	486,389	2,589,665	(2,103,276)	1,827,612	(275,664)	-	(275,664)
2013	539,991	2,559,049	(2,019,058)	1,706,423	(312,635)	658,651	346,016
2014	767,852	2,891,496	(2,123,644)	1,885,077	(238,567)	(11,467)	(250,034)
2015	877,161	3,338,717	(2,461,556)	2,029,278	(432,278)	-	(432,278)
2016	858,183	3,070,737	(2,212,554)	1,976,162	(236,392)	-	(236,392)
2017	855,050	3,835,086	(2,980,036)	1,800,984	(1,179,052)	-	(1,179,052)

Source: LRTA Finance Department.





Lowcountry Regional Transportation Authority Revenue History by Source Last Ten Fiscal Years

Fiscal Year	Operating	Federal Operating Grants	State	County Appropriations	Interest Income (Expense)	Other *	Capital Grants	Gain (Loss) Disposal of Capital Assets	Other Capital Contributions **	Total
2008	757,225	1,009,641	278,945	634,507	21,604	110	-	(7,252)	(8,209)	2,686,571
2009	694,252	978,258	258,193	594,580	4,742	764	-	600	(6,271)	2,525,118
2010	636,618	1,058,068	263,225	574,030	605	-	21,833	1,600	(4,317)	2,551,662
2011	485,218	1,100,166	303,362	559,597	441	2,100	256,141	2,500	-	2,709,525
2012	486,389	1,024,575	280,311	523,404	353	4,800	-	-	-	2,319,832
2013	539,991	914,380	280,646	509,392	580	1,425	658,651	-	-	2,905,065
2014	767,852	1,083,253	303,524	492,280	253	4,200	(11,467)	1,567	-	2,641,462
2015	877,161	1,108,876	373,879	574,025	132	-	-	(27,634)	-	2,906,439
2016	858,183	1,137,842	329,485	523,280	346	-	-	(14,791)	-	2,834,345
2017	855,050	973,983	320,378	513,820	927	-	-	(7,584)	-	2,656,574

* Other - Accommodations Tax Grants and other grants, etc.

** Other Capital Contributions - Imputed interest on capital advances - SCDOT

Source: LRTA Finance Department.





Lowcountry Regional Transportation Authority Expense History by Function Last Ten Fiscal Years

Fiscal Year	Operations	Maintenance	Administration	Depreciation	Total
2008	1,809,728	180,632	431,039	388,945	2,810,344
2009	1,734,915	228,085	419,982	355,550	2,738,532
2010	1,925,359	124,395	381,941	351,959	2,783,654
2011	1,670,437	136,876	449,392	371,067	2,627,772
2012	1,601,396	148,494	490,976	348,799	2,589,665
2013	1,591,977	96,108	492,080	378,884	2,559,049
2014	1,936,852	106,142	474,809	373,693	2,891,496
2015	2,280,621	138,487	511,185	408,424	3,338,717
2016	1,868,533	160,026	570,178	472,000	3,070,737
2017	2,945,748	172,698	534,793	181,847	3,835,086

Source: LRTA Finance Department.





Lowcountry Regional Transportation Authority Fare History Last Ten Fiscal Years

Cash						Weekly					
	2008	2011	2015	2016	2017	Tickets	2006	2011	2015	2016	2017
Allendale	\$ 2.50	\$ 2.50	\$ 2.50	\$ 3.25	\$ 3.25	Allendale	\$ 27.00	\$ 27.00	\$ 27.00	\$ 35.10	\$ 35.10
Beaufort	\$ 2.25	\$ 2.25	\$ 2.25	\$ 2.75	\$ 2.75	Beaufort	\$ 24.30	\$ 24.30	\$ 24.30	\$ 29.70	\$ 29.70
Colleton	\$ 3.25	\$ 3.25	\$ 3.25	\$ 4.00	\$ 4.00	Colleton	\$ 35.10	\$ 35.10	\$ 35.10	\$ 43.20	\$ 43.20
Hampton	\$ 3.25	\$ 3.25	\$ 3.25	\$ 4.00	\$ 4.00	Hampton	\$ 35.10	\$ 35.10	\$ 35.10	\$ 43.20	\$ 43.20
Jasper	\$ 2.75	\$ 2.75	\$ 2.75	\$ 3.50	\$ 3.50	Jasper	\$ 29.70	\$ 29.70	\$ 29.70	\$ 37.80	\$ 37.80
Demand Response	\$6-\$10	\$6-\$10	\$6-\$10	\$3.75-\$14.00	\$3.75-\$14.00						

Monthly					
Tickets	2006	2011	2015	2016	2017
Allendale	\$ 93.50	\$ 93.50	\$ 93.50	\$ 128.70	\$ 128.70
Beaufort	\$ 84.15	\$ 84.15	\$ 84.15	\$ 108.90	\$ 108.90
Colleton	\$ 121.55	\$ 121.55	\$ 121.55	\$ 158.40	\$ 158.40
Hampton	\$ 121.55	\$ 121.55	\$ 121.55	\$ 158.40	\$ 158.40
Jasper	\$ 102.85	\$ 102.85	\$ 102.85	\$ 138.60	\$ 138.60

2006 - 15% Discount Weekly Tickets; 20% Discount Monthly Tickets

2011 - 10% Discount Weekly Tickets; 15% Discount Monthly Tickets


2015 - 10% Discount Weekly Tickets; 15% Discount Monthly Tickets

2016 - 10% Discount Weekly Tickets; 10% Discount Monthly Tickets

Note: Information for 2007 - 2010 and 2012 -2014 was not readily available.

Source: LRTA Finance Department.





Lowcountry Regional Transportation Authority Long-Term Liabilities Last Ten Fiscal Years

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Advance from SCDOT	\$ 415,894	\$ 318,558	\$ 219,269	\$ 199,432	\$ 126,343	\$ 53,254	\$ 64,721	\$ 43,147	\$ 21,573	\$ -
Less short-term portion of long-term liabilities	90,166	103,606	73,090	(90,481)	(73,089)	(17,751)	(21,574)	(21,574)	(21,573)	-
Total	\$ 506,060	\$ 422,164	\$ 292,359	\$ 108,951	\$ 53,254	\$ 35,503	\$ 43,147	\$ 21,573	\$ -	\$ -

Source: LRTA Finance Department.






Lowcountry Regional Transportation Authority Unemployment Rate Trends Last Ten Fiscal Years

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	10-YR Avg
Allendale	17.0	22.3	19.5	19.4	13.9	15.5	10.0	11.5	11.4	8.5	14.9
Beaufort	5.3	9.0	9.1	9.5	7.3	7.9	4.7	6.0	5.4	4.6	6.9
Colleton	8.4	14.4	13.4	13.9	10.9	10.8	7.3	7.6	7.0	5.4	9.9
Hampton	9.3	15.7	14.5	14.6	11.8	11.4	9.6	9.1	8.5	5.7	11.0
Jasper	6.1	10.5	10.2	10.1	8.2	8.1	5.5	5.9	5.1	4.2	7.4
South Carolina	6.9	12.6	11.0	11.1	8.6	8.1	6.8	6.7	6.0	4.8	8.3
United States	7.2	10.0	9.6	9.1	7.8	7.6	5.5	5.5	5.3	4.9	7.3

Source - South Carolina Department of Employment & Workforce
2017 - June 2017 figure





Lowcountry Regional Transportation Authority Per Capita Income and Debt Outstanding Last Ten Fiscal Years

	Per Capita Income 2010	Per Capita Income 2013	Per Capita Income 2014	Per Capita Income 2015	Per Capita Income 2016	Per Capita Debt Outstanding 2014	Per Capita Debt Outstanding 2015	Per Capita Debt Outstanding 2016
Allendale	\$ 25,907	\$ 26,991	\$ 28,315	\$ 26,991	\$ 28,119	\$ 27	\$ 9	\$ -
Beaufort	42,430	43,688	46,137	43,688	48,134	1,278	1,276	1,184
Colleton	28,375	31,505	31,966	31,505	33,120	279	1,019	991
Hampton	27,208	28,118	27,216	28,118	27,398	96	42	31
Jasper	26,282	28,593	24,301	28,593	25,951	830	808	860
South Carolina	33,163	35,056	36,577	35,056	38,302	1,505	3082	
United States	40,584	43,735	46,049	43,735	48,112	58,604	56,375	60,470

Source Per Capita Income - U.S. Bureau of Economic Analysis at www.bea.gov/bea/regional/reis/

Source Per Capita Debt Outstanding - <http://www.treasurer.sc.gov/government/bond-debt-information/>

Note: Per capita income data for 2007-2009, 2011, 2012, and 2017 and per capita debt outstanding data for 2007-2013, and 2017 were not readily available.





Lowcountry Regional Transportation Authority Personal Income Last Ten Fiscal Years


County	Personal Income 2009	Personal Income 2011	Personal Income 2013	Personal Income 2014	Personal Income 2016
Allendale	\$ 245,953	\$ 257,765	\$ 265,568	274,511	\$ 265,998
Beaufort	6,691,585	6,897,402	7,507,264	8,113,329	8,644,345
Colleton	1,093,297	1,138,240	1,190,505	1,207,404	1,249,641
Hampton	546,423	570,676	573,835	555,342	549,298
Jasper	649,042	681,185	761,400	660,261	722,056
South Carolina	148,791,236	159,266,978	171,088,428	177,242,275	195,791,000
United States	12,094,800,000	13,254,500,000	14,068,400,000	14,683,147,000	16,017,781,000

¹ Personal income reported in thousands of dollars.

Source: Personal income figures obtained from the U.S. Bureau of Economic Analysis at www.bea.gov/bea/regional/reis/.

Note: Information for 2008, 2010, 2012, 2015, and 2017 was not readily available.





Lowcountry Regional Transportation Authority Population Trends Last Ten Fiscal Years

County	2000	2010	2013	2014	2015	2016	% Change
Allendale	11,211	10,419	10,214	9,693	9,433	9,045	-19.32%
Beaufort	120,937	162,233	165,354	175,118	179,589	179,782	48.66%
Colleton	38,264	38,892	38,453	37,776	37,731	37,923	-0.89%
Hampton	21,386	21,090	20,840	20,422	20,049	19,922	-6.85%
Jasper	20,678	24,777	25,408	27,019	27,824	28,465	37.66%
South Carolina	4,012,012	4,625,364	4,679,602	4,829,160	4,896,146	4,961,119	23.66%
United States	281,421,906	308,745,538	311,536,594	318,907,401	321,418,820	323,127,513	14.82%

Note: Information for 2007 - 2009, 2011, 2012, and 2017 was not readily available.

Source: U.S. Census Bureau; www.census.gov

<http://factfinder.census.gov/faces/tableservices/>



Lowcountry Regional Transportation Authority Top 20 Employers by County

ALLENDALE	BEAUFORT	COLLETON	HAMPTON	JASPER
ALLENDALE COUNTY COUNCIL	ATLANTIC PERSONNEL INC	ADVANTAGE VETERANS SERVICES OF WALT	BILO LLC	BAIRDS TRUCK & AUTO SALES INC
ALLENDALE COUNTY HOSPITAL & NURSING	BEAUFORT COUNTY SCHOOL DISTRICT	AGAPE COMMUNITY HOSPICE OF THE	BRUNSONBUILDING SUPPLY CO INC	CBM ENTERPRISES LLC
ALLENDALE COUNTY RESCUE SQUAD INC	BEAUFORT MEMORIAL HOSPITAL	BILO LLC	DEPARTMENT OF JUSTICE	CITY OF HARDEEVILLE
ALLENDALE COUNTY SCHOOLS	CARECORE NATIONAL LLC	CITY OF WALTERBORO	ELLIOTT SAWMILLING CO INC	CLELAND SITE PREP INC
ALLENDALE IGA 71	COUNTY OF BEAUFORT	COLLETON COUNTY	FOOD LION LLC	COASTAL CAROLINA MEDICAL CENTER INC
ALON JAY TRANSPORTATION LLC	CYPRESS CLUB INC.	COLLETON COUNTY BOARD OF DISABILITE	H&H FOOD SERVICES LLC	COASTAL STATES AUTOMOTIVE GROUP MGT
ANDERSON HARDWOOD FLOORS INC	DEPARTMENT OF DEFENSE	COLLETON COUNTY SCHOOL DISTRICT	HAMPTON COUNTY	COMPASSION HEALTHCARE INC
ARCHROMA US INC	HARGRAY COMMUNICATIONS GROUP INC	CRACKER BARREL OLD COUNTRY STORE	HAMPTON COUNTY SCHOOL DISTRICT 2	COUNTY OF JASPER
AZ ELECTRONIC MATERIALS USA CORP	LOWES HOME CENTERS INC	DAYCO PRODUCTS LLC	HAMPTON COUNTY SCHOOL DISTRICT ONE	DANIEL DEFENSE INC
BODDIE NOELL ENTERPRISES INC	MARINE CORPS COMMUNITY SERVICES	JAXCO	HAMPTON REGIONAL MEDICAL CENTER IN	JASPER CO BD OF DISABILITIES
COLLUMS ADMINISTRATION & MAINTENANC	MARRIOTT RESORTS HOSP CORP	JH HIERS CONSTRUCTION LLC	LECREUSET OF AMERICA INC	JASPER COUNTY SCHOOL DISTRICT
FLUOR DANIEL FACILITY SER	MONTAGE HOTELS AND RESORTS LLC	MASTERCORP INC	LOW COUNTRY FAMILY SERVICES INC	O C WELCH FORD LINCOLN MERCURY INC
GEORGIA PACIFIC WOOD PRODUCTS, LLC	PUBLIX SUPER MARKETS INC	PALLET COMPANIES INC	MORNING STAR HOME CARE SERVICES LLC	OLDFIELD CLUB LLC
LOWCOUNTRY HEALTH CARE SYSTEM	SEA PINES RESORT LLC	PALMETTO EXTERMINATORS INC.	MYERS EDGE INC	PALMETTO ELECTRIC CO OP INC
SC DEPT OF TRANSPORTATION	TECHNICAL COLLEGE OF THE LOWCOUNTRY	PARALLON ENTERPRISES LLC	PALMETTO STATE BANK	PUBLIX SUPER MARKETS INC
SC DEPARTMENT OF CORRECTIONS	TENET PHYSICIAN SVCS OF HILTON HEAD	PRUITTHEALTH WALTERBORO LLC	PETERS MURDOUGH PARKER ELTZROTH & D	RIDGELAND NURSING CENTER INC
SCOTSMAN GROUP LLC	THE GREENERY INC.	SOUTHERN HEALTH PARTNERS INC	PRUITTHEALTH ESTILL LLC	ROYAL LIVE OAKS ACADEMY RIDGELAND
TOWN OF ALLENDALE	TOWN OF HILTON HEAD ISLAND	WAL-MART ASSOCIATES INC	R&L CARRIERS SHARED SERVICES LLC	SC DEPARTMENT OF CORRECTIONS
UNIVERSITY OF SC	UNIVERSITY OF SOUTH CAROLINA	WALTERBORO COMMUNITY HOSPITAL INC	VADEN OF SOUTH CAROLINA INC	WAL-MART ASSOCIATES INC.
WALL TIMBER PRODUCTS INC	WAL-MART ASSOCIATES INC	WILLIAMS BROTHERS TRUCKING INC.	VALMONT INDUSTRIES INC	WASTE PRO OF SOUTH CAROLINA INC

Source: Infogroup
SC Dept of Employment & Workforce
2016 Q1

Lowcountry Regional Transportation Authority Trend Statistics Last Ten Fiscal Years

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Passengers	224,548	172,823	151,264	151,056	139,196	155,377	160,068	205,766	185,423	262,186
Revenue Miles	924,755	969,042	629,672	629,969	599,472	597,049	608,155	847,531	726,809	660,467
Total Miles	1,073,791	1,053,569	863,219	876,293	867,984	890,706	915,219	1,255,328	1,026,261	900,266
Passengers Per Total Miles	0.21	0.16	0.18	0.17	0.16	0.17	0.17	0.16	0.18	0.29
Revenue Hours	29,708	28,325	27,795	27,647	26,472	25,170	25,950	40,870	34,675	33,402
Total Hours	32,297	33,151	36,801	37,124	36,553	35,978	37,690	58,188	47,143	43,527
Passengers Per Revenue Hours	7.56	6.10	5.44	5.46	5.26	6.17	6.17	5.03	5.35	7.85
Total Operating Expense	\$ 2,823,496	\$ 2,738,532	\$ 2,783,654	\$ 2,627,772	\$ 2,589,665	\$ 2,559,049	\$ 2,891,496	\$3,338,717	\$ 3,070,737	\$ 3,835,086 (1)
Cost Per Mile	\$ 2.63	\$ 2.60	\$ 3.22	\$ 3.00	\$ 2.98	\$ 2.87	\$ 3.16	\$ 2.66	\$ 2.99	\$ 4.26
Cost Per Passenger	\$ 12.57	\$ 15.85	\$ 18.40	\$ 17.40	\$ 18.60	\$ 16.47	\$ 18.06	\$ 16.23	\$ 16.56	\$ 14.63
Farebox Revenue	\$ 305,820	\$ 256,404	\$ 236,443	\$ 261,647	\$ 272,229	\$ 306,932	\$ 347,735	\$385,069	\$474,014	\$487,783
Fare Revenue Per Passenger	\$ 1.36	\$ 1.48	\$ 1.56	\$ 1.73	\$ 1.96	\$ 1.98	\$ 2.17	\$ 1.87	\$ 2.56	\$ 1.86
Cost Per Revenue Hour	\$ 95.04	\$ 96.68	\$ 100.15	\$ 95.05	\$ 97.83	\$ 101.67	\$ 111.43	\$ 81.69	\$ 88.56	\$ 114.82
Cost Per Total Hour	\$ 87.42	\$ 82.61	\$ 75.64	\$ 70.78	\$ 70.85	\$ 71.13	\$ 76.72	\$ 57.38	\$ 65.14	\$ 88.11
Avg Passenger Trips Per Day	620.30	477.41	417.86	417.28	384.52	429.22	442.18	568.41	512.22	724.27
Road Calls	19	41	18	20	21	18	24	38	19	17
Accidents	4	5	1	2	5	8	17	12	12	11

Farebox revenue - over the years we have increased the number of contracts in which the passenger fare is covered by the contract fee, but is not reflected in farebox revenue.

Cost figures include depreciation expense.

Source: Various LRTA departments.

(1) - Significant increase in operating expenses due to a large increase in depreciation during the current year.



Lowcountry Regional Transportation Authority Capital Assets Statistics Last Ten Fiscal Years

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Bus Routes	16	17	18	18	16	18	21	29	26	20
Buses	23	24	23	27	27	26	30	38	34	28
Operations Expense	\$ 2,823,496	\$ 2,738,532	\$ 2,783,654	\$ 2,627,772	\$ 2,589,665	\$ 2,559,049	\$ 2,891,496	\$ 3,338,717	\$ 3,070,737	\$ 3,835,086
Operating Cost Per Vehicle	\$ 122,761	\$ 114,106	\$ 121,028	\$ 97,325	\$ 95,914	\$ 98,425	\$ 74,396	\$ 87,861	\$ 90,316	\$ 136,967

Source: LRTA Finance Department





Lowcountry Regional Transportation Authority Employment Statistics Last Ten Fiscal Years

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Administration	7	7	8	8	5	6	8	8	8	6
Operations	18	21	21	21	21	22	28	34	26	34
Maintenance	3	3	3	3	3	2	3	4	4	5
Total Employment	28	31	32	32	29	30	39	46	38	45

Source: LRTA Finance Department



COMPLIANCE SECTION

LOWCOUNTRY REGIONAL TRANSPORTATION AUTHORITY

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

Federal Grantor	Federal CFDA Number	Agency Grant Number	Federal Expenditures
U.S. Department of Transportation:			
Federal Transit Administration			
Non-urbanized Area Formula Grant Program			
Passed through the South Carolina Department of Transportation - Office of Public Transportation			
5311 Operations	20.509	PT-71311-30	\$ 840,856
5311 - Vehicle Replacement Initiative Program	20.509	PT-71311-V5	77,059
Rural Transportation Assistance Program	20.509	17-R013-01	933
Rural Transportation Assistance Program	20.509	17-R013-02	250
Rural Transportation Assistance Program	20.509	17-R013-03	70
Rural Transportation Assistance Program	20.509	17-R013-04	226
Rural Transportation Assistance Program	20.509	17-R013-05	167
Rural Transportation Assistance Program	20.509	17-R013-06	226
Rural Transportation Assistance Program	20.509	17-R013-07	631
Rural Transportation Assistance Program	20.509	17-R013-08	1,110
Rural Transportation Assistance Program	20.509	17-R013-09	500
Rural Transportation Assistance Program	20.509	17-R013-10	907
Rural Transportation Assistance Program	20.509	T17-R013-01	1,914
Rural Transportation Assistance Program	20.509	T17-R013-02	2,299
Rural Transportation Assistance Program	20.509	T17-R013-03	920
Rural Transportation Assistance Program	20.509	T17-R013-04	920
Rural Transportation Assistance Program	20.509	U120118X3814	5,500
Total Non-urbanized Area Formula Grant Program			934,488
Transit Services Program Cluster			
Enhanced Mobility for Seniors and Individuals with Disabilities Program			
Passed through the South Carolina Department of Transportation - Office of Public Transportation			
Section 5310 Rural	20.513	PT-71310-73	40,000
Total Job Access and Reverse Commute			40,000
Federal Transit Cluster			
Non-urbanized Area Formula Grant Program			
Passed through the South Carolina Department of Transportation - Office of Public Transportation			
Urbanized Area Formula Grant - 5307 Operations	20.507	PT-71399-45	-
Total Federal Transit Cluster			-
Total U.S. Department of Transportation Grant Programs			974,488
Total			\$ 974,488

LOWCOUNTRY REGIONAL TRANSPORTATION AUTHORITY

NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Schedule of Expenditures of Federal and State 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 did not qualify as a low-risk auditee for the fiscal year ended June 30, 2017.

De-Minimis Indirect Cost Rate

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



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

**To the Board of Directors of the
Lowcountry Regional Transportation Authority
DBA Palmetto Breeze
Bluffton, 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 Lowcountry Regional Transportation Authority (the "Authority") as of and for the years ended June 30, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated October 9, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Macon, Georgia
October 9, 2017

Mauldin & Jenkins, LLC



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
Lowcountry Regional Transportation Authority
DBA Palmetto Breeze
Bluffton, South Carolina

Report on Compliance For Each Major Federal Program

We have audited the Lowcountry Regional Transportation Authority's (the "Authority") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended June 30, 2017. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

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.

Macon, Georgia
October 9, 2017

Mauldin & Jenkins, LLC

LOWCOUNTRY REGIONAL TRANSPORTATION AUTHORITY

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

SECTION I SUMMARY OF AUDIT RESULTS

Financial Statements

Type of auditor's report issued Unmodified

Internal control over financial reporting:
Material weaknesses identified? Yes No

Significant deficiency identified not considered
to be material weaknesses? Yes None Reported

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major programs:
Material weaknesses identified? Yes No

Significant deficiencies identified not considered
to be material weaknesses? Yes None Reported

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

Any audit findings disclosed that are required to
be reported in accordance with the Uniform
Guidance? Yes No

Identification of major program:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
20.509	U.S. Department of Transportation; Federal Transit Administration; Formula Grants for Rural Areas

Dollar threshold used to distinguish between
Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? Yes No

LOWCOUNTRY REGIONAL TRANSPORTATION AUTHORITY

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

SECTION II FINANCIAL STATEMENT FINDINGS AND RESPONSES

None reported

SECTION III FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

None reported

SECTION IV STATUS OF PRIOR YEAR AUDIT FINDINGS

None reported