

**LOWCOUNTRY REGIONAL
TRANSPORTATION AUTHORITY
DBA PALMETTO BREEZE**

COMPREHENSIVE ANNUAL FINANCIAL REPORT

**FOR THE FISCAL YEARS ENDED
JUNE 30, 2020 AND 2019**



Board of Directors

Susan Zellman, Chair
Barbara Childs, Vice Chair

Chris Bickley
Louise Pinkney
Darrell Russell

Richard Hamilton
Charles Mitchell

Executive Director

Mary Lou Franzoni

Prepared By:

Mary Lou Franzoni, Executive Director
Henry Criss, Director of Finance & Administration

LOWCOUNTRY REGIONAL TRANSPORTATION AUTHORITY

COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEARS ENDED JUNE 30, 2020 AND 2019

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LOWCOUNTRY REGIONAL TRANSPORTATION AUTHORITY

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February 17, 2021

Board of Directors Lowcountry Regional Transportation Authority
Citizens of Allendale, Beaufort, Colleton, Hampton, and Jasper Counties, South Carolina

We are pleased to present the Comprehensive Annual Financial Report ("CAFR") of the Lowcountry Regional Transportation Authority (the "Authority") for the fiscal year ended June 30, 2020.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. As 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.

Mauldin & Jenkins, LLC have issued an unmodified ("clean") opinion on the Authority's financial statements for the year ended June 30, 2020. The independent auditor's report is located at the front of the financial section of this report.

The Management's Discussion and Analysis ("MD&A") immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. The Authority's MD&A complements this letter of transmittal and should be read in conjunction with it.

Major Initiatives

The Authority is a member of the Lowcountry Area Transportation Study ("LATS") which is the Metropolitan Planning Organization for the Hilton Head Island, South Carolina urbanized area. The Lowcountry Council of Governments provides the transportation planning function for the Authority. In the upcoming year, the Authority looks forward to the completion of Phase Two of the urban service plan with the implementation of new service in the greater Bluffton area.

In July of 2018, the Authority began providing seasonal trolley service on Hilton Head Island. This seasonal service, branded as "The Breeze," runs from spring through early fall. In fiscal year 2020, over 11,000 passengers rode the trolley. Ridership for fiscal year 2021, is anticipated to exceed 2020 ridership by at least 25%.

In January 2019, the Authority began providing transportation service for the University of South Carolina Beaufort ("USCB") from the USCB Bluffton Campus to USCB's Hospitality Management Campus on Hilton Head. Faculty, staff and students now have an alternative to driving to and from the Hospitality Management Campus. This service is also available to the general public. This service was suspended in March 2020 due to the impact of the COVID-19 pandemic. We anticipate re-starting this service for the University's Spring 2021 semester.

In 2020, the Authority team also accomplished two significant projects to enhance the public's access to our services, increase our transparency, and facilitate more effective communication with our passengers and stakeholders. The first project was a complete overhaul and launch of an improved website (www.palmettobreezetransit.com) with enhanced ease-of-use and interactivity, professional photography, more information about our services, and online forms for employment applications, information requests, and emergency evacuation assistance, to name a few. The second project was an office improvement project. This renovation of our administrative office building, which was completed in the summer of 2020, added offices for our growing staff and greatly enhanced the reception area for our visitors. This new area is significantly more welcoming to our guests and includes a more professional space for an office administrator/receptionist. Additionally, the Authority continues to leverage technology to increase accessibility for the public through initiatives such as mobile apps for tracking vehicles (CatchTheBreeze) and for paying transit fares electronically (BreezePass).

Due to increased visitors to Daufuskie Island and limited parking at the ferry landing, the Authority began new service between the Daufuskie Visitor Center and the Buckingham Landing ferry departure dock in Bluffton.

The COVID-19 pandemic has had an adverse impact on the Authority's routes and ridership. Several routes were cancelled, and the launch of The Breeze Trolley service on Hilton Head was delayed until late June, and as a result the Authority experienced reduced ridership and revenue. We have received CARES Act funding to assist with lost revenues and increased expenses due to the purchase of Personal Protective Equipment ("PPE") and sanitizing supplies.

The Authority's Profile

In 1978, the Beaufort-Jasper Regional Transportation Authority was established as the primary public transportation provider for Beaufort and Jasper Counties. In 1984, the Authority added service to Allendale, Colleton and Hampton Counties. The expanded service area necessitated the renaming of the Authority to Lowcountry Regional Transportation Authority. The Authority received the first urban grant in 2017 as a result of the designation of the Hilton Head/Bluffton area as an urbanized area after the 2010 census. The Authority began the Breeze Trolley in 2018 as a seasonal service on the Town of Hilton Head Island. Plans are in the final stages for the Bluffton transit services.

Long-term Financial Planning

The Authority will continue to apply for and receive Federal and State grants. Additional annual revenue received by the Authority includes county and municipal appropriations (local match), memorandums of agreement (local business support of routes), and advertising revenue.

The Authority continues to leverage technology to increase operational effectiveness and efficiency, including the deployment of hardware and software that tracks vehicle locations, facilitating more efficient routing and scheduling, and electronic fare collection.

Authority management continues to work with our local government partners to obtain local match funds to enable strategic, sustainable service growth. The Board and staff are examining options to achieve dedicated funding. Dedicated funding is key to enable the Authority to develop a long-range plan for service improvements and related fixed asset purchases. Successes by other transit agencies in South Carolina are being reviewed and evaluated to determine viable options for the Authority.

Relevant Financial Policies

The Authority uses the proprietary fund accounting for its activities conducted on a fee for service basis in a manner similar to commercial enterprises. The Authority uses the accrual method of accounting which recognizes revenues when earned and expenses as they are incurred, not when the cash is received or paid. 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.

Awards

The Government Finance Officers Association of the United States and Canada (“GFOA”) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Lowcountry Regional Transportation Authority for its CAFR for the fiscal year ended June 30, 2019. This was the tenth consecutive year that the Authority has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR. The report must satisfy both generally accepted accounting principles and applicable legal requirements.

Respectfully submitted,



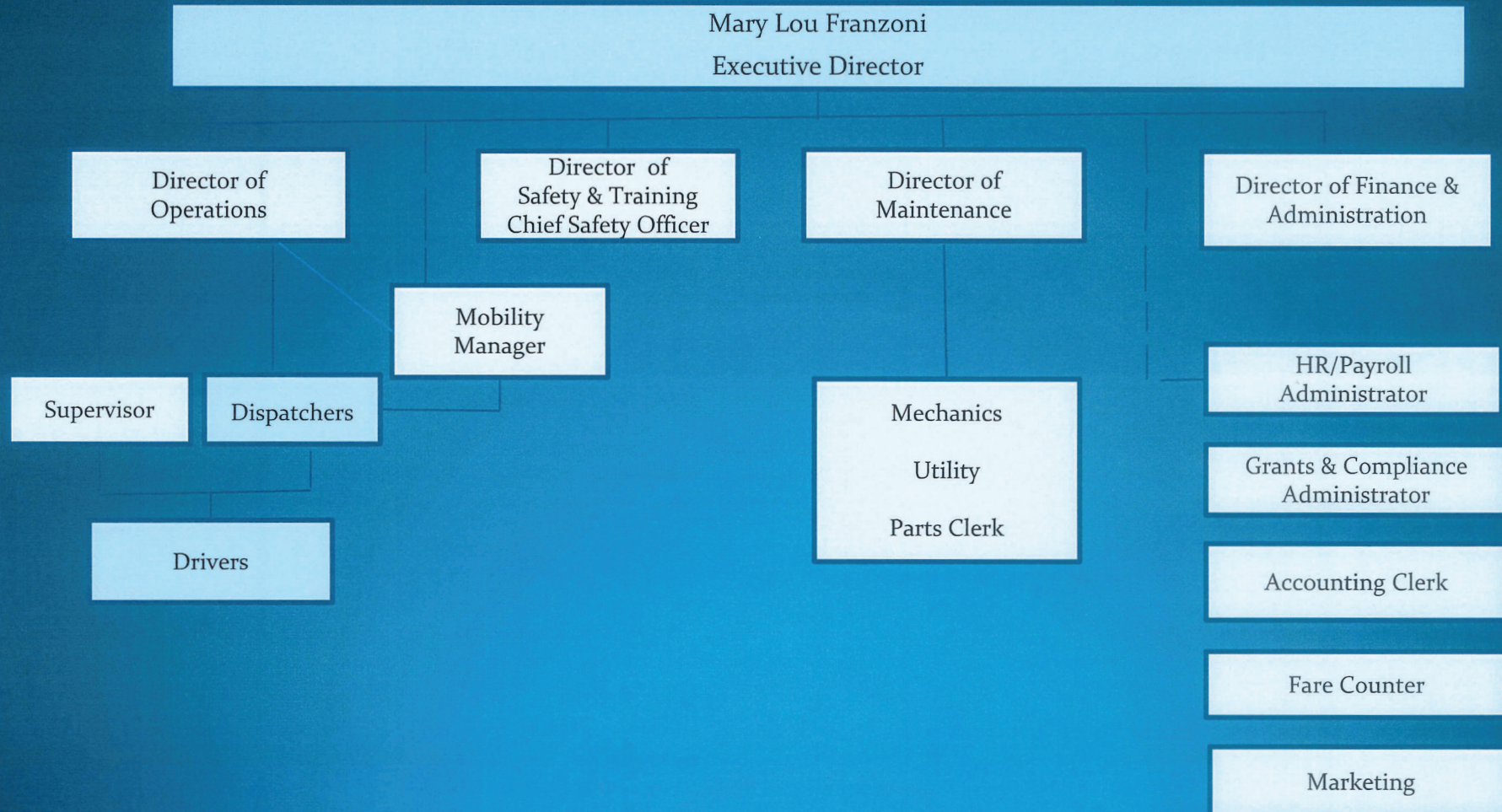
Mary Lou Franzoni
Executive Director



Henry Criss
Director of Finance & Administration

Organizational Chart

Lowcountry Regional Transportation Authority Board of Directors





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, 2019

Christopher P. Morill

Executive Director/CEO

LOWCOUNTRY REGIONAL TRANSPORTATION AUTHORITY

PRINCIPAL OFFICIALS

JUNE 30, 2020

BOARD OF DIRECTORS

Susan Zellman	Chair
Barbara Childs	Vice Chair
Chris Bickley	Board Member
Richard Hamilton	Board Member
Louise Pinkney	Board Member
Darrell Russell	Board Member
Charles Mitchell	Board Member

AUTHORITY MANAGEMENT

Mary Lou Franzoni	Executive Director
Henry Criss	Director of Finance & Administration
Ron McElhose	Director of Operations
Mark Stanley	Director of Maintenance
Laura J. Atkinson	Mobility Manager
Yazmin Winston-Black	Safety & Training Manger

FINANCIAL SECTION



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, 2020 and 2019, 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, 2020 and 2019, 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 Authority's Proportionate Share of the Net Pension Liability – South Carolina Retirement System (on page 43), the Schedule of Authority Pension Contributions – South Carolina Retirement System (on page 44), the Schedule of Authority's Proportionate Share of the Net OPEB Liability (on page 45), and the Schedule of Authority OPEB Contributions (on page 46) 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 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 accompanying Schedule of Expenditures of Federal and State Awards is presented for the purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also 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 February 17, 2021, on our consideration of the 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.

Savannah, Georgia
February 17, 2021

Mauldin & Jenkins, LLC

LOWCOUNTRY REGIONAL TRANSPORTATION AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2020 AND 2019

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 Authority for the fiscal years ended June 30, 2020 and 2019. 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.

Overview of the Financial Statements

This MD&A 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 assets and deferred outflows of resources of the Authority exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$1,762,589. 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, 2020. 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. The Statements of Revenues, Expenses and Changes in Net Position can be found on page 11 of this report.

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided within the financial statements. The notes to the financial statements can be found on pages 13 through 42 of this report.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Financial Statements

Net Position: The following table summarizes the changes in net position for the fiscal years ended June 30, 2020, 2019, and 2018.

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Current assets	\$ 1,010,622	\$ 1,011,000	\$ 973,504
Capital assets	<u>5,141,830</u>	<u>4,484,420</u>	<u>3,024,653</u>
Total assets	<u>6,152,452</u>	<u>5,495,420</u>	<u>3,998,157</u>
Deferred outflows of resources	<u>2,575,439</u>	<u>1,884,486</u>	<u>554,686</u>
Current liabilities	644,097	700,638	581,815
Long-term liabilities	<u>6,022,144</u>	<u>4,545,173</u>	<u>2,815,446</u>
Total liabilities	<u>6,666,241</u>	<u>5,245,811</u>	<u>3,397,261</u>
Deferred inflows of resources	<u>299,061</u>	<u>227,253</u>	<u>188,721</u>
Net position:			
Net investment in capital assets	5,141,830	4,484,420	3,024,653
Unrestricted	<u>(3,379,241)</u>	<u>(2,577,578)</u>	<u>(2,057,792)</u>
Total net position	<u>\$ 1,762,589</u>	<u>\$ 1,906,842</u>	<u>\$ 966,861</u>

The Authority's total assets and deferred outflows of resources increased by \$1,347,985 and \$2,827,063 during the fiscal years ended June 30, 2020 and 2019, respectively. The increase for both fiscal years 2020 and 2019 reflects the addition of capital assets.

The Authority's total liabilities and deferred inflows of resources increased by \$1,492,238 and \$1,887,082 during the fiscal years ended June 30, 2020 and 2019, respectively. The majority of the increase for both years is the result of accounting for other post-employment benefits and an increase in the net pension liability.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2020, 2019, and 2018.

	2020	2019	2018
Operating revenues:			
Contract income	\$ 125,221	\$ 465,160	\$ 344,957
Fares	473,794	423,089	431,928
Other operating revenue	30,316	50,255	14,080
Total operating revenue	<u>629,331</u>	<u>938,504</u>	<u>790,965</u>
Operating expenses:			
Fixed route transportation	1,466,917	1,372,480	1,252,473
General and administration	1,671,274	1,245,469	860,521
Allendale County 5310 and 5311	12,365	18,286	29,465
Demand response	341,928	322,674	296,655
Maintenance	608,443	415,070	196,541
RTAP funding	18,649	19,096	16,209
Small urbanized area	331	972	20,148
New Freedom	6,699	4,705	5,765
Job Access Reverse Commute	23,307	18,727	22,316
Mobil management grant	89,140	118,767	-
Contract services	101,146	260,035	274,130
SC Department - Employment and Welfare	62,561	112,442	43,405
Depreciation	733,607	583,055	388,825
Total operating expenses	<u>5,136,367</u>	<u>4,491,778</u>	<u>3,406,453</u>
Operating loss	<u>(4,507,036)</u>	<u>(3,553,274)</u>	<u>(2,615,488)</u>
Non-operating revenues (expenses):			
Federal grants	3,037,297	3,317,776	2,383,208
State grants	468,763	628,454	773,479
County and other local appropriations	851,658	536,587	570,624
Interest income	4,164	5,023	4,811
Gain (loss) on disposal of assets	901	5,415	5,674
Total non-operating revenues, net	<u>4,362,783</u>	<u>4,493,255</u>	<u>3,737,796</u>
Change in net position	<u>(144,253)</u>	<u>939,981</u>	<u>1,122,308</u>
Net position, beginning of year	<u>1,906,842</u>	<u>966,861</u>	<u>1,067,516</u>
Prior period adjustment	-	-	(1,222,963)
Net position, beginning of year, as restated	<u>1,906,842</u>	<u>966,861</u>	<u>(155,447)</u>
Net position, end of year	<u>\$ 1,762,589</u>	<u>\$ 1,906,842</u>	<u>\$ 966,861</u>

Fiscal year 2020 operating revenue decreased \$309,173, or 32.9%. The 2020 decrease is largely the result of a decrease in contract income. Many of the contracts that made up fiscal year 2019 contract income were ended and reestablished as contributions of local support and several were cancelled outright as a result of a reduction in need as part of the impact of the COVID-19 pandemic. These income streams which we reestablished are no longer tied to fee-for-service agreements and are now agreements to provide local support of established public transportation routes, reflected in county and other local appropriations. Fiscal year 2019 operating revenue increased \$147,539, or 18.7%. The 2019 increase is largely the result of an increase in contract income.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Operating expenses in fiscal year 2020 increased by \$644,589 (14.4%). The largest contributor to the expense increase are net pension liability, other post-employment benefits, and increased maintenance and administrative costs. Operating expenses in fiscal year 2019 increased \$1,085,325 (31.9%) to \$4,491,778. For fiscal year 2019, the largest contributors to the expense increase are net pension liability, other post-employment benefits, and the addition of trolley service.

Non-operating revenues (net) for fiscal year 2020 decreased by \$130,472 (2.9%), largely due to a decrease in federal grant funding. For fiscal year 2019, non-operating revenues (net) increased by \$755,549 (20.2%) to \$4,493,255. This increase is largely due to a \$934,568 increase in federal grants.

Fiscal Year 2020 versus Fiscal Year 2019

- For the fiscal year ended June 30, 2020, operating revenues of the Authority were \$629,331 which is a decrease of \$309,173 (32.9%). This change is largely due to a \$339,939 decrease in contract income for 2020, which was the result of previous contracts moving from fee-for-service agreements (operating revenue) to agreements for local support of established public transportation routes (non-operating revenue).
- For the fiscal year ended June 30, 2020, operating expenses increased by \$644,589 (14.4%) to \$5,136,367. The major components of this change are increases in maintenance and administrative costs and increases in net pension expense and other post-employment benefits.
- Non-operating revenues (net) for fiscal year 2020 totaled \$4,362,783 which is \$130,472 (2.9%) less than 2019.
- As a result of the above noted changes, net position decreased \$144,253. The net position at the end of fiscal year 2020 is \$1,762,589.

Fiscal Year 2019 versus Fiscal Year 2018

- For the fiscal year ended June 30, 2019, operating revenues of the Authority were \$938,504 which is an increase of \$147,539, or 18.7%. This change is largely due to a \$120,203 increase in contract income for 2019.
- For the fiscal year ended June 30, 2019, operating expenses increased by \$1,085,325, or 31.9% to \$4,491,778. The major components of this change are the addition of trolley service and increases in net pension expense and other post-employment benefits.
- Non-operating revenues (net) for fiscal year 2019 totaled \$4,493,255, which is \$755,459, or 20.2%, greater than 2018. The increase is the result of an increase in federal grants of \$934,568 and a decrease in state grants of \$145,025.
- As a result of the above noted changes, net position increased \$939,981. The net position at the end of the fiscal year is \$1,906,842.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Capital Assets

The Authority's investment in capital assets was \$5,141,830 and \$4,484,420 for the fiscal years ended June 30, 2020 and 2019, respectively. The increase of \$657,410 for fiscal year 2020 represents a 14.7% increase. The increase in capital assets for fiscal year 2019 was \$1,459,767 (48.3%). The investments in capital assets include land, buildings, vehicles, computer software, and machinery and equipment.

Capital asset additions during fiscal year 2020 include the purchase of transit vehicles, completion of the operations building, construction in progress on the renovation of the administrative building, and shop equipment.

2019 capital asset additions included the purchase of three trolleys, dispatch and scheduling software, construction in progress on the operations building, radios, two transit vans, and shop equipment.

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 other post-employment benefits. The Authority's long-term liabilities increased \$1,476,971 and \$1,729,727 during fiscal years 2020 and 2019, respectively. The increases for both 2020 and 2019 are the result of substantial increases to both net pension liability and other post-employment benefits.

Additional information on the Authority's long-term liabilities can be found in Notes 6, 7 and 8 to the financial statements.

Economic Factors

The primary challenge facing the Authority remains obtaining local match funds required for federal and state grants. It is clear that the Authority must achieve ongoing, dedicated funding in order to develop and fund long-range plans.

The Authority, similar to a majority of public transit agencies across South Carolina, receives most of its funding from a mixture of state and federal grants and annual discretionary allocations made by local governments. While the state and federal grants make up the lion's share of the funding stream, the local funding is imperative, as it represents the "local match," without which the agencies would not qualify for the grant funding.

As economic conditions change from year-to-year, these discretionary allocations are often one of the first line items to go, jeopardizing the solvency of our public transit infrastructure and, more importantly, how it functions to support our local economy. This is particularly concerning when considering the impact of the COVID-19 pandemic, which is anticipated to result in a reduction in state and local government revenues. The simplest and most obvious answer is to treat public transit as a public service and establish dedicated local funding sources across the board.

MANAGEMENT'S DISCUSSION AND ANALYSIS

There is no doubt that public transit, as presently implemented here in the Lowcountry and throughout South Carolina, provides a critical service to all members of the community. Treating transit as a public service and establishing reliable dedicated funding provides for our common public interest and contributes to resolving multiple problems currently faced by our community. The Authority is continuing to advocate for dedicated funding from local governments and reviewing the successes of other transit agencies in South Carolina to determine other potential options for securing dedicated funding.

Impact of the COVID-19 Pandemic

The communities served by the Authority, along with the rest of the world, have experienced a slowdown due to the COVID-19 pandemic. The pandemic forced the shutdown of many businesses, which reduced economic activity and led to higher unemployment. This resultant impact to the Authority has been a decrease in ridership and an increase in the federal participation in the grant funding. Additionally, the Authority has experienced an increase in expenses related to personal protective equipment and the cleaning and sanitation of transit vehicles and facilities. While it is difficult to project the future impact, the effects to state and local government revenues will likely impact the support received by the Authority from those entities.

Requests for Information

This financial report is designed to provide a general overview of the Lowcountry Regional Transportation Authority's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to: Lowcountry Regional Transportation Authority, Director of Finance and Administration, Post Office Box 2029, 25 Benton Field Road, Bluffton, South Carolina 29910.

LOWCOUNTRY REGIONAL TRANSPORTATION AUTHORITY

STATEMENTS OF NET POSITION JUNE 30, 2020 AND 2019

	2020	2019
ASSETS		
Current assets		
Cash	\$ 272,544	\$ 238,580
Accounts receivable, net	411,249	649,767
Prepaid expenses	224,175	38,483
Inventory	102,654	84,170
Total current assets	<u>1,010,622</u>	<u>1,011,000</u>
Non-current assets		
Capital assets - nondepreciable	197,436	499,627
Capital assets - depreciable, net	4,944,394	3,984,793
Total non-current assets	<u>5,141,830</u>	<u>4,484,420</u>
Total assets	<u>6,152,452</u>	<u>5,495,420</u>
DEFERRED OUTFLOWS OF RESOURCES		
Pension	1,256,837	1,098,876
Other post-employment benefits	1,318,602	785,610
Total deferred outflows of resources	<u>2,575,439</u>	<u>1,884,486</u>
LIABILITIES		
Current liabilities		
Accounts payable	528,853	640,681
Accrued payroll and withholding	77,880	32,625
Accrued compensated absences	37,364	27,332
Total current liabilities	<u>644,097</u>	<u>700,638</u>
Non-current liabilities		
Net pension liability	3,296,663	2,582,547
Net other post-employment benefits liability	2,633,565	1,962,626
Unearned revenue	91,916	-
Total non-current liabilities	<u>6,022,144</u>	<u>4,545,173</u>
Total liabilities	<u>6,666,241</u>	<u>5,245,811</u>
DEFERRED INFLOWS OF RESOURCES		
Pension	50,361	66,739
Other post-employment benefits	248,700	160,514
Total deferred inflows of resources	<u>299,061</u>	<u>227,253</u>
NET POSITION		
Investment in capital assets	5,141,830	4,484,420
Unrestricted	(3,379,241)	(2,577,578)
Total net position	<u>\$ 1,762,589</u>	<u>\$ 1,906,842</u>

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, 2020 AND 2019

	2020	2019
Operating revenues		
Contract income	\$ 125,221	\$ 465,160
Fares - fixed route	449,901	377,638
Fares - demand response	23,893	45,451
Miscellaneous	30,316	50,255
Total operating revenues	<u>629,331</u>	<u>938,504</u>
Operating expenses		
Fixed route	1,466,917	1,372,480
General administration	1,671,274	1,245,469
Allendale County 5311	12,365	18,286
Demand response	341,928	322,674
Maintenance department	608,443	415,070
Jasper County Board of Disabilities and Special Needs	-	115
Beaufort County Board of Disabilities and Special Needs	19,729	160,810
Job Access Reverse Commute 5307	10,881	10,324
Job Access Reverse Commute 5311	12,426	8,403
Senior services of Beaufort County	100	20,348
New Freedom	6,699	4,705
Small urbanized area	331	972
Hotel shuttle	-	564
South Carolina Department of Employment	62,561	112,442
Marriott Hotel	16,463	31,387
Palmetto Bluff	37,742	37,554
Hilton Head Island trolley	89,140	118,767
USCB Service	24,479	7,230
RTAP funding	18,649	19,096
Access Health VIM	2,633	2,027
Depreciation expense	733,607	583,055
Total operating expenses	<u>5,136,367</u>	<u>4,491,778</u>
Operating loss	<u>(4,507,036)</u>	<u>(3,553,274)</u>
Non-operating revenues (expenses)		
Federal grants	3,037,297	3,317,776
State grants	468,763	628,454
County and other local appropriations	851,658	536,587
Interest income	4,164	5,023
Gain on disposal of assets	901	5,415
Total non-operating revenues, net	<u>4,362,783</u>	<u>4,493,255</u>
Change in net position	<u>(144,253)</u>	<u>939,981</u>
Net position, beginning of year	<u>1,906,842</u>	<u>966,861</u>
Net position, end of year	<u>\$ 1,762,589</u>	<u>\$ 1,906,842</u>

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, 2020 AND 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 867,849	\$ 858,783
Payments to suppliers	(1,521,519)	(1,354,049)
Payments to employees	(2,284,132)	(2,029,506)
Net cash used in operating activities	(2,937,802)	(2,524,772)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Federal and state grant receipts	3,506,060	3,946,230
County appropriations	851,658	536,587
Net cash provided by non-capital financing activities	4,357,718	4,482,817
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition or construction of capital assets	(1,391,017)	(2,042,822)
Proceeds from the sale of capital assets	901	5,415
Net cash used in capital and related financing activities	(1,390,116)	(2,037,407)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	4,164	5,023
Net cash provided by investing activities	4,164	5,023
Increase (decrease) in cash and cash equivalents	33,964	(74,339)
Cash and cash equivalents:		
Beginning of year	238,580	312,919
End of year	\$ 272,544	\$ 238,580
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	\$ (4,507,036)	\$ (3,553,274)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation expense	733,607	583,055
(Increase) decrease in:		
Accounts receivable	238,518	(79,721)
Prepaid expenses	(185,692)	(9,924)
Inventory	(18,484)	(22,190)
Deferred outflows of resources related to pension	(157,961)	(610,939)
Deferred outflows of resources related to other post-employment benefits	(532,992)	(718,861)
Increase (decrease) in:		
Accounts payable	(111,828)	127,915
Accrued payroll and withholding	45,255	(13,285)
Accrued compensated absences	10,032	4,193
Net pension liability	51,018	325,581
Net other post-employment benefits liability	1,334,037	1,404,146
Deferred insurance reimbursement	91,916	-
Deferred inflows of resources related to pension	(16,378)	(10,573)
Deferred inflows of resources related to other post-employment benefits	88,186	49,105
Net cash used in operating activities	\$ (2,937,802)	\$ (2,524,772)

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

LOWCOUNTRY REGIONAL TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS FOR THE FISCAL YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. 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.

B. 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.

C. 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)

D. 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.

E. 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.

F. 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.

G. 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)

H. 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.

I. 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:

Assets	Years
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

J. 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 entire amount is accrued in the financial statements as a current liability as the Authority deems it reasonable that the entire liability will be used during the subsequent fiscal year. 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.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Compensated Absences (Continued)

Changes in compensated absences for the years ended June 30, 2020 and 2019, were as follows:

	Balance Beginning of Year	Increase	Decrease	Balance End of Year	Current
Fiscal year ended June 30, 2020					
Compensated absences	\$ 27,332	\$ 49,803	\$ (39,771)	\$ 37,364	\$ 37,364
Total compensated absences	<u>\$ 27,332</u>	<u>\$ 49,803</u>	<u>\$ (39,771)</u>	<u>\$ 37,364</u>	<u>\$ 37,364</u>
Fiscal year ended June 30, 2019					
Compensated absences	\$ 23,139	\$ 54,209	\$ (50,016)	\$ 27,332	\$ 27,332
Total compensated absences	<u>\$ 23,139</u>	<u>\$ 54,209</u>	<u>\$ (50,016)</u>	<u>\$ 27,332</u>	<u>\$ 27,332</u>

K. Capital Contributions

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

L. Net Position Classification

Net position is classified and displayed in three components within the Statements 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.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. 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.

N. Deferred Outflows/Inflows of Resources

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

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. Deferred Outflows/Inflows of Resources (Continued)

In addition to liabilities, the Statements of Net Position report a separate section for *deferred inflows of resources*. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Two items relating to the Authority's Retirement Plan and three items relating to the Authority's OPEB Plan qualify for reporting in this category and are combined in the Statements of Net Position under the heading "Pension" and "Other Post-employment Benefits", respectively. The first item, experience gains relating to the Authority's Retirement Plan and the Authority's OPEB Plan qualify for reporting in this category. Experience gains result from periodic studies by the actuary of the Retirement Plan, which adjust the net pension liability and net OPEB liability for actual experience for certain trend information that was previously assumed. These gains are recorded as deferred inflows of resources and are amortized into pension expense over the expected remaining lives of the plan members. The second item results from changes in the proportionate share and differences between employer contributions and the proportionate share of total plan employer contributions relating to the Authority's pension and OPEB plans. These changes are reported as deferred inflows of resources and will be recognized as pension expense and OPEB expense, respectively, in future years. The third item, changes in the actuarial assumptions, adjust net OPEB liability and are amortized into pension expense and OPEB expense, respectively, over the expected remaining service lives of plan members.

O. Concentrations

During the years ended June 30, 2020 and 2019, the Authority received 89% and 78%, respectively, of its revenues (excluding capital grants) from federal and state operating grants. At June 30, 2020 and 2019, those grants accounted for 85% and 79% of accounts receivable, respectively.

P. 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.

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. The Authority's cash balances as of June 30, 2020 and 2019, were \$272,544 and \$238,580, respectively. The Authority's bank balances as of June 30, 2020 and 2019, were \$372,978 and \$224,635, respectively. As of June 30, 2020 and 2019, all of the Authority's funds which were uninsured were collateralized as required by the State of South Carolina.

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, 2020 and 2019:

	June 30,	
	2020	2019
Receivables:		
Operating and capital grants receivable from the South Carolina Department of Transportation	\$ 366,239	\$ 423,775
Local grants and other receivables	45,010	225,992
Total receivables	<u>\$ 411,249</u>	<u>\$ 649,767</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 4. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2020, is as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Capital assets, not being depreciated:					
Land	\$ 151,019	\$ -	\$ -	\$ -	\$ 151,019
Construction in progress	348,608	91,144	-	(393,335)	46,417
Total	<u>499,627</u>	<u>91,144</u>	<u>-</u>	<u>(393,335)</u>	<u>197,436</u>
Capital assets, being depreciated:					
Buildings and improvements	1,021,321	9,440	-	393,335	1,424,096
Vehicles	7,478,303	1,242,883	(1,100)	-	8,720,086
Furniture and equipment	121,584	-	-	-	121,584
Maintenance and other equipment	507,625	38,875	-	-	546,500
Computer software	353,339	8,675	-	-	362,014
Total	<u>9,482,172</u>	<u>1,299,873</u>	<u>(1,100)</u>	<u>393,335</u>	<u>11,174,280</u>
Less accumulated depreciation for:					
Buildings and improvements	(561,693)	(42,535)	-	-	(604,228)
Vehicles	(4,599,248)	(588,394)	1,100	-	(5,186,542)
Furniture and equipment	(80,137)	(12,208)	-	-	(92,345)
Maintenance and other equipment	(154,011)	(84,104)	-	-	(238,115)
Computer software	(102,290)	(6,366)	-	-	(108,656)
Total	<u>(5,497,379)</u>	<u>(733,607)</u>	<u>1,100</u>	<u>-</u>	<u>(6,229,886)</u>
Total capital assets, being depreciated, net	<u>3,984,793</u>	<u>566,266</u>	<u>-</u>	<u>393,335</u>	<u>4,944,394</u>
Total capital assets, net	<u>\$ 4,484,420</u>	<u>\$ 657,410</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,141,830</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 4. CAPITAL ASSETS (CONTINUED)

Capital assets activity for the year ended June 30, 2019, is as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Capital assets, not being depreciated:					
Land	\$ 151,019	\$ -	\$ -	\$ -	\$ 151,019
Construction in progress	157,283	191,325	-	-	348,608
Total	<u>308,302</u>	<u>191,325</u>	<u>-</u>	<u>-</u>	<u>499,627</u>
Capital assets, being depreciated:					
Buildings and improvements	1,021,321	-	-	-	1,021,321
Vehicles	6,323,837	1,245,654	(91,188)	-	7,478,303
Furniture and equipment	81,574	40,010	-	-	121,584
Maintenance and other equipment	189,708	317,917	-	-	507,625
Computer software	105,423	247,916	-	-	353,339
Total	<u>7,721,863</u>	<u>1,851,497</u>	<u>(91,188)</u>	<u>-</u>	<u>9,482,172</u>
Less accumulated depreciation for:					
Buildings and improvements	(530,379)	(31,314)	-	-	(561,693)
Vehicles	(4,178,220)	(512,216)	91,188	-	(4,599,248)
Furniture and equipment	(73,078)	(7,059)	-	-	(80,137)
Maintenance and other equipment	(132,245)	(21,766)	-	-	(154,011)
Computer software	(91,590)	(10,700)	-	-	(102,290)
Total	<u>(5,005,512)</u>	<u>(583,055)</u>	<u>91,188</u>	<u>-</u>	<u>(5,497,379)</u>
Total capital assets, being depreciated, net	<u>2,716,351</u>	<u>1,268,442</u>	<u>-</u>	<u>-</u>	<u>3,984,793</u>
Total capital assets, net	<u>\$ 3,024,653</u>	<u>\$ 1,459,767</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,484,420</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 5. PENSION PLAN

Overview

The South Carolina Public Employee Benefit Authority ("PEBA"), created July 1, 2012, and governed by an 11-member Board, is the state agency responsible for the administration and management of the various Retirement Systems and retirement programs of the state of South Carolina, including the State Optional Retirement Program and the S.C. Deferred Compensation Program, as well as the state's employee insurance programs. As such, PEBA is responsible for administering the South Carolina Retirement Systems' five defined benefit pension plans. The Retirement Funding and Administration Act of 2017, which became effective July 1, 2017, increased the employer and employee contribution rates, established a ceiling on the South Carolina Retirement System ("SCRS") employee contribution rates, lowered the assumed rate of return, required a scheduled reduction of the funding periods, and addressed various governance issues including the assignment of the PEBA Board as custodian of the retirement trust funds and assignment of the Retirement System Investment Commission ("RSIC") and PEBA as co-trustees of the assets of the retirement trust funds. By law, the State Fiscal Accountability Authority ("SFAA"), which consists of five elected officials, also reviews certain PEBA Board decisions regarding the actuary of the Systems.

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

PEBA issues a Comprehensive Annual Financial Report ("CAFR") containing financial statements and required supplementary information for the Systems' Pension Trust Funds. The CAFR is publicly available through the Retirement Benefits' link on PEBA's website at www.peba.sc.gov, or a copy may be obtained by submitting a request to PEBA, 202 Arbor Lake Drive, Columbia, South Carolina 29223. 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 CAFR of the state.

NOTES TO FINANCIAL STATEMENTS

NOTE 5. PENSION PLAN (CONTINUED)

Plan Description

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

Membership

Membership requirements are prescribed in Title 9 of the South Carolina Code of Laws. A brief summary of the requirements under each system is described below.

South Carolina Retirement System (“SCRS”) – Generally, all employees of covered employers are required to participate in and contribute to the SCRS 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 SCRS with an effective date of membership prior to July 1, 2012, is a Class Two member. An employee member of the SCRS with an effective date of membership on or after July 1, 2012, is a Class Three member.

Benefits

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

South Carolina Retirement System (“SCRS”) – 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 5. PENSION PLAN (CONTINUED)

Benefits (Continued)

The annual retirement allowance of eligible retirees or their surviving annuitants is increased by the lesser of 1% or \$500 every July 1. Only those annuitants in receipt of a benefit on July 1 of the preceding year are eligible to receive the increase. Members who retire under the early retirement provisions at age 55 with 25 years of service are not eligible for the benefit adjustment until the second July 1 after reaching age 60 or the second July 1 after the date they would have had 28 years of service credit had they not retired.

The retirement allowance of eligible retirees or their surviving annuitants is increased by the lesser of 1% or \$500 every July 1. Only those annuitants in receipt of a benefit on July 1 of the preceding year are eligible to receive the increase.

Contributions

Actuarial valuations are performed annually by an external consulting actuary to ensure applicable contribution rates satisfy the funding parameters specified in Title 9 of the South Carolina Code of Laws. Under these provisions, SCRS contribution requirements must be sufficient to maintain an amortization period for the financing of the unfunded actuarial accrued liability ("UAAL") over a period that does not exceed the number of years scheduled in state statute. Legislation in 2017 increased, but also established a ceiling for SCRS employee contribution rates. Effective July 1, 2017, employee rates were increased to a capped rate of 9.00% for SCRS. The legislation also increased employer contribution rates beginning July 1, 2017 for SCRS by two percentage points and further scheduled employer contribution rates to increase by a minimum of one percentage point each year through July 1, 2022.

If the scheduled contributions are not sufficient to meet the funding periods set in state statute, the Board shall increase the employer contribution rates as necessary to meet the funding periods set for the applicable year. The maximum funding period of SCRS is scheduled to be reduced over a ten-year schedule from 30 years beginning fiscal year 2018 to 20 years by fiscal year 2028.

Additionally, the Board is prohibited from decreasing the SCRS contribution rates until the funded ratio is at least 85%. If the most recent annual actuarial valuation of the Systems for funding purposes shows a ratio of the actuarial value of system assets to the actuarial accrued liability of the system (the funded ratio) that is equal to or greater than 85%, then the Board, effective on the following July 1st, may decrease the then current contribution rates upon making a finding that the decrease will not result in a funded ratio of less than 85%.

NOTES TO FINANCIAL STATEMENTS

NOTE 5. PENSION PLAN (CONTINUED)

Contributions (Continued)

If contribution rates are decreased pursuant to this provision, and the most recent annual actuarial valuation of the system shows a funded ratio of less than 85%, then effective on the following July 1st, and annually thereafter as necessary, the Board shall increase the then current contribution rates until a subsequent annual actuarial valuation of the system shows a funded ratio that is equal to or greater than 85%.

Required employee contribution rates for the year ended June 30, 2020, are as follows:

South Carolina Retirement System

Employee Class Two	9.00% of earnable compensation
Employee Class Three	9.00% of earnable compensation

Required employer contribution rates for the year ended June 30, 2020, are as follows:

South Carolina Retirement System

Employee Class Two	15.41% of earnable compensation
Employee Class Three	15.41% of earnable compensation
Employer incidental death benefit	0.15% of earnable compensation

Net Pension Liability, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The June 30, 2019, total pension liability ("TPL"), net pension liability ("NPL"), and sensitivity information shown in this report were determined by our consulting actuary, Gabriel, Roeder, Smith and Company ("GRS") and are based on an actuarial valuation performed as of July 1, 2018. The total pension liability was rolled-forward from the valuation date to the plans' fiscal year-end, June 30, 2019, using generally accepted actuarial principles. Information included in the following schedules is based on the certification provided by GRS.

The most recent annual actuarial valuation report adopted by the PEBA Board and Budget and Control Board is as of July 1, 2018. The net pension liability of the System was, therefore, determined based on the July 1, 2018, actuarial valuations, using membership data as of July 1, 2018, projected forward to the end of the fiscal year, and financial information of the pension trust fund as of June 30, 2019, using generally accepted actuarial procedures. Information included in the following schedules is based on the certification provided by the System's consulting actuary, GRS.

NOTES TO FINANCIAL STATEMENTS

NOTE 5. PENSION PLAN (CONTINUED)

Net Pension Liability, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

As of June 30, 2020 and 2019, the Authority reported liabilities of \$3,296,663 and \$2,582,547, respectively, for its proportionate share of the SCRS plan net pension liability. At June 30, 2019, the Authority's proportionate share was .014437%, which was an increase of .002911% from its proportionate share measured as of June 30, 2018.

For the fiscal year ended June 30, 2020, the Authority recognized pension expense of \$783,326. In addition, the Authority reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,266	\$ 23,683
Changes in assumptions	66,433	-
Net difference between projected and actual earnings on pension plan investments	29,186	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	915,601	26,678
Employer contributions subsequent to the measurement date	243,351	-
Total	<u>\$ 1,256,837</u>	<u>\$ 50,361</u>

Authority contributions subsequent to the measurement date of \$243,351, are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ending June 30, 2021.

NOTES TO FINANCIAL STATEMENTS

NOTE 5. PENSION PLAN (CONTINUED)

Net Pension Liability, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

At June 30, 2019, 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	\$ 4,662	\$ 15,198
Changes of assumptions	102,461	-
Net difference between projected and actual earnings on pension plan investments	41,023	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	728,954	51,541
Employer contributions subsequent to the measurement date	221,776	-
Total	<u>\$ 1,098,876</u>	<u>\$ 66,739</u>

Authority contributions subsequent to the measurement date of \$221,776, are reported as deferred outflows of resources and were recognized as a reduction of the net pension liability in the year ended June 30, 2020.

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 Ending June 30,	2020	2019
2020	\$ -	\$ 615,643
2021	437,979	396,337
2022	336,911	(175,553)
2023	173,039	(26,066)
2024	15,196	-
	<u>\$ 963,125</u>	<u>\$ 810,361</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 5. PENSION PLAN (CONTINUED)

Actuarial Assumptions and Methods

Actuarial valuations of the plan 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 regarding the net pension liability 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. An experience report on the Systems was most recently issued for the period ended June 30, 2015.

The June 30, 2019, TPL, NPL, and sensitivity information shown in this report were determined by our consulting actuary, GRS and are based on an actuarial valuation performed as of July 1, 2018. The total pension liability was rolled-forward from the valuation date to the plans' fiscal year-end, June 30, 2019, using generally accepted actuarial principles.

The post-retiree mortality assumption is dependent upon the member's job category and gender. The base mortality assumptions, the 2016 Public Retirees of South Carolina Mortality table (2016 PRSC), was developed using the Systems' mortality experience. These base rates are adjusted for future improvement in mortality using published Scale AA projected from the year 2016.

Discount Rate

For the years ended June 30, 2020 and 2019, the discount rate used to measure the total pension liability was 7.25%. 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 TPL.

NOTES TO FINANCIAL STATEMENTS

NOTE 5. PENSION PLAN (CONTINUED)

Long-Term Expected Rate of Return

The long-term expected rate of return on pension plan investments is based upon 30-year capital market assumptions. The long-term expected rate of returns represent assumptions developed using an arithmetic building block approach primarily based on consensus expectations and market based inputs. Expected returns are net of investment fees. The expected returns, along with the expected inflation rate, form the basis for the target asset allocation adopted at the beginning of the 2018 fiscal year.

The long-term expected rate of return is produced by weighting the expected future real rates of return by the target allocation percentage and adding expected inflation and is summarized in the table below. For actuarial purposes, the 7.25% assumed annual investment rate of return used in the calculation of the TPL includes a 5.00% real rate of return and a 2.25% inflation component.

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Asset Allocation	Expected Arithmetic Real Rate of Return	Long-Term Expected Portfolio Real Rate of Return
Global Equity	51.0%		
Global public equity	35.0%	7.29%	2.55%
Private equity	9.0%	7.67%	0.69%
Equity options securities	7.0%	5.23%	0.37%
Real assets	12.0%		
Real estate (private)	8.0%	5.59%	0.45%
Real estate (REITs)	1.0%	8.16%	0.08%
Infrastructure	3.0%	5.03%	0.16%
Opportunistic	8.0%		
GTAA/Risk parity	7.0%	3.09%	0.22%
Hedge funds (non-PA)	1.0%	3.82%	0.04%
Diversified credit	15.0%		
Mixed credit	4.0%	3.14%	0.13%
Emerging markets	4.0%	3.31%	0.13%
Private debt	7.0%	5.49%	0.38%
Conservative fixed income	14.0%		
Core fixed income	13.0%	1.62%	0.21%
Cash and short duration (net)	1.0%	31.00%	0.00%
	100%		
		Total expected real return	5.41%
		Inflation for actuarial purposes	2.25%
		Total expected nominal return	7.66%

NOTES TO FINANCIAL STATEMENTS

NOTE 5. PENSION PLAN (CONTINUED)

Sensitivity Analysis

The following table presents the sensitivity of the net pension liability to changes in the discount rate as of June 30, 2020.

Sensitivity of the Net Position Liability to Changes in the Discount Rate			
		Current	
Fiscal	1% Decrease	Discount Rate	1% Increase
Year	(6.25%)	(7.25%)	(8.25%)
2020	\$ 4,133,565	\$ 3,296,663	\$ 2,592,392

The following table presents the sensitivity of the net pension liability to changes in the discount rate as of June 30, 2019.

Sensitivity of the Net Position Liability to Changes in the Discount Rate			
		Current	
Fiscal	1% Decrease	Discount Rate	1% Increase
Year	(6.25%)	(7.25%)	(8.25%)
2019	\$ 3,300,095	\$ 2,582,547	\$ 2,069,676

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, P.O. Box 11960, Columbia, South Carolina 29211-1960.

NOTES TO FINANCIAL STATEMENTS

NOTE 6. OTHER POST-EMPLOYMENT BENEFITS

Overview

The South Caroling PEBA was created by the South Carolina General Assembly as part of Act No. 278 effective July 1, 2012. PEBA is a state agency responsible for the administration and management of the state's employee insurance programs, other post-employment benefits trusts and retirement systems and is part of the State of South Carolina primary government.

The governing Board of PEBA is a board of 11 members. The membership composition is three members appointed by the Governor, two members appointed by the President Pro Tempore of the Senate, two members appointed by the Chairman of the Senate Finance Committee, two members appointed by the Speaker of the House of Representatives and two members appointed by the Chairman of the House Ways and Means Committee. Individuals appointed to the PEBA Board must possess certain qualifications. Members of the PEBA Board serve for terms of two years and until their successors are appointed and qualify. Terms commence on July 1 of even numbered years. The PEBA Board appoints the Executive Director. The laws of the State and the policies and procedures specified by the State for State agencies are applicable to all activities of PEBA. By law, the SFFA, which consists of five elected officials, also reviews certain PEBA Board decisions in administering the State Health Plan and OPEB.

Plan Description

The Other Post-Employment Benefits Trust Fund ("OPEB Trust"), refers to the South Carolina Retiree Health Insurance Trust Fund ("SCRHITF"), and was established by the State of South Carolina as Act 195, which became effective on May 2008. The SCRHITF was created to fund and account for the employer costs of the State's retiree health and dental plans.

In accordance with Act 195, the SCRHITF is administered by the PEBA Insurance Benefits, and the State Treasurer is the custodian of the funds held in trust. The Board of Directors of PEBA has been designated as the Trustee.

The SCRHITF is a cost-sharing multiple-employer defined benefit plan. Article 5 of the South Carolina State Code of Laws defines the plan and authorizes the Trustee to, at any time, adjust the plan, including its benefits and contributions, as necessary to insure the fiscal stability of the plan. In accordance with the South Carolina State Code of Laws and the annual Appropriations Act, the State provides post-employment health and dental benefits to retired State and school district employees and their covered dependents.

NOTES TO FINANCIAL STATEMENTS

NOTE 6. OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

Benefits

The SCRHITF is a healthcare plan that covers retired employees of the State of South Carolina, including all agencies, and public school districts. The SCRHITF provides health and dental insurance benefits to eligible retirees. Generally, retirees are eligible for the health and dental benefits if they have established at least ten years of retirement service credit. For new hires beginning employment May 2, 2008 and after, retirees are eligible for benefits if they have established 25 years of service for 100% employer funding and 15-24 years of service for 50% employer funding.

Contributions and Funding Policies

Section 1-11-710 of the South Carolina State Code of Laws of 1976, as amended, requires these post-employment and long-term disability benefits to be funded through annual appropriations by the General Assembly for active employees to the PEBA Insurance Benefits and participating retirees to PEBA, except for the portion funded through the pension surcharge and provided from the other applicable sources of the PEBA Insurance Benefits. For active employees who are not funded by State General Fund appropriations, participating employers are mandated by State statute to contribute at a rate assessed each year by the Department of Administration Executive Budget Office. The covered payroll surcharge for the fiscal years ended June 30, 2019 and 2018 was 5.33%. The SCRS collects the monthly surcharge for all participating employers and remits it directly to the SCRHITF. Other sources of funding for the SCRHITF include mandatory transfers of accumulated PEBA Insurance Benefits' reserves and income generated from investments. Employer contributions also include the implicit subsidy, or age-related subsidy inherent in the healthcare premiums structure. The implicit subsidy represents a portion of the health care expenditures paid on behalf of the employer's active employees. For purposes of GASB Statement No. 75, this expenditure on behalf of the active employee is reclassified as a retiree health care expenditure so that the employer's contributions towards the plan reflect the underlying age-adjusted, retiree benefit costs.

GASB Statement No. 75 requires participating employers to recognize revenue in an amount equal to the employer's proportionate share of the change in the collective net OPEB liability arising from contributions to the OPEB plan during the measurement period from non-employer contributing entities for purposes other than the separate financing of specific liabilities to the OPEB plan. Therefore, employers should classify this revenue in the same manner as it classifies grants from other entities. For the fiscal year ended June 30, 2020, the Authority recognized \$17,970 as a non-operating revenue from contributions from non-employer contributing entities.

NOTES TO FINANCIAL STATEMENTS

NOTE 6. OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

Contributions and Funding Policies (Continued)

For purposes of measuring the net OPEB liability, deferred outflows and inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the SCRHITF, and additions to and deductions from the SCRHITF fiduciary net position have been determined on the same basis as they were reported by the SCRHITF. For this purpose, revenues are recognized when earned and expenses are recognized when incurred. Therefore, benefit and administrative expenses are recognized when due and payable. Investments are reported at fair value.

PEBA Insurance Benefits issues audited financial statements and required supplementary information for the OPEB Trust Funds. This information is publicly available through the Insurance Benefits' link on PEBA's website at www.peba.sc.gov or a copy may be obtained by submitting a request to PEBA – Insurance Benefits, 202 Arbor Lake Drive, Columbia, South Carolina 29223. PEBA is considered a division of the primary government of the state of South Carolina and, therefore, OPEB Trust fund financial information is also included in the CAFR of the state.

Actuarial Assumptions and Methods

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedules of funding progress, presented as required supplementary information following the notes to the financial statements, present multi-year trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plans (as understood by the employer and plan participants) and include the types of benefits provided at the time the valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

NOTES TO FINANCIAL STATEMENTS

NOTE 6. OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

Actuarial Assumptions and Methods (Continued)

Additional information as of the latest actuarial valuation for SCRHITF:

Valuation Date:	June 30, 2018
Actuarial Cost Method:	Entry Age Normal
Inflation:	2.25%
Investment Rate of Return:	2.75, net of OPEB Plan investment expense; including inflation.
Single Discount Rate:	3.13% as of June 30, 2019.
Demographic Assumptions:	Based on the experience study performed for the South Carolina Retirement Systems for the five-year period ended June 30, 2015.
Mortality:	For healthy retirees, the 2016 Public Retirees of South Carolina Mortality Table for Males and the 2016 Public Retirees of South Carolina Mortality Table for Females are used with fully generational mortality projections based on Scale AA from the year 2016. Multipliers are applied to the base tables based on gender and employment type.
Healthcare Trend Rate:	Initial trend starting at 6.40% and gradually decreasing to an ultimate trend rate of 4.15% over a period of 15 years.
Aging Factors:	Based on plan specific experience.
Retiree Participation:	79% for retirees who are eligible for funded premiums. 59% for retirees who are eligible for partial funded premiums. 20% for retirees who are eligible for non-funded premiums.
Notes:	The discount rate changed from 3.62% as of June 30, 2018, to 3.13% as of June 30, 2019.

Roll Forward Disclosure

The actuarial valuation was performed as of June 30, 2018. Update procedures were used to roll forward the total OPEB liability to the Authority's measurement date of June 30, 2019.

Net OPEB Liability

The Net OPEB Liability ("NOL") is calculated separately for each OPEB Trust Fund and represents that particular Trust's Total OPEB Liability ("TOL") determined in accordance with GASB No. 74 less that Trust's fiduciary net position. The allocation of each employer's proportionate share of the collective NOL and collective OPEB Expense was determined using the employer's payroll-related contributions over the measurement period. This method is expected to be reflective of the employer's long-term contribution effort as well as be transparent to individual employers and their external auditors. At June 30, 2019, the Authority's proportionate share was .017416%, which was an increase of .00357% from its proportionate share measured as of June 30, 2018.

NOTES TO FINANCIAL STATEMENTS

NOTE 6. OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

Net OPEB Liability (Continued)

As of June 30, 2020 and 2019, the Authority's portion of the net OPEB liability is as follows:

	2020	2019
Total OPEB liability		
Service cost	\$ 88,985	\$ 72,182
Interest	96,933	72,416
Difference between actual and expected experience	(98,754)	34,141
Assumption changes	202,680	(13,422)
Benefit payments	(93,191)	(64,558)
Net change in total OPEB liability	196,653	100,759
Total OPEB liability - beginning	2,679,820	2,030,356
Total OPEB liability - ending	2,876,473	2,131,115
 Plan fiduciary net position		
Contributions - employer	92,884	63,776
Contributions - non-employer contributing entities	17,970	14,812
Net investment income	13,529	71
Benefit payments	(93,192)	(64,558)
Administrative expense	(154)	(8)
Net change in plan fiduciary net position	31,037	14,093
Plan fiduciary net position - beginning	211,871	154,396
Plan fiduciary net position - ending	242,908	168,489
 Net OPEB liability	 \$ 2,633,565	 \$ 1,962,626
 Plan fiduciary net position as a percentage of the total OPEB liability	 8.44%	 7.91%

The TOL is calculated by the Trust's actuary, and each Trust's fiduciary net position is reported in the Trust's financial statements. The NOL is disclosed in accordance with the requirements of GASB No. 74 in the Trust's notes to the financial statements and required supplementary information. Liability calculations performed by the Trust's actuary for the purpose of satisfying the requirements of GASB Nos. 74 and 75 and are not applicable for other purposes, such as determining the Trust's funding requirements.

NOTES TO FINANCIAL STATEMENTS

NOTE 6. OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

Single Discount Rate

The Single Discount Rate of 3.13% was used to measure the total OPEB liability for the SCRHITF. The accounting policy for this plan is to set the Single Discount Rate equal to the prevailing municipal bond rate. Due to the plan's investment and funding policies, the difference between a blended discount rate and the municipal bond rate would be less than several basis points (several hundredths of 1%).

Long-term Expected Rate of Return

The long-term expected rate of returns represent assumptions developed using an arithmetic building block approach primarily based on consensus expectations and market based inputs. The expected returns, along with the expected inflation rate, form the basis for the target asset allocation adopted at the beginning of the 2017 fiscal year. The long-term expected rate of return is produced by weighting the expected future real rates of return by the target allocation percentage and adding expected inflation. This information is summarized in the following table:

Asset Class	Target Asset Allocation	Expected Arithmetic Real Rate of Return	Weighted Long-Term Expected Real Rate of Return
U.S. Domestic Fixed Income	80.00%	0.60%	0.48%
Cash	20.00%	0.10%	0.02%
Total	100.00%		0.50%
Total expected weighted real return			0.50%
Inflation for actuarial purposes			2.25%
Total return			2.75%
Investment return assumption			2.75%

NOTES TO FINANCIAL STATEMENTS

NOTE 6. OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

Sensitivity Analysis

The following table presents the SCRHITF's net OPEB liability calculated using a Single Discount Rate of 3.13%, as well as what the plan's net OPEB liability would be if it were calculated using a Single Discount Rate that is 1% lower or 1% higher as of June 30, 2020 and 2019:

<u>South Carolina Retiree Health Insurance Plan</u>			
<u>Sensitivity of the Net OPEB Liability to Changes in the Discount Rate</u>			
Fiscal Year	1% Decrease (2.13%)	Current Discount Rate (3.13%)	1% Increase (4.13%)
2020	\$ 3,122,059	\$ 2,633,565	\$ 2,241,528
2019	2,312,162	1,962,626	1,680,872

Regarding the sensitivity of the SCRHITF's net OPEB liability to changes in the healthcare cost trend rates, the following table presents the plan's net OPEB liability, calculated using the assumed trend rates as well as what the plan's net OPEB liability would be if it were calculated using a trend rate that is 1% lower or 1% higher, as of June 30, 2020 and 2019:

<u>South Carolina Retiree Health Insurance Plan</u>			
<u>Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate</u>			
Fiscal Year	1% Decrease (6.00% decreasing to 3.15%)	Current Healthcare Cost Trend Rates (7.00% decreasing to 4.15%)	1% Decrease (8.00% decreasing to 5.15%)
2020	\$ 2,149,270	\$ 2,633,565	\$ 3,264,259
2019	1,614,924	1,962,626	2,412,140

NOTES TO FINANCIAL STATEMENTS

NOTE 6. OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

OPEB Expense

Components of collective OPEB expense reported in the allocation of the OPEB expense and deferred outflows and inflows of resources related to OPEB for the fiscal years ended June 30, 2020 and 2019, are presented below.

Description	2020	2019
Service cost	\$ 188,846	\$ 138,779
Interest on the total OPEB liability	205,713	139,226
Projected earnings on plan investments	(18,729)	(12,413)
OPEB plan administrative expense	327	16
due to liabilities	(37,170)	(49,055)
due to assets	3,562	4,004
Total aggregate OPEB expense	<u>\$ 342,549</u>	<u>\$ 220,557</u>

Additional items included in total employer OPEB expense are the current period amortized portions of deferred outflows and/or inflows of resources related to changes in employers' proportionate share of the collective NOL and differences between actual employer contributions and proportionate share of total plan employer contributions.

NOTES TO FINANCIAL STATEMENTS

NOTE 6. OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

Deferred Outflows of Resources and Deferred Inflows of Resources

At June 30, 2020, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

<u>South Carolina Retiree Health Insurance Plan</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 31,011	\$ 85,605
Net difference between projected and actual earnings on OPEB plan investments	3,081	-
Changes of assumptions	174,265	163,085
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,012,498	10
Employer contributions subsequent to the measurement date	<u>97,747</u>	<u>-</u>
Total	<u><u>\$ 1,318,602</u></u>	<u><u>\$ 248,700</u></u>

Authority contributions subsequent to the measurement date of \$97,747 for the SCRHITF plan are reported as deferred outflows of resources and will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2021.

NOTES TO FINANCIAL STATEMENTS

NOTE 6. OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

Deferred Outflows of Resources and Deferred Inflows of Resources (Continued)

At June 30, 2019, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

<u>South Carolina Retiree Health Insurance Plan</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 29,401	\$ 684
Net difference between projected and actual earnings on OPEB plan investments	7,525	-
Changes of assumptions	-	159,817
Changes in proportion and differences between employer contributions and proportionate share of contributions	656,531	13
Employer contributions subsequent to the measurement date	<u>92,153</u>	<u>-</u>
Total	<u><u>\$ 785,610</u></u>	<u><u>\$ 160,514</u></u>

Authority contributions subsequent to the measurement date of \$92,153 for the SCRHITF plan are reported as deferred outflows of resources and will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2020.

NOTES TO FINANCIAL STATEMENTS

NOTE 6. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Deferred Outflows of Resources and Deferred Inflows of Resources (Continued)

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30,	2020	2019
2020	\$ -	\$ 101,057
2021	177,813	101,057
2022	177,813	104,534
2023	176,074	110,040
2024	173,319	116,255
Thereafter	267,136	-
	<u>\$ 972,155</u>	<u>\$ 532,943</u>

NOTE 7. COMMITMENTS AND CONTINGENCIES

On June 30, 2020, the Authority has commitments under contracts for construction projects not completed of approximately \$46,400.

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.

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 8. RISK MANAGEMENT

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

NOTES TO FINANCIAL STATEMENTS

NOTE 8. RISK MANAGEMENT (CONTINUED)

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

Expenses for coverage through the South Carolina Insurance Reserve Fund for the years ended June 30, 2020 and 2019, totaled \$191,806 and \$132,986, 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 TRANSIT AUTHORITY

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF AUTHORITY'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
SOUTH CAROLINA RETIREMENT SYSTEM
FOR THE PLAN YEAR ENDED JUNE 30,**

Plan Year Ended June 30,	Authority's proportion of the net pension liability	Authority's proportionate share of the net pension liability	Authority's covered- employee payroll	Authority's share of the net pension liability as a percentage of its covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2019	0.014437%	\$ 3,296,663	\$ 1,523,188	216.4%	54.4%
2018	0.011526%	2,582,547	1,194,384	216.2%	54.1%
2017	0.727200%	1,637,045	597,252	274.1%	53.3%
2016	0.007794%	1,664,787	605,250	275.1%	52.9%
2015	0.006532%	1,238,825	492,513	251.5%	57.0%
2014	0.005411%	931,595	402,298	231.6%	59.9%

Notes to the Schedule:

The schedule will present 10 years of information once it is accumulated.

LOWCOUNTRY REGIONAL TRANSIT AUTHORITY

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF AUTHORITY PENSION CONTRIBUTIONS
SOUTH CAROLINA RETIREMENT SYSTEM
FOR THE FISCAL YEAR ENDED JUNE 30,**

<u>Fiscal Year Ended June 30,</u>	<u>Statutorily required contribution</u>	<u>Contributions in relation to the statutorily required contribution</u>	<u>Contribution deficiency (excess)</u>	<u>Authority's covered- employee payroll</u>	<u>Contributions as a percentage of covered payroll</u>
2020	\$ 221,975	\$ 221,975	\$ -	\$ 1,563,956	14.19%
2019	154,260	154,260	-	1,523,188	10.13%
2018	161,959	161,959	-	1,194,384	13.56%
2017	83,603	83,603	-	597,252	14.00%
2016	66,788	66,788	-	605,250	11.03%
2015	66,569	66,569	-	492,513	13.52%

Notes to the Schedule:

The schedule will present 10 years of information once it is accumulated.

LOWCOUNTRY REGIONAL TRANSIT AUTHORITY

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF AUTHORITY'S PROPORTIONATE SHARE
OF THE NET OPEB LIABILITY
SOUTH CAROLINA RETIREE HEALTH PLAN
FOR THE PLAN YEAR ENDED JUNE 30,**

Plan Year Ended June 30,	Authority's proportion of the net OPEB liability	Authority's proportionate share of the net OPEB liability	Authority's covered- employee payroll	Authority's share of the net OPEB liability as a percentage of its covered employee	Plan fiduciary net position as a percentage of the total OPEB liability
2019	0.017416%	\$ 2,633,565	\$ 1,523,188	172.9%	7.60%
2018	0.013850%	1,962,626	1,194,384	164.3%	7.60%
2017	0.008700%	1,178,401	597,252	197.3%	7.60%

Notes to the Schedule:

The schedule will present 10 years of information once it is accumulated.

LOWCOUNTRY REGIONAL TRANSIT AUTHORITY

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF AUTHORITY OPEB CONTRIBUTIONS
SOUTH CAROLINA RETIREE HEALTH PLAN
FOR THE FISCAL YEAR ENDED JUNE 30,**

Fiscal Year Ended June 30,	Statutorily required contribution	Contributions in relation to the statutorily required contribution	Contribution deficiency (excess)	Authority's covered- employee payroll	Contributions as a percentage of covered employee payroll
2020	\$ 92,884	\$ 92,884	\$ -	\$ 1,563,956	5.94%
2019	63,847	63,847	-	1,523,188	4.19%
2018	64,724	64,724	-	1,194,384	5.42%
2017	35,808	35,808	-	597,252	6.00%

Notes to the Schedule:

The 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, 2020 AND 2019

	2020	2019
Fixed route		
Salaries and wages	\$ 889,389	\$ 652,871
Payroll taxes, employee retirement and fringe benefits	329,231	346,803
Contract maintenance	17,799	14,796
Employee training, physicals and drug testing	6,600	5,617
Fuel and lubricants	159,954	230,740
Management service contract	25	248
Materials and supplies	15,047	50,306
Miscellaneous	9,246	3,524
Other services	34	9,514
Tires	-	17,064
Travel and meetings	9,579	11,189
Uniforms	3,935	6,072
Utilities	26,078	23,736
Total fixed route	<u>\$ 1,466,917</u>	<u>\$ 1,372,480</u>
General and administration		
Salaries and wages	\$ 1,127,984	\$ 785,667
Payroll taxes, employee retirement and fringe benefits	88,905	106,607
Advertising	43,699	66,511
Contract maintenance	3,445	3,685
Copier rental	7,200	4,447
Dues and subscriptions	3,101	3,504
Employee training, physicals and drug testing	8,147	6,793
Insurance	163,663	126,626
Management service contract	366	-
Materials and supplies	13,819	17,419
Miscellaneous	25,504	13,463
Other contract services	186	-
Professional fees - management, legal and audit	144,474	89,881
Travel and meetings	396	1,189
Utilities	40,385	19,677
Total general and administration	<u>\$ 1,671,274</u>	<u>\$ 1,245,469</u>
Allendale County 5311		
Other contract services	\$ 12,365	\$ 18,286
Total Allendale County 5311	<u>\$ 12,365</u>	<u>\$ 18,286</u>
Demand response		
Salaries and wages	\$ 186,462	\$ 168,434
Payroll taxes, employee retirement and fringe benefits	88,184	80,171
Fuel and lubricants	67,282	74,069
Total demand response	<u>\$ 341,928</u>	<u>\$ 322,674</u>
Maintenance department		
Salaries and wages	\$ 261,871	\$ 82,200
Payroll taxes, employee retirement and fringe benefits	93,081	74,762
Employee training, physicals and drug testing	6,331	3,747
Emergency operations	2,813	2,813
Contract maintenance	92,578	92,578
Fuel and lubricants	3,130	4,088
Materials and supplies	139,848	142,788
Travel and meetings	209	400
Uniforms and safety supplies	5,401	5,131
Utilities	3,181	6,563
Total maintenance department	<u>\$ 608,443</u>	<u>\$ 415,070</u>

(Continued)

LOWCOUNTRY REGIONAL TRANSPORTATION AUTHORITY

SCHEDULES OF OPERATING EXPENSES FOR THE FISCAL YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
Jasper County Board of Disabilities and Special Needs		
Salaries and wages	\$ -	\$ 115
Total Jasper County Board of Disabilities and Special Needs	<u>\$ -</u>	<u>\$ 115</u>
Beaufort County Board of Disabilities and Special Needs		
Salaries and wages	\$ 14,789	\$ 85,338
Payroll taxes, employee retirement and fringe benefits	3,952	31,647
Fuel and lubricants	988	43,825
Total Beaufort County Board of Disabilities and Special Needs	<u>\$ 19,729</u>	<u>\$ 160,810</u>
Job Access Reverse Commute 5307		
Salaries and wages	\$ 111	\$ 5,042
Payroll taxes, employee retirement and fringe benefits	42	2,114
Fuel and lubricants	10,728	3,164
Professional fees	-	1
Uniforms	-	3
Total Job Access Reverse Commute 5307	<u>\$ 10,881</u>	<u>\$ 10,324</u>
Job Access Reverse Commute 5311		
Salaries and wages	\$ 108	\$ 3,765
Payroll taxes, employee retirement and fringe benefits	42	1,471
Fuel and lubricants	12,272	3,164
Professional fees	1	-
Uniforms	3	3
Total Job Access Reverse Commute 5311	<u>\$ 12,426</u>	<u>\$ 8,403</u>
Senior Services of Beaufort County		
Salaries and wages	\$ -	\$ 8,238
Payroll taxes, employee retirement and fringe benefits	100	7,471
Fuel and lubricants	-	4,639
Total Senior Services of Beaufort County	<u>\$ 100</u>	<u>\$ 20,348</u>
New Freedom		
Fuel and lubricants	\$ 6,699	\$ 4,705
Total New Freedom	<u>\$ 6,699</u>	<u>\$ 4,705</u>
Small Urban Mass Transit Funds		
Fuel	\$ 331	\$ 972
Total Small Urban Mass Transit Funds	<u>\$ 331</u>	<u>\$ 972</u>

(Continued)

LOWCOUNTRY REGIONAL TRANSPORTATION AUTHORITY

SCHEDULES OF OPERATING EXPENSES FOR THE FISCAL YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
Hotel Shuttle Service		
Fuel	\$ -	\$ 564
Total Hotel Shuttle Service	<u>\$ -</u>	<u>\$ 564</u>
South Carolina Department of Employment		
Salaries and wages	\$ 31,333	\$ 83,093
Payroll taxes, employee retirement and fringe benefits	16,586	14,090
Fuel	14,642	15,259
Total South Carolina Department of Employment	<u>\$ 62,561</u>	<u>\$ 112,442</u>
Marriott Hotel		
Salaries and wages	\$ 9,521	\$ 19,644
Payroll taxes, employee retirement and fringe benefits	3,389	6,936
Fuel	3,553	4,807
Total Marriott Hotel	<u>\$ 16,463</u>	<u>\$ 31,387</u>
RTAP Funding		
Employee training	\$ 18,649	\$ 19,096
Total RTAP Funding	<u>\$ 18,649</u>	<u>\$ 19,096</u>
Access Health VIM		
Salaries and wages	\$ 1,569	\$ 963
Payroll taxes, employee retirement and fringe benefits	1,064	1,064
Total Access Health VIM	<u>\$ 2,633</u>	<u>\$ 2,027</u>
Palmetto Bluff		
Salaries and wages	\$ 17,463	\$ 20,329
Payroll taxes, employee retirement and fringe benefits	6,477	7,423
Fuel and lubricants	13,802	9,802
Total Palmetto Bluff	<u>\$ 37,742</u>	<u>\$ 37,554</u>
Hilton Head Island Trolley		
Salaries and wages	\$ 51,268	\$ 62,187
Payroll taxes, employee retirement and fringe benefits	24,572	26,936
Maintenance and other equipment	-	8,904
Advertising	-	2,500
Fuel and lubricants	13,300	18,240
Total Hilton Head Island Trolley	<u>\$ 89,140</u>	<u>\$ 118,767</u>
USCB Service		
Salaries and wages	\$ 19,069	\$ 5,403
Payroll taxes, employee retirement and fringe benefits	5,410	1,827
Total USCB Service	<u>\$ 24,479</u>	<u>\$ 7,230</u>
Depreciation Expense		
Buildings and improvements	\$ 42,535	\$ 31,314
Vehicles	588,394	512,216
Furniture and equipment	12,208	7,059
Maintenance and other equipment	84,104	21,766
Computer software	6,366	10,700
Total Depreciation Expense	<u>\$ 733,607</u>	<u>\$ 583,055</u>

LOWCOUNTRY REGIONAL TRANSPORTATION AUTHORITY

SCHEDULE OF BUDGETED TO ACTUAL COSTS - SCDOT GRANTS FOR THE FISCAL YEAR ENDED JUNE 30, 2020

OPT Contract #	PT-2013CA-12					
Contract Period	February 1, 2020 - June 30, 2020					
	Budget FY2020	Federal	State	Local	Total	
Performance period:	July 2019 through June 2020	July 2019 through June 2020	July 2019 through June 2020	July 2019 through June 2020	July 2019 through June 2020	Total Program Variance
Administration						
Other salaries and wages	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Miscellaneous expenses	293,950	138,871	-	-	138,871	155,079
Total administration	293,950	138,871	-	-	138,871	155,079
Operations						
Operations wages	399,824	178,446	-	-	178,446	221,378
Operations fringe benefits	177,304	88,728	-	-	88,728	88,576
Other services	8,500	4,456	-	-	4,456	4,044
Fuel and lubricants	81,378	57,313	-	-	57,313	24,065
Other materials and supplies	7,273	417	-	-	417	6,856
Utilities	12,679	9,757	-	-	9,757	2,922
Casualty and liability	20,182	9,379	-	-	9,379	10,803
Miscellaneous expenses	2,301	16	-	-	16	2,285
Total operations	709,441	348,512	-	-	348,512	360,929
Less contra expenses	-	(11,505)	-	-	(11,505)	11,505
Net operations	709,441	337,007	-	-	337,007	372,434
Capital	214,813	85,218	-	-	85,218	129,595
ADA Capital	1,005,343	-	-	-	-	1,005,343
Total capital	1,220,156	85,218	-	-	85,218	1,134,938
Total program	\$ 2,223,547	\$ 561,096	\$ -	\$ -	\$ 561,096	\$ 1,662,451
Approved Budget	\$ 2,223,547					
TI Federal Costs	561,096					
Actual under Budget	\$ (1,662,451)					

LOWCOUNTRY REGIONAL TRANSPORTATION AUTHORITY

SCHEDULE OF BUDGETED TO ACTUAL COSTS - SCDOT GRANTS FOR THE FISCAL YEAR ENDED JUNE 30, 2020

OPT Contract # Contract Period	PT-201311-11					
	July 1, 2019 - June 30, 2020					
	Budget FY2020	Federal	State	Local	Total	Total Program Variance
	July 2019 through June 2020	July 2019 through June 2020	July 2019 through June 2020	July 2019 through June 2020	July 2019 through June 2020	
Performance period:						
Administration						
Other salaries and wages	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Miscellaneous expenses	350,677	172,552	83,880	88,669	345,101	5,576
Total administration	350,677	172,552	83,880	88,669	345,101	5,576
Operations						
Operations wages	785,966	313,341	87,735	225,606	626,682	159,284
Operations fringe benefits	350,000	133,062	37,257	95,804	266,123	83,877
Other services	8,000	3,081	680	2,401	6,162	1,838
Fuel and lubricants	180,580	107,146	25,715	81,431	214,292	(33,712)
Other materials and supplies	11,500	1,996	599	1,397	3,992	7,508
Utilities	30,000	15,495	4,649	10,847	30,991	(991)
Casualty and Liability	99,163	227,055	60,103	166,952	454,110	(354,947)
Miscellaneous expenses	11,640	2,407	626	1,782	4,815	6,825
Total operations	1,476,849	803,583	217,364	586,219	1,607,166	(130,317)
Less contra expenses	-	-	-	-	-	-
Net operations	1,476,849	803,583	217,364	586,219	1,607,166	(130,317)
Capital	435,715	317,586	37,163	42,233	396,982	38,733
ADA Capital	-	-	-	-	-	-
Total capital	435,715	317,586	37,163	42,233	396,982	38,733
Total program	\$ 2,263,241	\$ 1,293,721	\$ 338,407	\$ 717,122	\$ 2,349,250	\$ (86,009)
Approved Budget	\$ 2,263,241					
TI Federal Costs	1,293,721					
TI State Costs	338,407					
TI Local Costs	717,122					
Actual over Budget	\$ 86,009					

LOWCOUNTRY REGIONAL TRANSPORTATION AUTHORITY

SCHEDULE OF BUDGETED TO ACTUAL COSTS - SCDOT GRANTS FOR THE FISCAL YEAR ENDED JUNE 30, 2020

OPT Contract #
Contract Period

Performance period:

Operations

Employee training, physicals,
and drug testing

20R013-01

20R013-02

20R013-03

T20R013-01

T20R013-02

Total program

RTAP					
July 1, 2019 - June 30, 2020					
Budget FY2020	Federal	State	Local	Total	Total Program Variance
July 2019 through June 2020	July 2019 through June 2020	July 2019 through June 2020	July 2019 through June 2020	July 2019 through June 2020	
\$ 1,462	\$ 1,462	\$ -	\$ -	\$ 1,462	\$ -
731	731	-	-	731	-
731	658	-	-	658	73
5,169	4,688	-	-	4,688	481
2,033	2,024	-	-	2,024	9
\$ 10,126	\$ 9,563	\$ -	\$ -	\$ 9,563	\$ 563

Approved Budget

\$ 10,126

TI Federal Costs

9,563

TI State Costs

-

TI Local Costs

-

Actual under Budget

\$ (563)

LOWCOUNTRY REGIONAL TRANSPORTATION AUTHORITY

SCHEDULE OF BUDGETED TO ACTUAL COSTS - SCDOT GRANTS FOR THE FISCAL YEAR ENDED JUNE 30, 2020

OPT Contract #	PT-201304-50					
Contract Period	July 1, 2019 - June 30, 2020					
	Budget FY2020	Federal	State	Local	Total	Total Program Variance
Performance period:	July 2019 through June 2020	July 2019 through June 2020	July 2019 through June 2020	July 2019 through June 2020	July 2019 through June 2020	
Technical Assistance						
Contractual	\$ 18,750	\$ 11,120	\$ 2,780	\$ -	\$ 13,900	\$ 4,850
Total program	\$ 18,750	\$ 11,120	\$ 2,780	\$ -	\$ 13,900	\$ 4,850

Approved Budget	\$ 18,750
TI Federal Costs	11,120
TI State Costs	2,780
TI Local Costs	-
Budget over Actual	<u>\$ (4,850)</u>

OPT Contract #	PT-913SP-04					
Contract Period	July 1, 2019 - December 31, 2020					
	Budget FY2020	Federal	State	Local	Total	Total Program Variance
Performance period:	July 2019 through June 2020	July 2019 through June 2020	July 2019 through June 2020	July 2019 through June 2020	July 2019 through June 2020	
Capital						
ADP Hardware	\$ 17,408	\$ 13,926	\$ 3,482	\$ -	\$ 17,408	\$ -
ADP Software	260,555	208,444	52,111	-	260,555	\$ -
Total program	\$ 277,963	\$ 222,370	\$ 55,593	\$ -	\$ 277,963	\$ -

Approved Budget	\$ 277,963
TI Federal Costs	222,370
TI State Costs	55,593
TI Local Costs	-
Budget over Actual	<u>\$ -</u>

LOWCOUNTRY REGIONAL TRANSPORTATION AUTHORITY

SCHEDULE OF BUDGETED TO ACTUAL COSTS - SCDOT GRANTS FOR THE FISCAL YEAR ENDED JUNE 30, 2020

OPT Contract #	PT-201310-A2					
Contract Period	July 1, 2019 - June 30, 2020					
	Budget FY2020	Federal	State	Local	Total	Total Program Variance
Performance period:	July 2019 through June 2020	July 2019 through June 2020	July 2019 through June 2020	July 2019 through June 2020	July 2019 through June 2020	
Capital						
Mobility Management	\$ 50,000	\$ 40,000	\$ -	\$ 10,000	\$ 50,000	\$ -
Total capital	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	<u>\$ -</u>

OPT Contract #	PT-201399-34					
Contract Period	July 1, 2019 - June 30, 2020					
	Budget FY2020	Federal	State	Local	Total	Total Program Variance
Performance period:	July 2019 through June 2020	July 2019 through June 2020	July 2019 through June 2020	July 2019 through June 2020	July 2019 through June 2020	
SMTF - Administration	\$ 15,000	\$ -	\$ 3,775	\$ -	\$ 3,775	\$ 11,225
SMTF - Operations	12,506	-	12,506	-	12,506	-
SMTF - Capital	37,034	-	19,733	-	19,733	17,301
SMTF - Capital ADA	10,275	-	10,275	-	10,275	-
SMTF - T/A	10,000	-	3,730	-	3,730	6,270
Total program	\$ 84,815	\$ -	\$ 50,019	\$ -	\$ 50,019	\$ 34,796

Approved Budget	\$ 84,815
TI Federal Costs	-
TI State Costs	50,019
TI Local Costs	-
Budget over Actual	<u>\$ (34,796)</u>

LOWCOUNTRY REGIONAL TRANSPORTATION AUTHORITY

SCHEDULE OF BUDGETED TO ACTUAL COSTS - SCDOT GRANTS FOR THE FISCAL YEAR ENDED JUNE 30, 2020

OPT Contract #

Contract Period

Performance period:

SMTF - Capital ADA

Total program

PT-2013399-28					
July 1, 2019 - June 30, 2020					
Budget FY2020	Federal	State	Local	Total	Total Program Variance
July 2019 through June 2020	July 2019 through June 2020	July 2019 through June 2020	July 2019 through June 2020	July 2019 through June 2020	
\$ 83,205	\$ -	\$ 83,205	\$ -	\$ 83,205	\$ -
\$ 83,205	\$ -	\$ 83,205	\$ -	\$ 83,205	\$ -

Approved Budget

\$ 83,205

TI Federal Costs

-

TI State Costs

83,205

TI Local Costs

-

Budget over Actual

\$ -

STATISTICAL SECTION

STATISTICAL SECTION

This part of the Authority's CAFR 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.

<u>Contents</u>	<u>Page</u>
Financial Trends	56 – 59
<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	60
<i>These schedules contain information to help the reader assess the Authority's most significant revenue sources.</i>	
Debt Capacity	61
<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	62 – 65
<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	66 – 69
<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

	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Unrestricted	\$ 702,046	\$ 623,356	\$ 656,336	\$ 735,782	\$ (619,129)	\$ (652,664)	\$ (759,856)	\$ (2,057,792)	\$ (2,577,578)	\$ (3,379,241)
Net Investment in Capital Assets	3,311,344	3,114,370	3,427,406	3,097,926	3,102,089	2,899,232	1,827,372	3,024,653	4,484,420	5,141,830
Total Position	<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>	<u>\$ 966,861</u>	<u>\$ 1,906,842</u>	<u>\$ 1,762,589</u>

Source: Lowcountry Regional Transportation Authority

LOWCOUNTRY REGIONAL TRANSPORTATION AUTHORITY

CHANGES IN NET POSITION LAST TEN FISCAL YEARS

	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Operating Revenue	\$ 485,218	\$ 486,389	\$ 539,991	\$ 767,852	\$ 877,161	\$ 858,183	\$ 855,050	\$ 790,965	\$ 938,504	\$ 629,331
Operating Expense	2,627,772	2,589,665	2,559,049	2,891,496	3,332,172	3,070,737	3,835,086	3,406,453	4,491,778	5,136,637
Operating Loss	(2,142,554)	(2,103,276)	(2,019,058)	(2,123,644)	(2,455,011)	(2,212,554)	(2,980,036)	(2,615,488)	(3,553,274)	(4,507,306)
Total non-operating revenues/(expenses)	1,907,965	1,827,612	1,706,423	1,885,077	2,022,733	1,976,162	1,800,984	3,737,796	4,494,065	4,362,783
Gain (loss) before Capital contributions	(234,589)	(275,664)	(312,635)	(238,567)	(432,278)	(236,392)	(1,179,052)	1,122,308	939,981	(144,253)
Capital contributions	256,141	-	658,651	(11,467)	-	-	-	-	-	-
Change in net position	21,552	(275,664)	346,016	(250,034)	(432,278)	(236,392)	(1,179,052)	1,122,308	939,981	(144,253)
Net Position beginning of year as previously reported	2,522,040	2,543,592	2,819,256	3,165,272	2,915,238	2,482,960	2,246,568	1,067,516	966,861	1,906,842
Restatement for change in accounting principle	-	-	-	-	-	-	-	(1,222,963)	-	-
Net Position beginning of Year as restated	-	-	-	-	-	-	-	(155,447)	-	-
Net Position end of year	<u>\$ 2,543,592</u>	<u>\$ 2,267,928</u>	<u>\$ 3,165,272</u>	<u>\$ 2,915,238</u>	<u>\$ 2,482,960</u>	<u>\$ 2,246,568</u>	<u>\$ 1,067,516</u>	<u>\$ 966,861</u>	<u>\$ 1,906,842</u>	<u>\$ 1,762,589</u>

Source: Lowcountry Regional Transportation Authority

LOWCOUNTRY REGIONAL TRANSPORTATION AUTHORITY

REVENUE HISTORY BY SOURCE LAST TEN FISCAL YEARS

	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Operating	485,218	486,389	539,991	767,852	877,161	858,183	855,050	790,965	938,504	629,331
Federal operating grants	1,100,166	1,024,575	914,380	1,083,253	1,102,331	1,137,842	973,983	2,383,208	3,317,776	3,037,297
State	303,362	280,311	280,646	303,524	373,879	329,485	320,378	773,479	628,454	468,763
County and Municipal										
Appropriations	559,597	523,404	509,392	492,280	574,025	523,280	513,280	570,624	536,587	851,658
Interest income	441	353	580	253	132	346	927	4,811	5,023	4,164
Other *	2,100	4,800	1,425	4,200	-	-	-	-	-	-
Capital Grants	256,141	-	658,651	(11,467)	-	-	-	-	-	-
Gain (loss) disposal of fixed assets	2,500	-	-	1,567	(27,634)	(14,791)	(7,584)	5,674	5,415	901
Other capital contributions **	-	-	-	-	-	-	-	-	-	-
Total	<u>\$ 2,709,525</u>	<u>\$ 2,319,832</u>	<u>\$ 2,905,065</u>	<u>\$ 2,641,462</u>	<u>\$ 2,899,894</u>	<u>\$ 2,834,345</u>	<u>\$ 2,656,034</u>	<u>\$ 4,528,761</u>	<u>\$ 5,431,759</u>	<u>\$ 4,992,114</u>

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

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

Source: Lowcountry Regional Transportation Authority

LOWCOUNTRY REGIONAL TRANSPORTATION AUTHORITY

EXPENSE HISTORY BY FUNCTION LAST TEN FISCAL YEARS

	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Operations	\$ 1,670,437	\$ 1,601,396	\$ 1,591,977	\$ 1,936,852	\$ 2,280,621	\$ 1,868,533	\$ 1,945,748	\$ 1,960,566	\$ 2,248,184	\$ 2,532,340
Maintenance	136,876	148,494	96,108	106,142	138,487	160,026	172,698	196,541	415,070	467,532
Administration	449,392	490,976	492,080	474,809	511,185	570,178	534,793	860,521	1,245,469	1,402,888
Depreciation	371,067	348,799	378,884	373,693	408,424	472,000	1,181,847	388,825	583,055	733,607
Total	<u>\$ 2,627,772</u>	<u>\$ 2,589,665</u>	<u>\$ 2,559,049</u>	<u>\$ 2,891,496</u>	<u>\$ 3,338,717</u>	<u>\$ 3,070,737</u>	<u>\$ 3,835,086</u>	<u>\$ 3,406,453</u>	<u>\$ 4,491,778</u>	<u>\$ 5,136,367</u>

Source: Lowcountry Regional Transportation Authority

LOWCOUNTRY REGIONAL TRANSPORTATION AUTHORITY

FARE HISTORY LAST TEN FISCAL YEARS

Cash	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Allendale	\$ 2.50	\$ 2.50	\$ 2.50	\$ 2.50	\$ 2.50	\$ 3.25	\$ 3.25	\$ 3.25	\$ 3.25	\$ 3.25
Beaufort	2.25	2.25	2.25	2.25	2.25	2.75	2.75	2.75	2.75	2.75
Colleton	3.25	3.25	3.25	3.25	3.25	4.00	4.00	4.00	4.00	4.00
Hampton	3.25	3.25	3.25	3.25	3.25	4.00	4.00	4.00	4.00	4.00
Jasper	2.75	2.75	2.75	2.75	2.75	3.50	3.50	3.50	3.50	3.50
Demand Response	6-10	6-10	6-10	6-10	6-10	3.75-14	3.75-14	3.75-14	3.75-14	3.75-14
Weekly Tickets										
Allendale	\$ 27.00	\$ 27.00	\$ 27.00	\$ 27.00	\$ 27.00	\$ 35.10	\$ 35.10	\$ 35.10	\$ 35.10	\$ 35.10
Beaufort	24.30	24.30	24.30	24.30	24.30	29.70	29.70	29.70	29.70	29.70
Colleton	35.10	35.10	35.10	35.10	35.10	43.20	43.20	43.20	43.20	43.20
Hampton	35.10	35.10	35.10	35.10	35.10	43.20	43.20	43.20	43.20	43.20
Jasper	29.70	29.70	29.70	29.70	29.70	37.80	37.80	37.80	37.80	37.80
Monthly Tickets										
Allendale	\$ 93.50	\$ 93.50	\$ 93.50	\$ 93.50	\$ 93.50	\$ 128.70	\$ 128.70	\$ 128.70	\$ 128.70	\$ 128.70
Beaufort	84.15	84.15	84.15	84.15	84.15	108.90	108.90	108.90	108.90	108.90
Colleton	121.55	121.55	121.55	121.55	121.55	158.40	158.40	158.40	158.40	158.40
Hampton	121.55	121.55	121.55	121.55	121.55	158.40	158.40	158.40	158.40	158.40
Jasper	102.85	102.85	102.85	102.85	102.85	138.60	138.60	138.60	138.60	138.60

Notes:

2011 - 10% Discount Weekly Tickets; 15% Discount Monthly Tickets
 2015 - 10% Discount Weekly Tickets; 15% Discount Monthly Tickets
 2017 - 10% Discount Weekly Tickets; 10% Discount Monthly Tickets

Source: Lowcountry Regional Transportation Authority

LOWCOUNTRY REGIONAL TRANSPORTATION AUTHORITY

LONG-TERM LIABILITIES LAST TEN FISCAL YEARS

	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Advance from SCDOT	\$ 199,432	\$ 126,343	\$ 53,254	\$ 64,721	\$ 43,147	\$ 21,573	\$ -	\$ -	\$ -	\$ -
Net pension liability	-	-	-	-	931,595	1,238,825	1,664,787	1,637,045	2,582,547	3,296,663
Net other post-employment benefits liability	-	-	-	-	-	-	-	1,178,401	1,962,626	2,633,565
Less short-term portion of long-term liabilities	(90,481)	(73,089)	(17,751)	(21,574)	(21,574)	(21,573)	-	-	-	-
Total Assets	<u>\$ 108,951</u>	<u>\$ 53,254</u>	<u>\$ 35,503</u>	<u>\$ 43,147</u>	<u>\$ 953,168</u>	<u>\$ 1,238,825</u>	<u>\$ 1,664,787</u>	<u>\$ 2,815,446</u>	<u>\$ 4,545,173</u>	<u>\$ 5,930,228</u>

Source: Lowcountry Regional Transportation Authority

LOWCOUNTRY REGIONAL TRANSPORTATION AUTHORITY

UNEMPLOYMENT RATE TRENDS LAST TEN FISCAL YEARS

	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Allendale	18.4	16.9	14.0	12.2	11.3	8.5	6.9	6.4	5.7	8.6
Beaufort	8.7	7.6	6.4	5.7	5.5	4.8	4.0	3.4	3.0	3.7
Colleton	14.1	12.1	9.9	7.6	7.0	5.6	4.8	4.2	3.6	5.2
Hampton	12.9	11.2	9.3	7.7	8.4	5.8	4.5	3.8	3.4	4.2
Jasper	9.9	8.5	6.9	5.7	5.1	4.3	3.6	3.3	3.0	3.9
South Carolina	10.6	9.2	7.6	6.5	6.0	5.0	4.3	3.2	3.4	4.6
United States	8.9	8.1	7.4	6.2	5.3	4.9	4.4	4.0	3.7	11.1

Source: South Carolina Department of Employment and Workforce

LOWCOUNTRY REGIONAL TRANSPORTATION AUTHORITY

PER CAPITA INCOME AND DEBT OUTSTANDING LAST TEN FISCAL YEARS

County	Per Capita Income									
	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Allendale	26,046	26,440	27,688	27,104	26,999	28,164	30,507	30,946	25,818	33,582
Beaufort	40,538	43,087	44,621	44,911	47,664	49,914	50,078	52,763	54,081	59,318
Colleton	27,667	28,820	29,413	30,280	31,557	33,272	34,362	34,345	30,216	37,521
Hampton	25,549	26,736	26,243	25,835	26,345	27,461	28,723	30,861	26,041	34,322
Jasper	21,945	22,494	22,654	23,445	24,735	25,718	26,274	27,762	30,610	31,488
South Carolina	32,160	33,804	35,248	35,292	37,014	38,783	39,517	42,081	43,702	45,438
United States	40,277	42,461	44,282	44,493	46,494	48,451	49,246	51,885	54,446	56,490

County	Per Capita Debt Outstanding									
	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Allendale	97	83	62	44	27	9	-	-	277	257
Beaufort	1,684	1,640	1,556	1,374	1,277	1,276	1,177	1,502	1,207	1,228
Colleton	290	250	388	337	279	1,019	991	914	804	692
Hampton	83	35	100	98	96	42	31	328	262	207
Jasper	839	858	851	852	830	808	860	863	790	794
South Carolina	*	*	3,147	3,088	3,124	3,089	3,271	-	-	3,089
United States	43,733	47,364	51,101	52,838	55,798	56,375	60,470	62,143	65,600	69,060

Notes:

* South Carolina per capita debt not available for these years

Sources:

U.S. Bureau of Economic Analysis at www.bea.gov. Per Capita Income.

SC Office of State Controller - www.treasurer.sc.gov. Local Government Debt Report.

LOWCOUNTRY REGIONAL TRANSPORTATION AUTHORITY

PERSONAL INCOME (IN THOUSANDS OF DOLLARS) LAST TEN FISCAL YEARS

County	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Allendale	\$ 269,416	\$ 270,932	\$ 276,544	\$ 265,757	\$ 261,591	\$ 265,305	\$ 265,998	\$ 275,935	\$ 278,574	\$ 291,759
Beaufort	6,604,599	7,064,529	7,472,169	7,680,171	8,349,680	8,973,640	8,644,345	9,171,747	9,858,499	11,396,255
Colleton	1,076,498	1,109,035	1,124,286	1,144,009	1,191,394	1,255,698	1,249,641	1,303,126	1,291,755	1,413,693
Hampton	537,839	555,443	543,893	526,467	537,435	550,763	549,298	572,227	604,937	659,743
Jasper	546,295	571,530	587,911	624,202	667,801	71,253	722,056	747,895	790,052	946,925
South Carolina	149,093,360	157,952,965	166,397,814	168,267,898	178,719,703	189,836,135	196,049,325	205,536,000	226,042,000	236,979,200
United States	12,459,613,000	13,233,436,000	13,904,485,000	14,068,960,000	14,811,388,000	15,547,661,000	15,912,777,000	16,644,860,000	18,077,710,000	18,724,700,000

Sources:

U.S. Bureau of Economic Analysis at www.bea.gov. Regional Data GDP and Personal Income.

SC Office of State Controller - www.treasurer.sc.gov. Local Government Debt Report.

LOWCOUNTRY REGIONAL TRANSPORTATION AUTHORITY

POPULATION TRENDS LAST TEN FISCAL YEARS

County	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Allendale	10,344	10,247	9,984	9,826	9,701	9,420	9,059	9,002	8,903	8,688
Beaufort	162,924	163,958	167,502	171,108	175,233	179,896	183,497	186,844	188,715	192,122
Colleton	38,909	38,482	38,121	37,682	37,548	37,467	37,599	37,611	37,660	37,677
Hampton	21,051	20,775	20,741	20,390	20,432	20,031	19,874	19,602	19,351	19,222
Jasper	24,922	25,408	28,797	26,428	26,762	27,605	28,071	28,458	28,971	30,073
South Carolina	4,635,943	4,672,637	4,720,760	4,767,894	4,828,430	4,894,834	4,961,119	5,024,369	5,084,127	5,148,714
United States	309,348,193	311,663,358	313,998,379	316,204,908	318,563,456	320,896,618	323,127,513	325,719,178	327,167,434	328,239,523

Source: US Census Bureau - www.census.gov

LOWCOUNTRY REGIONAL TRANSPORTATION AUTHORITY

TOP 20 EMPLOYERS BY COUNTY

ALLENDALE	BEAUFORT	COLLETON	HAMPTON	JASPER
ALLENDALE COUNTY COUNCIL	ATLANTIC PERSONNEL INC	48FORTY SOULTIONS LLC	ALPHA GENESIS INC	CARECORE NATIONAL LLC
ALLENDALE COUNTY HOSPITAL & NURSING	BEAUFORT COUNTY SCHOOL DISTRICT	ADVANTAGE VETERANS SERVICES OF WALT	BILO LLC	CITY OF HARDEEVILLE
ALLENDALE COUNTY RESCUE SQUAD INC	BEAUFORT MEMORIAL HOSPITAL	AEROCARE EMPLOYEE BENEFITS INC	DEPARTMENT OF JUSTICE	CLELAND SITE PREP INC
ALLENDALE COUNTY SCHOOLS	CARECORE NATIONAL LLC	BILO LLC	ELLIOTT SAWMILLING CO INC	COASTAL CAROLINA MEDICAL CENTER INC
ALLENDALE HAMPTON JASPER REG. LIBRARY	COUNTY OF BEAUFORT	CAROLINA COMPOSITES, LLC	FOOD LION LLC	COASTAL STATES AUTOMOTIVE GROUP MAN
ALLENDALE IGA 71	CYPRESS CLUB INC.	CITY OF WALTERBORO	H&H FOOD SERVICES LLC	COMPASSION HEALTHCARE INC
ARCHROMA US INC	DEPARTMENT OF DEFENSE	COLLETION COUNTY GOVERNMENT	HAMPTON COUNTY	COUNTY OF JASPER
ATLANTIC POWER SERVICES LLC	GREGORY M PARKER INC	COLLETON COUNTY SCHOOL DISTRICT	HAMPTON COUNTY SCHOOL DISTRICT 2	EUROVIA ATLANTIC COAST LLC
AZ ELECTRONIC MATERIALS USA CORP	HARGRAY COMMUNICATIONS GROUP INC	COLLETON CNTY BOARD OF DISABILITIES	HAMPTON COUNTY SCHOOL DISTRICT ONE	EYM PIZZA OF SC LLC
BODDIE NOELL ENTERPRISES INC	LOWES HOME CENTERS INC	GENERAL FOOD STORE WALTERBORO INC	HAMPTON REGIONAL MEDICAL CENTER IN	JASPER CO BD OF DISABILITIES
COLLUMS ADMINISTRATION & MAINTENANC	MARINE CORPS COMMUNITY SERVICES	JH HIRS CONSTRUCTION LLC	LECREUSET OF AMERICA INC	JASPER COUNTY SCHOOL DISTRICT
FOUR STAR INDUSTRIES LLC	MARRIOTT RESORTS HOSP CORP	MASTERCORP INC	LOW COUNTRY FAMILY SERVICES INC	MYERS EDGE INC
GEORGIA PACIFIC WOOD PRODUCTS, LLC	PUBLIX SUPER MARKETS INC	PALMETTO EXTERMINATORS INC.	MORNING STAR HOME CARE SERVICES LLC	O C WELCH FORD LINCOLN MERCURY INC
JULIUS W WALL III	SEA PINES RESORT LLC	PALMETTO RURAL TELEPHOONE CO OP INC	MYERS EDGE INC	PALMETTO ELECTRIC CO OP INC
LOWCOUNTRY HEALTH CARE SYSTEM	SITEL OPERATING CORPORATION	PRUITTHEALTH WALTERBORO LLC	PALMETTO STATE BANK	PUBLIX SUPER MARKETS INC
QUEEN WOOD PRODUCTS INC	TENET PHYSICIAN SVCS OF HILTON HEAD	RCI RESORT MANAGEMENT INC	PETERS MURDOUGH PARKER ELTZROTH & D	RIDGELAND NURSING CENTER INC
SC DEPT OF TRANSPORTATION	THE GREENERY INC.	SOUTHERN HEALTH PARTNERS INC	PRUITTHEALTH ESTILL LLC	ROYAL LIVE OAKS ACADEMY RIDGELAND
SC DEPT OF CORRECTIONS	THE KROGER COMPANY	STONE FORESTRY SERVICES INC	R&L CARRIERS SHARED SERVICES LLC	SC DEPARTMENT OF CORRECTIONS
SCOTSMAN GROUP LLC	UNIVERSITY OF SOUTH CAROLINA	WAL-MART ASSOCIATES INC	TOWN OF HAMPTON	WAL-MART ASSOCIATES INC.
UNIVERSITY OF SOUTH CAROLINA	WAL-MART ASSOCIATES INC	WALTERBORO COMMUNITY HOSPITAL INC	VALMONT INDUSTRIES INC	WASTE MANAGEMENT OF GEORGIA INC

Source: SC Department of Employment and Workforce - Community Profiles

LOWCOUNTRY REGIONAL TRANSPORTATION AUTHORITY

TREND STATISTICS LAST TEN FISCAL YEARS

	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Passengers	151,056	139,196	155,377	160,068	205,766	185,423	262,186	256,630	266,638	213,635
Revenue Miles	629,969	599,472	597,049	608,155	847,531	726,809	660,467	687,588	731,612	680,939
Total Miles	876,293	867,984	890,706	915,219	1,255,328	1,026,261	900,266	952,785	1,036,614	935,247
Passengers Per Total Miles	0.17	0.16	0.17	0.17	0.16	0.18	0.29	0.27	0.26	0.23
Revenue Hours	27,647	26,472	25,170	25,950	40,870	34,675	33,402	32,811	36,239	32,432
Total Hours	37,124	36,553	35,978	37,690	58,188	47,143	43,527	44,017	48,435	43,019
Passengers Per Revenue Hours	5.46	5.26	6.17	6.17	5.03	5.35	7.85	7.82	7.36	6.59
Total Operating Expense	\$ 2,627,772	\$ 2,589,665	\$ 2,559,049	\$ 2,891,496	\$3,338,717	\$ 3,070,737	\$ 3,835,086	\$ 3,406,453	\$ 4,491,778	\$ 4,636,920
Cost Per Mile	\$ 3.00	\$ 2.98	\$ 2.87	\$ 3.16	\$ 2.66	\$ 2.99	\$ 4.26	\$ 3.58	\$ 4.33	\$ 4.96
Cost Per Passenger	\$ 17.40	\$ 18.60	\$ 16.47	\$ 18.06	\$ 16.23	\$ 16.56	\$ 14.63	\$ 13.27	\$ 16.85	\$ 21.70
Farebox Revenue	\$ 261,647	\$ 272,229	\$ 306,932	\$ 347,735	\$ 385,069	\$ 474,014	\$ 487,783	\$ 431,928	\$ 435,539	\$ 429,315
Fare Revenue Per Passenger	\$ 1.73	\$ 1.96	\$ 1.98	\$ 2.17	\$ 1.87	\$ 2.56	\$ 1.86	\$ 1.68	\$ 1.63	\$ 2.01
Cost Per Revenue Hour	\$ 95.05	\$ 97.83	\$ 101.67	\$ 111.43	\$ 81.69	\$ 88.56	\$ 114.82	\$ 103.82	\$ 123.95	\$ 142.97
Cost Per Total Hour	\$ 70.78	\$ 70.85	\$ 71.13	\$ 76.72	\$ 57.38	\$ 65.14	\$ 88.11	\$ 77.39	\$ 92.74	\$ 107.79
Avg Passenger Trips Per Day	417	385	429	442	568	512	724	709	737	590
Road Calls	20	21	18	24	38	19	17	9	17	13
Accidents	2	5	8	17	12	12	11	10	9	17

Notes:

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.

Fiscal Year 2017 Total Operating Expense reflects one-time depreciation adjustment.

Source: Lowcountry Regional Transportation Authority

LOWCOUNTRY REGIONAL TRANSPORTATION AUTHORITY

CAPITAL ASSETS STATISTICS LAST TEN FISCAL YEARS

	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Bus Routes	18	16	18	21	29	26	20	22	21	26
Buses	27	27	26	30	38	34	28	30	32	38
Operations Expense	\$ 2,627,772	\$ 2,589,665	\$ 2,559,049	\$ 2,891,496	\$3,338,717	\$ 3,070,737	\$ 3,835,086	\$ 3,406,453	\$ 4,491,778	\$ 4,636,920
Operating Cost Per Vehicle	\$ 97,325	\$ 95,914	\$ 98,425	\$ 74,396	\$ 87,861	\$ 90,316	\$ 136,967	\$ 113,548	\$ 140,368	\$ 122,024

Notes:

Fiscal Year 2017 Operating Expense reflects one-time depreciation adjustment.

Source: Lowcountry Regional Transportation Authority

LOWCOUNTRY REGIONAL TRANSPORTATION AUTHORITY

EMPLOYMENT STATISTICS LAST TEN FISCAL YEARS

	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Administration	8	5	6	8	8	8	6	6	6	8
Operations	21	21	22	28	34	26	34	34	36	36
Maintenance	3	3	2	3	4	4	5	5	5	6
Total Employment	32	29	30	39	46	38	45	45	47	50

Source: Lowcountry Regional Transportation Authority

COMPLIANCE SECTION



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, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated February 17, 2021.

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) as a basis for designing 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 financial statements. 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.

Savannah, Georgia
February 17, 2021

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, 2020. The Authority's major federal program is 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 the Authority's major federal program 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 the 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 its major federal program for the year ended June 30, 2020.

Report on Internal Control Over Compliance

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

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

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

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

Mauldin & Jenkins, LLC

Savannah, Georgia
February 17, 2021

LOWCOUNTRY REGIONAL TRANSPORTATION AUTHORITY

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Federal Grantor	Federal CFDA Number	Agency Grant Number	Federal Expenditures	State Expenditures
U.S. Department of Transportation:				
Federal Transit Administration				
Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research				
Passed through the South Carolina Department of Transportation - Office of Public Transit				
Statewide Planning Funds	20.505	PT-201304-50	\$ 11,120	\$ 2,780
Formula Grants for Rural Areas and Tribal Transit Program				
Passed through the South Carolina Department of Transportation - Office of Public Transit				
Rural Program (Section 5311)	20.509	PT-201311-11	1,293,721	338,407
CARES Act Transit Funding (Section 5311)	20.509	PT-20113CA-12	561,096	-
State Mass Transit Funding Program (Urban)		PT-201399-34	-	50,019
State Mass Transit Funding Program (Urban)		PT-201399-28	-	83,205
Rural Transportation Assistance Program	20.509	20R013-01, et seq.	9,563	-
Total Formula Grants for Rural Areas and Tribal Transit Program			1,864,380	471,631
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-201310-A2	40,000	-
Federal Transit Cluster				
Capital Investment Grant				
Passed through the South Carolina Department of Transportation - Office of Public Transportation				
Capital Investment Grant - 5339 Capital	20.526	PT-913SP-04	222,370	55,593
Small Urban Funding Grant Program				
Direct from the U.S. Department of Transportation				
Small Urban Area - 5307 Capital and Operations	20.507	SC-2017-021-00	570,280	-
Small Urban Area - 5307 Capital and Operations	20.507	SC-2019-021-00	711,706	-
Small Urban Area - 5307 Capital and Operations	20.507	SC-2020-010-00	210,188	-
Small Urban Area - 5307 Capital and Operations	20.507	SC-2020-007-00	-	-
Total Federal Transit Cluster			1,714,544	55,593
Total			\$ 3,630,044	\$ 530,004

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 3%, 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, 2020.

De-Minimis Indirect Cost Rate

During the year ended June 30, 2020, the Authority did not use the de-Minimis indirect cost rate.

Subrecipients

The Authority did not pass through any funds to subrecipients during the fiscal year.

LOWCOUNTRY REGIONAL TRANSPORTATION AUTHORITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE FISCAL YEAR ENDED JUNE 30, 2020

SECTION I SUMMARY OF AUDIT RESULTS

Financial Statements

Type of auditor's report issued

Unmodified

Internal control over financial reporting:

Material weaknesses identified?

___ Yes X No

Significant deficiency identified not considered
to be material weaknesses?

___ Yes X None Reported

Noncompliance material to financial statements noted?

___ Yes X No

Federal Awards

Internal control over major programs:

Material weaknesses identified?

___ Yes X No

Significant deficiencies identified not considered
to be material weaknesses?

___ Yes X None Reported

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

Unmodified

Any audit findings disclosed that are required to
be reported in accordance with the Uniform
Guidance?

___ Yes X No

Identification of major program:

CFDA Number

20.509

Name of Federal Program or Cluster

U.S. Department of Transportation;
Formula Grants for Rural Areas and Tribal
Transit Program

Dollar threshold used to distinguish between
Type A and Type B programs:

\$750,000

Auditee qualified as low-risk auditee?

X Yes ___ No

LOWCOUNTRY REGIONAL TRANSPORTATION AUTHORITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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

Lowcountry Regional Transportation Authority Palmetto Breeze

Auditor's Discussion & Analysis (AD&A) Financial & Compliance Audit Summary June 30, 2020



Presented by:
Trey Scott, CPA

**MAULDIN
& JENKINS**
CPAs & ADVISORS

Lowcountry Regional Transportation Authority

Auditor's Discussion & Analysis (AD&A)

June 30, 2020

PURPOSE OF AUDITOR'S DISCUSSION AND ANALYSIS

- ◆ Engagement Team and Firm Information.
- ◆ Overview of:
 - Audit Opinion;
 - Financial Statements, Footnotes and Supplementary Information;
 - Compliance Reports;
 - Audit Scopes & Procedures.
- ◆ Required Communications under Government Auditing Standards.
- ◆ Accounting Recommendations and Related Matters.
- ◆ Answer Questions.

Lowcountry Regional Transportation Authority

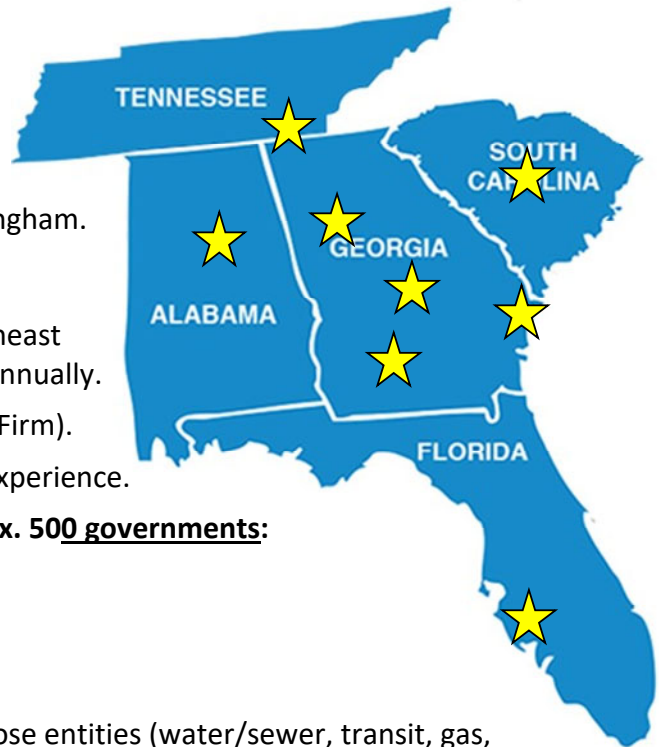
Auditor's Discussion & Analysis (AD&A)

June 30, 2020

MAULDIN & JENKINS – GOVERNMENTAL PRACTICE

General Information:

- Founded in ~1918. Approx. 300 personnel. Large regional Southeastern firm.
- Offices in Macon, Atlanta, Albany, Savannah, Bradenton, Chattanooga, Columbia and Birmingham.



Governmental Sector:

- Serve more governmental entities in the Southeast than any other firm with over 100,000 hours annually.
- Largest industry niche served by Firm (28% of Firm).
- Over 100 people with current governmental experience.
- **In past three (3) years, we have served approx. 500 governments:**
 - ✓ 126 cities;
 - ✓ 57 counties;
 - ✓ 62 school systems and 40 charter schools;
 - ✓ 48 state entities;
 - ✓ 50 stand-alone business-type special purpose entities (water/sewer, transit, gas, electric, and airports, etc.);
 - ✓ 130 stand-alone governmental special purpose entities (housing, development, industrial, other educational, health & welfare, retirement, libraries, etc.);
 - ✓ 100+ water & sewer systems, 25 airport operations, 10 gas systems, 15 electrical utilities, & 10 transit services;
 - ✓ 131 governments awarded the GFOA's and/or ASBO's Financial Reporting Certificates.
- Experience performing forensic audit services and information technology consultations.
- Experience performing municipal bond debt issuance attestation services serving approx. 50 clients with over \$11 billion in aggregate publicly issued debt instruments.
- Considered to be in the Top 20 total number of Single Audits conducted in U.S.A.

Engagement Team Leaders Include:

- Trey Scott – Engagement Lead Partner – 13 years' experience, 100% governmental
- David Irwin – Quality Assurance Partner – 17 years' experience, 100% governmental
- Samantha Richardson – Engagement Manager – 17 years' experience, 100% governmental



Lowcountry Regional Transportation Authority

Auditor's Discussion & Analysis (AD&A)

June 30, 2020

MAULDIN & JENKINS – ADDITIONAL INFORMATION

Other Industries & Services by Mauldin & Jenkins:

Each of Mauldin & Jenkins' offices provides a wide variety of services to a broad range of clientele. We have partners and managers who are responsible for specialized practice areas of auditing and accounting, taxes and management advisory services. Their purpose, as leaders in the particular practice area, is to establish policies with respect to technical matters in these specific areas and ensure that the quality of the Firm's practice is maintained.

Industries Served: Over the years, our partners have developed expertise in certain industries representative of a cross section of the southeastern economy, including:

- Governmental Entities (state entities, cities, counties, school systems, business type operations, libraries, and other special purpose entities)
- SEC Registrants
- Wholesale Distribution
- Agri-Businesses
- Manufacturing
- Professional Services
- Employee Benefit Plans
- Financial Institutions (community banks, savings & loans, thrifts, credit unions, mortgage companies, and finance companies)
- Non-Profit Organizations
- Retail Businesses
- Long-term Healthcare
- Construction & Development
- Individuals, Estates and Trusts
- Real Estate Management

Services Provided: This diversity of practice enables our personnel to experience a wide variety of business, accounting and tax situations. We provide the traditional and not-so-traditional services such as:

- Financial Audit/Review/Compilation
- Compliance Audits & Single Audits
- Agreed-Upon Procedures
- Forensic Audits
- Bond Issuance Services
- Performance Audits
- State Sales Tax Matters
- International Tax Matters
- Business & Strategic Planning
- Profitability Consulting
- Budgeting
- Buy-Sell Agreements & Business Valuation Issues
- Income Tax Planning & Preparation
- Multi-State Income Tax Issues
- Information Systems Consulting
- Cost Accounting Analysis
- Healthcare Cost Reimbursement
- Outsourced Billing Services
- Fixed Asset Inventories
- Succession & Exit Strategy Consulting
- Estate Planning
- Management Information Systems
- Employee Benefit Plan Administration
- Merger/Acquisition & Expansion Financing

Lowcountry Regional Transportation Authority

Auditor's Discussion & Analysis (AD&A)

June 30, 2020

INDEPENDENT AUDITOR'S REPORT

The independent auditor's report has specific significance to readers of the financial report.

Management's Responsibility for the Financial Statements

The financial statements are the responsibility of management.

Auditor's Responsibility

Our responsibility, as external auditors, 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. We planned and performed our audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

Opinions

We have issued an unmodified audit report (i.e., "clean opinion"). The respective financial statements are considered to present fairly the financial position and results of operations as of and for the year ended June 30, 2020.

Other Matters

Certain required supplementary information and other information is included in the financial report, and, as directed by relevant auditing standards, we have not expressed an opinion or provided any assurance on the respective information.

Other Reporting

Government Auditing Standards require auditors to issue a report on our consideration of internal control over financial reporting and on our tests of compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. We have issued such a report and reference to this report is included in the independent auditor's report.

Lowcountry Regional Transportation Authority

Auditor's Discussion & Analysis (AD&A)

June 30, 2020

OVERVIEW OF FINANCIAL STATEMENTS

Statement of Net Position

Assets & Deferred Outflows of Resources

Assets and deferred outflows of resources increased approximately \$1,347,985 in the current period. Total assets and deferred outflows of resources amount to \$8,727,891 of which \$272,544 is reported as cash and cash equivalents. This increase is the result of increases to capital assets, the pension deferred outflow of resources and the OPEB deferred outflow of resources.

Liabilities & Deferred Inflows of Resources

Liabilities and deferred inflows of resources increased approximately \$1,492,238 in the current year. This increase is attributable to the \$714,116 increase in the net pension liability as well as an increase in the net OPEB liability of \$670,939. Total liabilities and deferred inflows of resources amount to \$6,965,302 as of year-end. The Authority's portion of the SCRS pension liability and the total OPEB liability approximate \$5,930,228.

Net Position

Total net position (otherwise known as equity) amounts to \$1,762,589 of which a deficit of \$3,379,241 is considered unrestricted. The remaining elements of net position include the Authority's investment in capital assets of \$5,141,830

Net position over the past six years is as follows:

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Unrestricted	\$ (3,379,241)	\$(2,577,578)	\$(2,057,792)	\$ (759,856)	\$ (652,664)	\$ (619,129)
Net Investment in Capital Assets	<u>5,141,830</u>	<u>4,484,420</u>	<u>3,024,653</u>	<u>1,827,372</u>	<u>2,899,232</u>	<u>3,102,089</u>
Total Net Position	<u>\$ 1,762,589</u>	<u>\$ 1,906,842</u>	<u>\$ 966,861</u>	<u>\$ 1,067,516</u>	<u>\$ 2,246,568</u>	<u>\$ 2,482,960</u>
Unrestricted Net Position	\$ (3,379,241)	\$(2,577,578)	\$(2,057,792)	\$ (759,856)	\$ (652,664)	\$ (619,129)
Net Pension Liability	3,296,663	2,582,547	1,637,045	1,664,787	1,238,825	931,595
Net OPEB Liability	<u>2,633,565</u>	<u>1,962,626</u>	<u>1,178,401</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 2,550,987</u>	<u>\$ 1,967,595</u>	<u>\$ 757,654</u>	<u>\$ 904,931</u>	<u>\$ 586,161</u>	<u>\$ 312,466</u>

Lowcountry Regional Transportation Authority

Auditor's Discussion & Analysis (AD&A)

June 30, 2020

Statement of Revenues, Expenses and Changes in Net Position

Total operating revenues of the Authority decreased for the year in the amount of \$309,173, from \$938,504 in 2019 to \$629,331 in 2020. This can be attributed to decreased contract income in 2020.

Total operating expenses of the Authority increased from \$4,491,778 in 2019 to \$5,136,367 in 2020. Additionally, the Authority recognized non-operating revenues in the amount of \$4,362,783, which is primarily comprised of grant funds and interest income.

In total, the Authority's net position decreased by \$144,253 for an ending balance of \$1,762,589.

Statement of Cash Flows

The statement of cash flows is a very important statement for any enterprise, and the Authority is no different.

Net cash used in operating activities totaled \$2,937,802 for the year ended June 30, 2020, which was an increase of \$413,030 as compared to the year ended June 30, 2019.

Net cash provided by non-capital financing activities totaled \$4,357,718 for the year ended June 30, 2020, which was a decrease of \$125,099 as compared to the year ended June 30, 2019. This area shows the increase in cash related to grants received.

Additionally, net cash used in capital financing activities totaled \$1,390,116 for the year ended June 30, 2020, which was a decrease of \$647,291 as compared to the year ended June 30, 2019. This area reports that the Authority continued to reinvest in itself through capital acquisitions in the amount of \$1.4 million, offset by \$901 in proceeds received from the disposal of capital assets.

Overall, the Authority reflects an increase in cash and cash equivalents in the amount of \$33,964.

COMPLIANCE REPORTS

The financial report package contains two (2) compliance reports.

Yellow Book Report - The compliance report is a report on our tests of the Authority's internal controls and compliance with laws, regulations, etc. The tests of internal controls were those we determined to be required as a basis for designing our financial statement auditing procedures. Such tests also considered the Authority's compliance, which could have a direct and material effect on the determination of financial statement amounts. In accordance with the respective standards, the report is **not** intended to provide an opinion, but to provide a form of negative assurance as to the Authority's internal controls and compliance with applicable rules and regulations.

Lowcountry Regional Transportation Authority

Auditor's Discussion & Analysis (AD&A)

June 30, 2020

Single Audit Report: The second compliance report is a report on our tests of the Authority's internal controls and compliance with laws, regulations, etc. relative to certain Federal grant programs and the respective expenditures. Our tests were performed on the Authority's major programs (as defined by the relevant Federal guidelines), and were not applied to each and every Federal grant expended by the Authority. In accordance with the respective standards, we did provide an unmodified (or positive) opinion on the Authority's compliance based on our audit. However, we were not required to provide an opinion on the relevant internal controls, but to provide a form of negative assurance on such controls.

REQUIRED COMMUNICATIONS

The Auditor's Responsibility Under Government Auditing Standards and Auditing Standards Generally Accepted in the United States of America

Our audit of the financial statements of the Authority for the year ended June 30, 2020, was conducted in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether caused by error, fraudulent financial reporting or misappropriation of assets. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. Accordingly, the audit was designed to obtain reasonable, rather than absolute, assurance about the financial statements. We believe our audit accomplishes that objective.

In accordance with *Government Auditing Standards*, we have also performed tests of controls and compliance with laws and regulations that contribute to the evidence supporting our opinion on the financial statements. However, they do not provide a basis for opining on the Authority's internal control or compliance with laws and regulations.

Accounting Policies

Management has the ultimate responsibility for the appropriateness of the accounting policies used by the Authority. In addition, there will be new accounting standards, which will be required to be implemented in the coming years and are discussed later in this document.

In considering the qualitative aspects of the Authority's accounting policies, we did not identify any significant or unusual transactions or significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus. The Authority's policies relative to the timing of recording of transactions are consistent with GAAP and typical government organizations.

Lowcountry Regional Transportation Authority

Auditor's Discussion & Analysis (AD&A)

June 30, 2020

Management Judgments and Accounting Estimates

Accounting estimates are an integral part of the preparation of financial statements and are based upon management's current judgment. The process used by management encompasses their knowledge and experience about past and current events and certain assumptions about future events. Management has informed us they used all the relevant facts available to them at the time to make the best judgments about accounting estimates and we considered this information in the scope of our audit. We considered this information and the qualitative aspects of management's calculations in evaluating the Authority's significant accounting estimates. Estimates significant to the financial statements include such items as the estimated allowance for uncollectible accounts receivable and the estimated claims payable.

Financial Statement Disclosures

The footnote disclosures to the financial statements are also an integral part of the financial statements. The process used by management to accumulate the information included in the disclosures was the same process used in accumulating the financial statements and the accounting policies described above are included in those disclosures. The overall neutrality, consistency, and clarity of the disclosures was considered as part of our audit and in forming our opinion on the financial statements.

Significant Difficulties Encountered in Performing the Audit

We encountered no difficulties in dealing with management relating to the performance of the audit.

Audit Adjustments

During our audit of the Authority's basic financial statements as of and for the year ended June 30, 2020, there were several adjustments proposed to the accounts of the Authority. Most of these adjustments pertained to GASB 68 (pension) and GASB 75 (OPEB). The detail of all audit adjustments have been provided to management. All adjustments have been discussed with management and have been posted.

Uncorrected Misstatements

We had no passed adjustments.

Disagreements with Management

We encountered no disagreements with management over the application of significant accounting principles, the basis for management's judgments on significant matters, the scope of the audit or significant disclosures to be included in the financial statements.

Lowcountry Regional Transportation Authority

Auditor's Discussion & Analysis (AD&A)

June 30, 2020

Representation from Management

We requested written representations from management relating to the accuracy of information included in the financial statements and the completeness and accuracy of various information requested by us, during the audit. Management provided those written representations without a problem.

Management's Consultations with Other Accountants

We are not aware of any consultations management had with other accountants about accounting or auditing matters.

Significant Issues Discussed with Management

There were no significant issues discussed with management related to business conditions, plans, or strategies that may have affected the risk of material misstatement of the financial statements. We are not aware of any consultations management had with us or other accountants about accounting or auditing matters. No major issues were discussed with management prior to our retention to perform the aforementioned audit.

Other Information in Documents Containing Audited Financial Statements

We are not aware of any other documents that contain the audited basic financial statements. If such documents were to be published, we would have a responsibility to determine that such financial information was not materially inconsistent with the audited statements of the Authority.

Independence

We are independent of the Authority, and all related organizations, in accordance with auditing standards promulgated by the American Institute of Public Accountants and *Government Auditing Standards*, issued by the Comptroller General of the United States.

ACCOUNTING RECOMMENDATIONS AND RELATED MATTERS

Recommendations for Improvement and Other Matters

During our audit of the financial statements as of and for the year ended June 30, 2020, we noted an area within the accounting and internal control system that we believe can be improved. Our recommendation is presented in the following paragraph. We believe consideration of this recommendation will help provide proper control over financial activities, and add effectiveness and efficiency to overall operations.

Lowcountry Regional Transportation Authority

Auditor's Discussion & Analysis (AD&A)

June 30, 2020

During our review of cash, we noted that timely reconciliations of bank accounts were not being performed during the fiscal year 2020. Additionally, we noted there was no formal review of manual adjusting journal entries prior to posting to the Authority's accounting records during the fiscal year 2020. We recommend the Authority implement sufficient controls to ensure cash is reconciled in a timely manner and all manual journal entries are reviewed and approved prior to posting. This will mitigate opportunities for fraud and strengthen the Authority's internal controls.

Other Matters for Communication to the Board and Management

During our audit of the financial statements as of and for the year ended June 30, 2020, we noted other matters which we wish to communicate to you in an effort to keep the Authority abreast of accounting matters that could present challenges in financial reporting in future periods.

1) New Governmental Accounting Standards Board (GASB) Pronouncements



As has been the case for the past 10 years, GASB has issued several other new pronouncements which will be effective in future years. The following is a brief summary of the new standards:

- a) **Statement No. 84, *Fiduciary Activities*** was issued in January 2017 and is effective for the first reporting period beginning after December 15, 2018. However, in light of the COVID-19 Pandemic, in May 2020 the GASB issued Statement No. 95 (*Postponement of the Effective Dates of Certain Authoritative Guidance*) which changed the effective date of Statement No. 84 to reporting periods beginning after December 15, 2019.

This statement establishes criteria for identifying fiduciary activities with a focus on: 1) whether a government is controlling the assets of the fiduciary activity; and, 2) the beneficiaries with whom a fiduciary relationship exists.

Further, this statement describes four (4) fiduciary funds that should be reported, if applicable: 1) pension and other employee benefit trust funds; 2) investment trust funds; 3) private-purpose trust funds; and, 4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria.

- b) **Statement No. 87, *Leases*** was issued in June 2017 and is effective for the first reporting period beginning after December 15, 2019. However, in light of the COVID-19 Pandemic, in May 2020 the GASB issued Statement No. 95 (*Postponement of the Effective Dates of Certain Authoritative Guidance*) which changed the effective date of Statement No. 87 to fiscal years beginning after June 15, 2021.

Lowcountry Regional Transportation Authority

Auditor's Discussion & Analysis (AD&A)

June 30, 2020

This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the principle that a lease is the financing of the right to use an underlying asset.

Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

Definition of a Lease: A lease is defined as a contract that conveys control of the right to use another entity's nonfinancial asset (the underlying asset) as specified in the contract for a period of time in an exchange or exchange-like transaction. Examples of nonfinancial assets include buildings, land, vehicles, and equipment. Any contract that meets this definition should be accounted for under the lease's guidance, unless specifically excluded in this Statement.

Lease Term: The lease term is defined as the period during which a lessee has a non-cancelable right to use an underlying asset, plus the following periods, if applicable:

- Periods covered by a lessee's option to extend the lease if it is reasonably certain, based on all relevant factors, that the lessee will exercise that option;
- Periods covered by a lessee's option to terminate the lease if it is reasonably certain, based on all relevant factors, that the lessee will not exercise that option;
- Periods covered by a lessor's option to extend the lease if it is reasonably certain, based on all relevant factors, that the lessor will exercise that option;
- Periods covered by a lessor's option to terminate the lease if it is reasonably certain, based on all relevant factors, that the lessor will not exercise that option.

A fiscal funding or cancellation clause should affect the lease term only when it is reasonably certain that the clause will be exercised. Lessees and lessors should reassess the lease term only if one or more of the following occur:

- The lessee or lessor elects to exercise an option even though it was previously determined that it was reasonably certain that the lessee or lessor would not exercise that option;
- The lessee or lessor elects not to exercise an option even though it was previously determined that it was reasonably certain that the lessee or lessor would exercise that option;
- An event specified in the lease contract that requires an extension or termination of the lease takes place.

Lowcountry Regional Transportation Authority

Auditor's Discussion & Analysis (AD&A)

June 30, 2020

Short-Term Leases: A short-term lease is defined as a lease that, at the commencement of the lease term, has a maximum possible term under the lease contract of 12 months (or less), including any options to extend, regardless of their probability of being exercised. Lessees and lessors should recognize short-term lease payments as outflows of resources or inflows of resources, respectively, based on the payment provisions of the lease contract.

Lessee Accounting: A *lessee* should recognize a lease liability and a lease asset at the commencement of the lease term, unless the lease is a short-term lease or it transfers ownership of the underlying asset. The lease liability should be measured at the present value of payments expected to be made during the lease term (less any lease incentives). The lease asset should be measured at the amount of the initial measurement of the lease liability, plus any payments made to the lessor at or before the commencement of the lease term and certain direct costs.

A *lessee* should reduce the lease liability as payments are made and recognize an outflow of resources (for example, expense) for interest on the liability. The lessee should amortize the lease asset in a systematic and rational manner over the shorter of the lease term or the useful life of the underlying asset. The notes to financial statements should include a description of leasing arrangements, the amount of lease assets recognized, and a schedule of future lease payments to be made.

Lessor Accounting: A *lessor* should recognize a lease receivable and a deferred inflow of resources at the commencement of the lease term, with certain exceptions for leases of assets held as investments, certain regulated leases, short-term leases, and leases that transfer ownership of the underlying asset. A lessor should not derecognize the asset underlying the lease. The lease receivable should be measured at the present value of lease payments expected to be received during the lease term. The deferred inflow of resources should be measured at the value of the lease receivable plus any payments received at or before the commencement of the lease term that relate to future periods.

A lessor should recognize interest revenue on the lease receivable and an inflow of resources (for example, revenue) from the deferred inflows of resources in a systematic and rational manner over the term of the lease. The notes to financial statements should include a description of leasing arrangements and the total amount of inflows of resources recognized from leases.

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Contracts with Multiple Components and Contract Combinations: Generally, a government should account for the lease and non-lease components of a lease as separate contracts. If a lease involves multiple underlying assets, lessees and lessors in certain cases should account for each underlying asset as a separate lease contract. To allocate the contract price to different components, lessees and lessors should use contract prices for individual components as long as they do not appear to be unreasonable based on professional judgment, or use professional judgment to determine their best estimate if there are no stated prices or if stated prices appear to be unreasonable. If determining a best estimate is not practicable, multiple components in a lease contract should be accounted for as a single lease unit. Contracts that are entered into at or near the same time with the same counterparty and that meet certain criteria should be considered part of the same lease contract and should be evaluated in accordance with the guidance for contracts with multiple components.

Lease Modifications and Terminations: An *amendment* to a lease contract should be considered a lease modification, unless the lessee's right to use the underlying asset decreases, in which case it would be a partial or full lease termination. A lease termination should be accounted for by reducing the carrying values of the lease liability and lease asset by a lessee, or the lease receivable and deferred inflows of resources by the lessor, with any difference being recognized as a gain or loss. A lease modification that does not qualify as a separate lease should be accounted for by re-measuring the lease liability and adjusting the related lease asset by a lessee and re-measuring the lease receivable and adjusting the related deferred inflows of resources by a lessor.

Subleases and Leaseback Transactions: Subleases should be treated as transactions separate from the original lease. The original lessee that becomes the lessor in a sublease should account for the original lease and the sublease as separate transactions, as a lessee and lessor, respectively.

A transaction qualifies for sale-leaseback accounting only if it includes a sale. Otherwise, it is a borrowing. The sale and lease portions of a transaction should be accounted for as separate sale and lease transactions, except that any difference between the carrying value of the capital asset that was sold and the net proceeds from the sale should be reported as a deferred inflow of resources or a deferred outflow of resources and recognized over the term of the lease.

A lease-leaseback transaction should be accounted for as a net transaction. The gross amounts of each portion of the transaction should be disclosed.

- c) **Statement 88, Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements** was issued in March 2018 and is effective for reporting periods beginning after June 15, 2018 (meaning June 30, 2019). However, in light of the COVID-19 Pandemic, in May 2020 the GASB issued Statement No. 95 (*Postponement of the Effective Dates of Certain Authoritative Guidance*) which changed the effective date of Statement No. 88 to reporting periods beginning after June 15, 2019.

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This standard defines debt for disclosure purposes and adds disclosures related to debt (it does not reduce any previously required disclosures).

Under Statement 88, debt for disclosure purposes is defined as a liability that arises from a contractual obligation to pay cash (or other assets) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. This would include, but is not limited to:

- Direct Borrowings: Entering into a loan agreement with a lender.
- Direct Placements: Issuing a debt security directly to an investor.

This excludes leases (except for contracts reported as a financed purchase) and accounts payable.

In addition to other disclosures related to debt, the notes to the financial statements should include:

- The amount of any unused lines of credit.
- Assets pledged as collateral for debt.
- Terms specified in the debt agreement related to significant:
 - Events of default with finance-related consequences
 - Termination events with finance-related consequences
 - Subjective acceleration clauses
- Debt disclosures should separate information regarding direct borrowings and direct placements from other debt.

- d) Statement 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*** was issued in June 2018 and is effective for reporting periods beginning after December 15, 2019 (meaning June 30, 2021). However, in light of the COVID-19 Pandemic, in May 2020 the GASB issued Statement No. 95 (*Postponement of the Effective Dates of Certain Authoritative Guidance*) which changed the effective date of Statement No. 89 to reporting periods beginning after December 15, 2020.

This standard eliminates the requirement/ability to capitalize construction period interest costs as part of the cost of a capital asset in enterprise funds. This standard should be applied prospectively with no restatement. This standard can be early implemented as part of fiscal year 2019.

- e) Statement 90, *Majority Equity Interests – An Amendment of GASB's No. 14 and 61*** was issued in August 2018, and is effective for reporting periods beginning after December 15, 2018 (meaning June 30, 2020). However, in light of the COVID-19 Pandemic, in May 2020 the GASB issued Statement No. 95 (*Postponement of the Effective Dates of Certain Authoritative Guidance*) which changed the effective date of Statement No. 90 to reporting periods beginning after December 15, 2019.

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Under this standard, an equity interest is: a) a financial interest in a legally separate organization by the ownership shares of the organization's stock; or b) by otherwise having an explicit, measurable right to the net resources of the organization that is usually based on an investment of financial or capital resources by a government. An equity interest is explicit and measurable if: a) the government has a present or future claim to the net resources of the entity, and b) the method for measuring the government's share of the entity's net resources is determinable.

If the interest is deemed to be an investment under GASB No. 72, paragraph 64, then the interest should be reported as an investment and measured using the equity method. If the interest is held by a special-purpose government engaged in fiduciary activities, a fiduciary fund, or an endowment or permanent fund, then the amount should be measured at fair value. If interest is 100% of entity, then it is a component unit. We do not expect this new standard to have a significant effect on the Authority.

- f) **Statement No. 91, *Conduit Debt Obligations*** was issued in May 2019 and is effective for the first reporting period beginning after December 15, 2020, meaning for those with year ends of December 31, 2021 and beyond. However, in light of the COVID-19 Pandemic, in May 2020 the GASB issued Statement No. 95 (*Postponement of the Effective Dates of Certain Authoritative Guidance*) which changed the effective date of Statement No. 91 to reporting periods beginning after December 15, 2021.

The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures.

A conduit debt obligation is defined as a debt instrument meeting **all** of the following characteristics:

- There are at least three parties involved: (1) an issuer, (2) a third-party obligor, and (3) a debt holder (or a debt trustee);
- The issuer and the third-party obligor are not within the same financial reporting entity;
- The debt obligation is not a parity bond of the issuer, nor is it cross-collateralized with other debt of the issuer;
- The third-party obligor (or its agent), not the issuer, ultimately receives the proceeds from the debt issuance;
- The third-party obligor, not the issuer, is primarily obligated for the payment of all amounts associated with the debt obligation (debt service payments).

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All conduit debt obligations involve the issuer making a limited commitment. Some issuers extend additional commitments or voluntary commitments to support debt service in the event the third party is, or will be, unable to do so.

An issuer should not recognize a conduit debt obligation as a liability. However, an issuer should recognize a liability associated with an additional commitment or a voluntary commitment to support debt service if certain recognition criteria are met. As long as a conduit debt obligation is outstanding, an issuer that has made an additional commitment should evaluate at least annually whether those criteria are met. An issuer that has made only a limited commitment should evaluate whether those criteria are met when an event occurs that causes the issuer to reevaluate its willingness or ability to support the obligor's debt service through a voluntary commitment.

This Statement also addresses arrangements—often characterized as leases—that are associated with conduit debt obligations. In those arrangements, capital assets are constructed or acquired with the proceeds of a conduit debt obligation and used by third-party obligors in the course of their activities. Payments from third-party obligors are intended to cover and coincide with debt service payments. During those arrangements, issuers retain the titles to the capital assets. Those titles may or may not pass to the obligors at the end of the arrangements.

Issuers should not report those arrangements as leases, nor should they recognize a liability for the related conduit debt obligations or a receivable for the payments related to those arrangements. In addition, the following provisions apply:

- If the title passes to the third-party obligor at the end of the arrangement, an issuer should not recognize a capital asset.
- If the title does not pass to the third-party obligor and the third party has exclusive use of the entire capital asset during the arrangement, the issuer should not recognize a capital asset until the arrangement ends.
- If the title does not pass to the third-party obligor and the third party has exclusive use of only portions of the capital asset during the arrangement, the issuer should recognize the entire capital asset and a deferred inflow of resources at the inception of the arrangement. The deferred inflow of resources should be reduced, and an inflow recognized, in a systematic and rational manner over the term of the arrangement.

This Statement requires issuers to disclose general information about their conduit debt obligations, organized by type of commitment, including the aggregate outstanding principal amount of the issuers' conduit debt obligations and a description of each type of commitment. Issuers that recognize liabilities related to supporting the debt service of conduit debt obligations also should disclose information about the amount recognized and how the liabilities changed during the reporting period.

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g) Statement No. 92, *Omnibus 2020* was issued in January 2020 and because it is an omnibus standard, contains several different effective dates as follows (as amended by Statement No. 95 issued in May 2020):

- For fiscal years beginning after June 15, 2021 relative to the requirements related to intra-entity transfers of assets and those related to the applicability of Statements 73 and 74.
- For reporting periods beginning after June 15, 2021 relative to the requirements related to application of Statement 84 to post-employment benefit arrangements and those related to nonrecurring fair value measurements of assets or liabilities.
- For government acquisitions occurring in reporting periods beginning after June 15, 2021. The requirements related to the measurement of liabilities (and assets, if any) associated with AROs in a government acquisition.
- Other items addressed by this omnibus statement (requirements related to Statement No. 87 and Implementation Guide 2019-3, reinsurance recoveries, and terminology used to refer to derivative instruments) were effective upon issuance.

The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics and includes specific provisions about the following:

- The effective date of Statement No. 87, Leases, and Implementation Guide No. 2019-3, Leases, for interim financial reports.
- Reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit other post-employment benefit (OPEB) plan.
- The applicability of Statements No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68, as amended, and No. 74, Financial Reporting for Post-employment Benefit Plans Other Than Pension Plans, as amended, to reporting assets accumulated for post-employment benefits.
- The applicability of certain requirements of Statement No. 84, Fiduciary Activities, to post-employment benefit arrangements.
- Measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition.

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- Reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers.
- Reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature.
- Terminology used to refer to derivative instruments.

h) Statement No. 93, *Replacement of Interbank Offered Rates* was issued in March 2020 and contains two (2) different effective dates. The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021. All other requirements of this Statement are effective for reporting periods beginning after June 15, 2020.

As a result of global reference rate reform, the London Interbank Offered Rate ("LIBOR") is expected to cease to exist in its current form at the end of 2021, prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates, by either changing the reference rate or adding or changing fallback provisions related to the reference rate.

The objective of this Statement is to address those and other accounting and financial reporting implications that result from the replacement of an IBOR. This Statement achieves that objective by:

- Providing exceptions for certain hedging derivative instruments to the hedge accounting termination provisions when an IBOR is replaced as the reference rate of the hedging derivative instrument's variable payment
- Clarifying the hedge accounting termination provisions when a hedged item is amended to replace the reference rate
- Clarifying that the uncertainty related to the continued availability of IBORs does not, by itself, affect the assessment of whether the occurrence of a hedged expected transaction is probable
- Removing LIBOR as an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap
- Identifying a Secured Overnight Financing Rate and the Effective Federal Funds Rate as appropriate benchmark interest rates for the qualitative evaluation of the effectiveness of an interest rate swap
- Clarifying the definition of reference rate, as it is used in Statement 53, as amended.

i) Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* was issued in March 2020 and is effective for fiscal years beginning after June 15, 2022 which means year ends of June 30, 2023 and following.

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This statement was issued by the GASB to address a gap in generally accepted accounting principles: how do we account for these type arrangements that do not meet the definition of a service concession arrangement (SCA) covered by GASB Statement No. 60.

Statement No. 94 requires that Public-Private Partnerships and Public-Public Partnerships ("PPPs") that meet the definition of a lease apply the guidance in Statement No. 87, *Leases* if: a) existing assets of the transferor are the only underlying PPP assets, b) improvements are not required to be made by the operator to those existing assets as part of the PPP arrangement, and c) the PPP does not meet the definition of an SCA. All other PPPs that will not apply the guidance in Statement No. 87 will generally use the accounting guidance contained in Statement No. 60 which was superseded by this new Standard.

Statement No. 94 also establishes accounting and financial reporting requirements for availability payment arrangements (APAs). As defined in this Statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. An APA that is related to designing, constructing, and financing a nonfinancial asset in which ownership of the asset transfers by the end of the contract should be accounted for by the government as a financed purchase of the underlying asset.

- j) **Statement No. 96, *Subscription-Based Information Technology Arrangements*** was issued in May 2020 and is effective for fiscal years beginning after June 15, 2022 which means year ends of June 30, 2023 and following.

This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended.

A SBITA is defined as a contract that conveys control of the right to use another party's (a SBITA vendor's) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction.

The subscription term includes the period during which a government has a non-cancellable right to use the underlying IT assets. The subscription term also includes periods covered by an option to extend (if it is reasonably certain that the government or a SBITA vendor will exercise that option) or to terminate (if it is reasonably certain that the government or a SBITA vendor will not exercise that option).

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Under this Statement, a government generally should recognize a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability. A government should recognize the subscription liability at the commencement of the subscription term, which is when the subscription asset is placed into service. The subscription liability should be initially measured at the present value of subscription payments expected to be made during the subscription term. Future subscription payments should be discounted using the interest rate the SBITA vendor charges the government, which may be implicit, or the government's incremental borrowing rate if the interest rate is not readily determinable. A government should recognize amortization of the discount on the subscription liability as an outflow of resources (for example, interest expense) in subsequent financial reporting periods.

The subscription asset should be initially measured as the sum of: 1) the initial subscription liability amount, 2) payments made to the SBITA vendor before commencement of the subscription term, and 3) capitalizable implementation costs, less any incentives received from the SBITA vendor at or before the commencement of the subscription term. A government should recognize amortization of the subscription asset as an outflow of resources over the subscription term.

Activities associated with a SBITA, other than making subscription payments, should be grouped into the following three stages, and their costs should be accounted for accordingly:

- Preliminary Project Stage, including activities such as evaluating alternatives, determining needed technology, and selecting a SBITA vendor. Outlays in this stage should be expensed as incurred.
- Initial Implementation Stage, including all ancillary charges necessary to place the subscription asset into service. Outlays in this stage generally should be capitalized as an addition to the subscription asset.
- Operation and Additional Implementation Stage, including activities such as subsequent implementation activities, maintenance, and other activities for a government's ongoing operations related to a SBITA. Outlays in this stage should be expensed as incurred unless they meet specific capitalization criteria.

In classifying certain outlays into the appropriate stage, the nature of the activity should be the determining factor. Training costs should be expensed as incurred, regardless of the stage in which they are incurred.

- k) **Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*** was issued in June 2020 and is effective for fiscal years beginning after June 15, 2021 (year ends of June 30, 2022 and following).

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The primary objectives of this Statement are to: 1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; 2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other post-employment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and 3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans.

This Statement requires that for purposes of determining whether a primary government is financially accountable for a potential component unit, except for a potential component unit that is a defined contribution pension plan, a defined contribution OPEB plan, or an other employee benefit plan (for example, certain Section 457 plans), the absence of a governing board should be treated the same as the appointment of a voting majority of a governing board if the primary government performs the duties that a governing board typically would perform. This Statement also requires that the financial burden criterion in paragraph 7 of Statement No. 84, *Fiduciary Activities*, be applicable to only defined benefit pension plans and defined benefit OPEB plans that are administered through trusts.

This Statement: 1) requires that a Section 457 plan be classified as either a pension plan or an other employee benefit plan depending on whether the plan meets the definition of a pension plan and 2) clarifies that Statement 84, as amended, should be applied to all arrangements organized under IRC Section 457 to determine whether those arrangements should be reported as fiduciary activities.

- I) Other Pending or Current GASB Projects.** As noted by the numerous pronouncements issued by GASB over the past decade, the GASB continues to research various projects of interest to governmental units. Subjects of note include:
- **Re-Examination of the Financial Reporting Model.** GASB has added this project to its technical agenda to make improvements to the existing financial reporting model (established via GASB 34). Improvements are meant to enhance the effectiveness of the model in providing information for decision-making and assessing a government's accountability. GASB anticipates a final standard expected in early 2022.

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- **Conceptual Framework** is a constant matter being looked at by GASB. Current measurement focus statements (for governmental funds) to change to near-term financial resources measurement: 1) may dictate a period (such as 60 days) for revenue and expenditure recognition; 2) may expense things such as supplies and prepaid assets at acquisition; and 3) Will look into which balances (at all statement levels) are measured at acquisition and which need to be re-measured at year-end. Final standard is expected in 2022.
- **Revenue and Expense Recognition** is another long-term project where the GASB is working to develop a comprehensive application model for recognition of revenues and expenses from non-exchange, exchange, and exchange-like transactions. The final standard is expected in 2023.
- **Compensated Absences** is technical topic being examined by the GASB currently due to significant changes in benefits offered by governmental employers. Current GAAP does not address certain items such as paid time off (PTO) and there is a wide divergence in practice. A final standard on this topic is expected towards the end of 2021.
- **Prior-Period Adjustments, Accounting Changes, and Error Corrections** is a technical topic being examined by the GASB due to a wide diversity in practice regarding required presentation on the face of the financial statements, disclosures, etc. A final standard on this topic is expected in early 2022.

Summations of Thoughts Noted Above

We believe the implementation of these suggestions will enhance both the control environment and the financial reporting process, making both more effective. We also believe these recommendations can be easily implemented, and all problems resolved quite timely should management elect to employ the corrective measures.

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FREE QUARTERLY CONTINUING EDUCATION AND NEWSLETTERS FOR GOVERNMENTAL CLIENTS

Free Continuing Education. We provide free continuing education (quarterly is the goal and objective) for all of our governmental clients. Each quarter we pick a couple of significant topics tailored to be of interest to governmental entities. In an effort to accommodate our entire governmental client base, we offer the sessions several times per quarter at a variety of client provided locations resulting in greater networking among our governmental clients. We normally see approximately 100 people per quarter. We obtain the input and services of experienced outside speakers along with providing the instruction utilizing our in-house professionals. We hope the Authority staff and officials have been able to participate in this opportunity, and that it has been beneficial to you.

"I've been a CPA for 32 years. Today's CPE class by Mauldin & Jenkins has been the best of my career". Terry Nall, CPA, City of Dunwoody (GA) Council Member

"They are always on top of new accounting pronouncements and provide training well before implementation deadlines. This is a very valuable resource for our organization". Laurie Puckett, CPA, CPFO, Gwinnett County (GA), Accounting Director



Examples of subjects addressed in past quarters include:

- Accounting for Debt Issuances
- American Recovery & Reinvestment Act (ARRA) Updates
- Best Budgeting Practices, Policies and Processes
- Budget Preparation
- CAFR Preparation (several times including a two (2) day hands-on course)
- Capital Asset Accounting Processes and Controls
- Closing Out and Audit Preparation
- Collateralization of Deposits and Investments
- Evaluating Financial and Non-Financial Health of a Local Government
- GASB No. 51, Intangible Assets
- GASB No. 54, Governmental Fund Balance (subject addressed twice)
- GASB No. 60, Service Concession Arrangements (webcast)
- GASB No. 61, the Financial Reporting Entity (webcast)
- GASB No.'s 63 & 65, Deferred Inflows and Outflows (webcast)
- GASB No.'s 67 & 68, New Pension Standards (presented several occasions)
- GASB No. 72, Fair Value Measurement and Application
- GASB No. 74 & 75, New OPEB Standards
- GASB No. 77, Tax Abatement Disclosures
- GASB No. 87, Leases
- GASB Updates (ongoing and several sessions)

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- Grant Accounting Processes and Controls
- Information Technology (IT) Risk Management
- Internal Controls Over Accounts Payable, Payroll and Cash Disbursements
- Internal Controls Over Receivables & the Revenue Cycle
- Internal Revenue Service (IRS) Compliance Issues, Primarily Payroll Matters
- Legal Considerations for Debt Issuances & Disclosure Requirements
- Policies and Procedures Manuals
- Presenting Financial Information to Non-Financial People
- Segregation of Duties
- Single Audits for Auditees
- SPLOST Accounting, Reporting & Compliance
- Uniform Grant Reporting Requirements and the New Single Audit



Governmental Newsletters. We periodically produce newsletters tailored to meet the needs of governments. The newsletters have addressed a variety of subjects and are intended to be timely in their subject matter. The newsletters are authored by Mauldin & Jenkins partners and managers, and are not purchased from an outside agency. The newsletters are intended to keep you informed of current developments in the government finance environment.

In the past several years, the following topics have been addressed in our monthly newsletters:

- American Recovery & Reinvestment Act (ARRA) Information and Issues
- Are Your Government's Funds Secure?
- Capitalization of Interest
- Changes in FDIC Deposit Insurance Coverage
- Changes on the Horizon for OMB Circular A-133
- Cybersecurity Awareness
- Deposit Collateralization
- Employee vs Independent Contractor
- Escheat Laws on Unclaimed Property
- Federal Funding and Accountability Transparency Act
- Forensic Audit or Financial Audit?
- Form PT 440
- GASB Invitation to Comment – the New Financial Reporting Model
- GASB No. 54, Governmental Fund Balance
- GASB No. 54, Governmental Fund Balance Note Disclosure Requirements
- GASB No. 60, Service Concession Arrangements
- GASB No. 67, New Pension Standard
- GASB No.'s 63 & 65, Deferred Inflows & Outflows
- GASB No. 68 Allocations

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- GASB No. 72, Fair Value, It is Not Totally About Disclosure
- GASB No.'s 74 & 75, Other Post-Employment Benefits (OPEB)
- GASB No. 77, Abatements – Go Viral with GASB 77
- GASB No. 87, Leases
- GASB No. 89, Accounting for Interest Cost Incurred Before the End of Construction
- IRS Delays Implementation of 3% Withholding on Payments for Goods and Services
- OMB A-133 Compliance Supplements
- OMB Revisions to A-133
- OPEB, What You Need to Know
- Public Funds and Secure Deposit Program
- Re-Examination of the GASB 34 Reporting Model
- Rotating or Not Rotating Auditors
- Property Tax Assessments
- Refunding Debt
- Sales & Use Taxes on Retail Sales of Jet Fuel
- Sales Tax Collections and Remittances by the State
- SAS Clarity Standards and Group Audits
- Single Audit, including Uniform Guidance (several)
- Social Security Administration (SSA) Incentive Payments
- Special Purpose Local Option Sales Taxes (SPLOST) Expenditures
- Supplemental Social Security for Inmates
- The New Tax Cuts and Jobs Act – Impact on Bond Refunding
- The Return of the Component Unit – GASB 61
- Uniform Guidance & New Procurement Requirements
- What's Happening with Property Tax Assessments

Communication. In an effort to better communicate our free continuing education plans and newsletters, please email Paige Vercoe at pvercoe@mjcpa.com (send corresponding copy to tscott@mjcpa.com), and provide individual names, mailing addresses, email addresses and phone numbers of anyone you wish to participate and be included in our database.

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CLOSING

If you have any questions regarding any comments set forth in this memorandum, we will be pleased to discuss those with you at your convenience.

This information is intended solely for the use of the Authority's management, and others within the Authority's organization and is not intended to be and should not be used by anyone other than these specified parties.

We appreciate the opportunity to serve Lowcountry Regional Transportation Authority and look forward to serving the Authority in the future. Thank you.



LOWCOUNTRY REGIONAL TRANSPORTATION AUTHORITY,

**DBA PALMETTO BREEZE
INDEPENDENT ACCOUNTANT'S REPORT ON
APPLYING AGREED-UPON PROCEDURES
JUNE 30, 2020**



INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

Lowcountry Regional Transportation Authority dba Palmetto Breeze and the Federal Transit Administration

We have performed the procedures enumerated below, on the application of the requirements of the Federal Transit Administration ("FTA") as set forth in its applicable National Transit Database ("NTD"), Uniform System of Accounts ("USOA") by the **Lowcountry Regional Transportation Authority (LRTA)** (the "Authority") for the fiscal year ended June 30, 2020. Such procedures, which were agreed to by the management of the Authority and the FTA, were performed to assist the Authority and FTA in determining conformance with USOA requirements based on the following assertion by the Authority's management:

The accounting system, from which the NTD reports for the year ended June 30, 2020 were derived, uses the accrual basis of accounting and is directly translated using a clear audit trail, to the accounting treatment and categories specified by the USOA.

The Authority's management is responsible for conformance with the requirements described above. The sufficiency of these procedures is solely the responsibility of the parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below, either for the purpose for which this report has been requested or for any other purpose.

The agreed-upon procedures and associated findings are as follows:

1. Procedure: NTD Crosswalk

- a. Obtain the Reduced Reporter Form RR-20 prepared by management for the year ended June 30, 2020.
- b. Obtain the reconciliation documentation management prepares (referred to as "the crosswalk" throughout this report) to reconcile the chart of accounts, general ledger, and/or trial balance and other supporting documents such as Excel spreadsheets (collectively referred to as the accounting system) to Form RR-20.
- c. Inquire of management as to whether the crosswalk obtained in procedure 1.b is supported by the accounting system.
- d. Inquire of management as to whether the crosswalk includes the full cost of providing transit service, including costs incurred by the Authority to specifically support the agency's transit service.

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- e. Inspect the crosswalk to determine that it incorporates NTD reporting using the applicable modes and types of service identified in Form RR-20.

Findings:

No exceptions were found as a result of this procedure.

2. Procedure: Accrual Accounting

- a. Obtain the most recent audited financial statements that includes the transit agency and inspect the notes to the financial statements to determine whether the accrual basis of accounting was used.
- b. Inquire of management as to whether the accrual basis of accounting has continued to be used since the last audited reporting period and that it is used for NTD reporting in the current period.

Findings:

No exceptions were found as a result of this procedure.

3. Procedure: Sources of Revenue Expended

- a. Trace and agree the two largest directly generated fund passenger fare revenue modes (all service types) from Form RR-20 to the accounting system.
- b. Trace and agree the largest source of funds expended (other than passenger fares) in the following major categories of funds from Form RR-20 to the accounting system: 1) Other Directly Generated Funds; 2) Revenue Accrued Through a PT Agreement; 3) Non-Federal Funds; and 4) Federal Funds.
- c. For each of the largest source of funds expended in 3.b, inspect the crosswalk to determine that it identifies, evaluates, and classifies financial transactions into categories of funds expended on operations and funds expended on capital (USOA Section 2) for the reporting year.

Findings:

No exceptions were found as a result of this procedure.

4. Procedure: Funds Expended

- a. Trace and agree the aggregate of total funds expended for operations and total funds expended for capital from Form RR-20 to the accounting system using the crosswalk or other written expense documentation.
- b. For the two largest modes/types of services, trace and agree funds expended on operations and funds expended on capital from Form RR-20 to the crosswalk or other written documentation of functional expenses.

Findings:

No exceptions were found as a result of this procedure.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants ("AICPA"). We were not engaged to, and did not, conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, of the Authority's conformance with the requirements described above for the year ended June 30, 2020. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of management of the Authority and the FTA and is not intended to be and should not be used by anyone other than these specified parties.

Mauldin & Jenkins, LLC

February 26, 2021
Savannah, Georgia