

CHARLESTON AREA REGIONAL TRANSPORTATION AUTHORITY
(d/b/a CARTA)

AUDITED BASIC FINANCIAL STATEMENTS
AND
SUPPLEMENTARY FEDERAL FINANCIAL ASSISTANCE REPORTS

YEAR ENDED SEPTEMBER 30, 2018

WITH
REPORT OF INDEPENDENT AUDITOR

CHARLESTON AREA REGIONAL TRANSPORTATION AUTHORITY
(d/b/a CARTA)

CHARLESTON AREA REGIONAL TRANSPORTATION AUTHORITY
(d/b/a CARTA)

AUDITED BASIC FINANCIAL STATEMENTS
AND
SUPPLEMENTARY FEDERAL FINANCIAL ASSISTANCE REPORTS

YEAR ENDED SEPTEMBER 30, 2018

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CHARLESTON AREA REGIONAL TRANSPORTATION AUTHORITY
(d/b/a CARTA)

ROBERT E. MILHOUS, C.P.A., P.A. & ASSOCIATES

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REPORT OF INDEPENDENT AUDITOR

Board of Directors
Charleston Area Regional Transportation Authority
North Charleston, South Carolina

Report on the Financial Statements

I have audited the accompanying financial statements of the Charleston Area Regional Transportation Authority (“CARTA”), which comprise the statement of net position as of September 30, 2018, and the related statements of revenue, expenses and changes in fund net position and cash flows for the year then ended, and the related notes to the financial statements.

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. Management’s responsibility also 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

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my 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 I 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 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, I 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. I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my opinion.

Unmodified Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of CARTA as of September 30, 2018, and changes in its net position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

— CONTINUED —



Other Matters

Emphasis of Matter

As discussed in *Note 16* to the financial statements, the 2017 financial statements have been restated as a result of CARTA correcting previously reported errors and for implementing GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions" (OPEB). My opinion is not modified with respect to this matter.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, and the Required Supplementary Information, as listed in the table of contents, 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. I 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 inquiries, the basic financial statements, and other knowledge obtained during the audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Financial Information

The Other Financial Information, as listed in the table of contents, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the 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 my opinion, the financial schedule listed in the table of contents as Other Financial Information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated January 25, 2019, on my consideration of CARTA's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering CARTA's internal control over financial reporting and compliance.


January 25, 2019
Columbia, South Carolina

CHARLESTON AREA REGIONAL TRANSPORTATION AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED SEPTEMBER 30, 2018

This discussion and analysis of the Charleston Area Regional Transportation Authority (CARTA) financial performance provides an overview of CARTA's financial activities for the fiscal year ended September 30, 2018. The MD&A should be read in conjunction with the basic financial statements and the accompanying notes to those financial statements.

Financial Highlights

Total assets and deferred outflows of resources of CARTA exceeded total liabilities and deferred inflows of resources at the close of the fiscal year 2018 by \$22,487,010, which equals total net position. Of the total net position, net investment in capital assets was \$13,669,225 in 2018, and the unrestricted net position was \$5,469,912. GASB Statement No. 75, *Accounting for Other Postemployment Benefits* (See Note 7) was implemented during 2018.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the basic financial statements. The notes to the financial statements also contain detail on some of the information presented in the financial statements. The financial statements of CARTA report information about CARTA using accounting methods similar to those used by private sector companies. These statements offer short and long-term financial information about its activities. The Statement of Net Position presents information on all of CARTA's assets and liabilities, with the difference between the two reported as net position. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of CARTA is improving or deteriorating. The Statement of Revenue, Expenses and Changes in Fund Net Position present information showing how CARTA's net position changed during the fiscal year. 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.

Condensed Financial Information

Condensed financial information from the Statement of Net Position as of September 30, 2018, and the Statement of Revenue, Expenses and Changes in Fund Net Position for the years ended September 30, 2018 follows.

Assets, liabilities and the net position at September 30, 2018 are summarized as follows:

<u>Assets and Deferred Outflows</u>	<u>2018</u>
Assets:	
Cash and cash equivalents	\$ 13,323,031
Other assets	1,165,655
Capital assets not subject to depreciation	1,948,800
Capital assets subject to depreciation, net	14,311,339
Total assets	<u>30,748,825</u>
Deferred outflows of resources:	
Deferred outflows related to pensions	<u>62,972</u>
Total assets and deferred outflows	<u>\$ 30,811,797</u>
 <u>Liabilities, Deferred Inflows and Net Position</u>	
Liabilities:	
Current liabilities	\$ 4,704,355
Long term liabilities	2,772,569
Total liabilities	<u>7,476,924</u>
Deferred inflows of resources:	
Deferred inflows related to pensions	<u>847,863</u>
Net Position:	
Net investment in capital assets	13,669,225
Restricted for pensions	18,597
Restricted for capital projects	3,329,276
Unrestricted	5,469,912
Total net position	<u>22,487,010</u>
Total liabilities, deferred inflows and net position	<u>\$ 30,811,797</u>

Revenue, expenses and the changes in net position for the year ending September 30, 2018 are summarized as follows:

	<u>2018</u>
<u>Revenue</u>	
Operating revenue	\$ 5,358,665
Non-operating revenue	18,218,620
Capital contributions	7,274,992
Total revenue	<u>30,852,277</u>
 <u>Expenses</u>	
Operating expense	21,215,837
Non-operating expense	8,626,772
Total expenses	<u>29,842,609</u>
Change in net position	1,009,668
Beginning net position	24,664,107
Cumulative effect of restatements (<i>see Note 16</i>)	<u>(3,186,765)</u>
Ending net position	<u>\$ 22,487,010</u>

CARTA is dependent upon operating grants and contracts to fund its operations. Operating assistance from governments accounted for approximately 21.4% of total revenue in 2018. Contract route revenue and fare box revenue accounted for 14.8% in 2018 of total revenue.

While total salaries and wages plus related fringe benefits equaled \$156,687 in 2018, a change in employer-related pension and other post-employment benefits resulting from actuary valuations equaled a \$(294,387) decrease to operating expenses in 2018. Purchased transportation accounted for 77.2% of total operating expenses in 2018, while operating costs of repairs, fuel, supplies, insurance and depreciation accounted 20.3% for 2018. Non-operating grant revenue in 2018 totaled \$11.6 million and \$6.6 million, from Charleston County sales taxes and other government assistance, respectively, and grants paid to sub-recipient City of North Charleston totaled \$8,547,854 in 2018 for the Intermodal Transportation Facility Center.

Capital Asset and Debt Administration

Capital Assets – The capital assets of CARTA are those assets (land, land improvement, buildings, furniture, fixtures, equipment and vehicles) which are used in the performance of CARTA’s functions. At September 30, 2018, net capital assets totaled \$16,260,139.

Additional information on CARTA’s capital assets can be found in *Note 4* of this report.

Long-Term Debt – CARTA’s long-term debt consists of the liability for accrued compensated absence, a note payable and employee net pension obligation which is more fully discussed in *Note 5* of this report.

Current Known Facts, Decisions or Conditions

In May 2016, CARTA implemented changes to their service based on the Comprehensive Operational Analysis (COA) for a cost savings of approximately \$1,400,000 annually. Under the management of the BCD Council of Governments, CARTA will continue to make necessary adjustments to the service as needed.

In addition, CARTA will continue to replace rolling stock, and make required improvements in safety components of the system. The intermodal facility construction is scheduled to be completed Spring 2019. Construction for the Melnick/South Antler Park and Ride lot has been awarded and is expected to be complete early summer 2019.

The BCDCOG Executive Director and staff will continue to perform oversight and daily operations of CARTA and coordinate with BCD RTMA d/b/a TriCounty Link to provide services to all citizens within the BCD region.

Request for Information

This financial report is designed to provide a general overview of CARTA’s finances for all those with an interest in its finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Charleston Area Regional Transportation Authority, c/o BCD Council of Governments, Deputy Director of Finance and Administration, 1362 McMillan Ave., Suite 100, North Charleston, SC, 29405.

CHARLESTON AREA REGIONAL TRANSPORTATION AUTHORITY
(d/b/a CARTA)

BASIC FINANCIAL STATEMENTS

CHARLESTON AREA REGIONAL TRANSPORTATION AUTHORITY
(d/b/a CARTA)

STATEMENT OF NET POSITION

SEPTEMBER 30, 2018

	2018
Assets and Deferred Outflows	
Current assets:	
Cash and cash equivalents – unrestricted	\$ 9,993,755
Accounts receivable – grants and contracts	911,187
Inventory	25,161
Prepaid items	229,307
Cash and cash equivalents – restricted	3,329,276
Total current assets	14,488,686
Non-current assets:	
Capital assets not subject to depreciation	1,948,800
Capital assets subject to depreciation, net	14,311,339
Total non-current assets	16,260,139
Total assets	30,748,825
Deferred outflows of resources:	
Deferred outflows related to pensions and OPEB	62,972
Total deferred outflows of resources	62,972
Total Assets and Deferred Outflows	\$ 30,811,797
Liabilities, Deferred Inflows, and Net Position	
Current liabilities:	
Accounts payable	\$ 1,528,946
Construction payable	285,103
Grants payable to sub-recipients	2,322,060
Accrued payroll and benefits	2,600
Accrued interest payable	43,918
Unearned revenue	6,274
Notes payable – current portion	515,454
Total current liabilities	4,704,355
Long-term (non-current) liabilities:	
Accrued compensated absences	19,406
Notes payable	2,308,154
Net pension liability	260,684
Total other post-employment benefits	184,325
Total long-term liabilities	2,772,569
Total liabilities	7,476,924
Deferred inflows of resources:	
Deferred inflows related to pensions and OPEB	847,863
Total deferred inflows of resources	847,863
Net position:	
Net investment in capital assets	13,669,225
Restricted for pensions	18,597
Restricted for capital projects	3,329,276
Unrestricted	5,469,912
Total net position	22,487,010
Total Liabilities, Deferred Inflows, and Net Position	\$ 30,811,797

See accompanying notes to financial statements.



CHARLESTON AREA REGIONAL TRANSPORTATION AUTHORITY
(d/b/a CARTA)

STATEMENT OF REVENUE, EXPENSES AND CHANGES IN FUND NET POSITION

YEAR ENDED SEPTEMBER 30, 2018

	2018
Operating Revenue	
Contract route revenue	\$ 1,846,062
Fare box revenue	2,729,806
Advertising income	668,940
Parking revenue	49,554
Other revenue	64,303
Total operating revenue	5,358,665
Operating Expenses	
Purchased transportation – fixed routes	13,976,703
Purchased transportation – para transit routes	2,403,360
Salaries and wages	95,540
Fringe benefits and other employer costs	61,147
Change in retirement-related expenses	(294,387)
Fuel, oil, tires and supplies	1,551,228
Repairs and maintenance	243,014
Insurance	531,170
Professional and contract services	90,787
Utilities and telephone	132,573
Advertising and promotional	28,136
Printing and supplies	59,797
Travel and training	75
Other	360,147
Depreciation	1,976,547
Total operating expenses	21,215,837
Operating (loss)	(15,857,172)
Non-Operating Revenue (Expenses)	
Operating assistance from other governments	6,597,185
Charleston County sales tax	11,606,751
Interest income	82
Gain on sale of capital assets	14,602
Grants to sub-recipient – Intermodal Transportation Facility Center	(8,547,854)
Loan issue costs	(35,000)
Interest expense	(43,918)
Total non-operating revenue (expenses)	9,591,848
Net operating (loss) before capital contributions	(6,265,324)
Capital contributions	7,274,992
Change in net position	1,009,668
Beginning net position	24,664,107
Cumulative effect of restatements <i>(See Note 16)</i>	(3,186,765)
Ending net position	\$ 22,487,010

See accompanying notes to financial statements

CHARLESTON AREA REGIONAL TRANSPORTATION AUTHORITY
(d/b/a CARTA)

STATEMENT OF CASH FLOWS

YEAR ENDED SEPTEMBER 30, 2018

	2018
Cash Flows from Operating Activities	
Cash received from (paid to):	
Contracts	\$ 3,547,776
Fare boxes	2,729,806
Advertising, parking, and other revenue	782,797
Payments to employees	(152,865)
Payments to suppliers and vendors	(19,465,240)
Net cash provided by (used in) operating activities	(12,557,726)
Cash Flows from Noncapital and Related Financing Activities	
Receipts from Charleston County sales tax	11,606,751
Operating assistance from other governments	6,597,184
Grants paid to sub-recipient City of North Charleston	(8,547,854)
Net cash provided by (used in) noncapital and related financing activities	9,656,081
Cash Flows from Capital and Related Financing Activities	
Acquisitions of property and equipment	(4,659,851)
Capital grants and contributions	9,882,155
Proceeds from sale of capital assets	14,603
Interest paid on note payable	—
Proceeds from note payable	2,000,000
Principal paid on note payable	(455,999)
Loan issue costs	(35,000)
Net cash provided by (used in) capital and related financing activities	6,745,908
Cash Flows from Investing Activities	
Interest income	82
Net cash provided by (used in) investing activities	82
Net increase (decrease) in cash and cash equivalents	3,844,345
Cash and cash equivalents, beginning of period (of which \$6,593,036 was restricted)	9,478,686
Cash and cash equivalents, end of period (of which \$3,329,276 was restricted)	\$ 13,323,031

— CONTINUED —

CHARLESTON AREA REGIONAL TRANSPORTATION AUTHORITY
(d/b/a CARTA)

STATEMENT OF CASH FLOWS

— CONTINUED —

	2018
Reconciliation of Operating Loss to Net Cash Provided By (Used In) Operating Activities	
Operating loss	(15,857,172)
Adjustments to reconcile operating (loss) to net cash provided by (used in) operating activities:	
Depreciation	1,976,547
Decrease (increase) in accounts receivable - contracts	2,348,690
Decrease (increase) in inventory	18,781
Decrease (increase) in prepaid items	(26,566)
Decrease (increase) in deferred outflows related to pensions and OPEB	95,721
Increase (decrease) in accounts payable	(80,465)
Increase (decrease) in accrued payroll and benefits	(2,647)
Increase (decrease) in unearned income	(646,976)
Increase (decrease) in accrued compensated absences	6,470
Increase (decrease) in OPEB	(67,648)
Increase (decrease) in pension liability	(840,844)
Increase (decrease) in deferred inflows related to pensions and OPEB	518,383
Total adjustments	3,299,446
Net cash provided by (used in) operating activities	\$ (12,557,726)

See accompanying notes to financial statements.

CHARLESTON AREA REGIONAL TRANSPORTATION AUTHORITY
(d/b/a CARTA)

CHARLESTON AREA REGIONAL TRANSPORTATION AUTHORITY
(d/b/a CARTA)

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2018

1. Summary of Significant Accounting Policies

A. Reporting Entity

The Charleston Area Regional Transportation Authority (CARTA) was created pursuant to Section 58-25-10 to 58-25-100, Code of Laws of South Carolina, 1976 (the Enabling Act) as implemented by ordinances adopted by each of Charleston County Council, City Council of the City of Charleston, Town Council of the Town of Mount Pleasant, and City Council of the City of North Charleston. These entities executed an agreement (the "Agreement") to document various aspects of the operations of CARTA.

The purpose of CARTA is to provide for public transportation of passengers for hire by means, without limitation, of motor vehicle, motor bus, or other means of conveyance, operating as a common carrier, initially, only in the territorial area lying within the jurisdiction of the governmental entities which created CARTA, and with the right to expand its services to cover jurisdictional areas limited to the territorial area embraced by the Regional Planning District Number 9 commonly referred to as the Berkeley-Charleston-Dorchester Council of Governments (BCDCOG).

CARTA is governed by an eighteen member Board of Directors with members representing jurisdictions of Charleston County, the City of Charleston, the City of Hanahan, the City of Isle of Palms, the City of North Charleston, the Town of Kiawah Island, the Town of Mount Pleasant, and the Town of Sullivan's Island.

In accordance with Governmental Accounting Standards, CARTA is considered a stand-alone business-type ("Enterprise Fund") reporting entity. CARTA has no component units. The accounting policies of CARTA conform to United States Generally Accepted Accounting Principles (GAAP) as applicable to proprietary units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant policies.

CHARLESTON AREA REGIONAL TRANSPORTATION AUTHORITY
(d/b/a CARTA)

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation

Proprietary Funds

Proprietary fund reporting primarily focuses on the determination of operating income, changes in net position (or cost recovery), financial position and cash flows. The proprietary fund category includes the Enterprise Fund.

Enterprise Funds – The Enterprise Fund is used to account for operations (a) that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Private-sector standards of accounting and financial reporting are generally followed in the Proprietary Fund financial statements pursuant to GASB Statement No. 62. “*Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*”. This Statement codifies into GASB accounting and financial reporting standards the “legacy” standards from the private-sector.

C. Measurement Focus and Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting is a conceptual description of the timing of the accounting measurements made.

Proprietary Fund financial statements reflect revenues, expenses and changes in net position using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis concept, revenues are recognized when earned and expenses are recognized when incurred.

Proprietary Funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

A formal budget is prepared by management and approved by the Board annually. Budget revisions are prepared throughout the year to adjust actual funding and expenditure needs.

When both restricted and unrestricted resources are available for use, it is CARTA’s policy to use restricted resources first, then unrestricted resources as they are needed.

CHARLESTON AREA REGIONAL TRANSPORTATION AUTHORITY
(d/b/a CARTA)

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

1. **Summary of Significant Accounting Policies (continued)**

D. Assets, Liabilities, Net Position, Revenue and Expenses

Cash, Cash Equivalents and Investments

Cash and cash equivalents include currency on hand, demand deposits with financial institutions, and other accounts with an original maturity of three months or less when purchased. Deposits in the South Carolina Local Government Investment Pool, if any, have been treated as cash equivalents. Investments, if any, are recorded at fair value.

Restricted Assets

Restricted accounts include cash and cash equivalents, or other resources, the use of which is restricted by legal or contractual requirements.

Receivables and Allowance for Doubtful Accounts

Receivables, including grants, advertising contracts, fare passes, and other contract receivables, etc., are stated at face value less an allowance for doubtful accounts, if any.

Inventory

Inventory consists of fuel supplies valued at cost using the first-in, first-out method. Items on hand, such as maintenance, operating, and office supplies, that are not considered to be material in amount, are not inventoried and are charged to operations in the period purchased.

Capital Assets and Depreciation

Capital assets include land, buildings, improvements, machinery, furniture, and equipment, and vehicles. Capital assets are defined by CARTA as those assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Certain capital assets were acquired with grant funds for which the grantor retains a reversionary interest.

All capital assets are valued at historical cost if purchased or constructed, or estimated historical cost if actual historical cost is not available. Donated assets are valued at their estimated fair value on the date donated. The costs of normal repairs and maintenance that do not add to the value of the asset or materially extend asset lives are not capitalized.

Depreciation of all exhaustible capital assets has been provided based on the estimated useful lives of the class of assets, or individual assets using the straight line method with service lives as follows:

Building	10 to 40 years
Furniture and equipment	3 to 20 years
Buses, vans, cars, and trucks	5 to 12 years
Maintenance shop equipment	7 years
Radios, signs, and fare boxes	5 to 10 years
Other	3 to 10 years

CHARLESTON AREA REGIONAL TRANSPORTATION AUTHORITY
(d/b/a CARTA)

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities, Net Position, Revenue and Expenses (continued)

Unearned Revenue

Unearned revenues arise when resources are received by CARTA before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when CARTA has a legal claim to the resources, the liability for unearned revenue is removed and revenue is recognized.

Compensated Absences

It is CARTA's policy to permit employees to accumulate earned, but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since it is CARTA's policy to record the cost of sick leave only when it is paid and no benefits vest upon termination. Vacation pay is accrued when earned. CARTA considers accrued compensated absences to be long-term liabilities.

Long Term Debt

Long-term debt consists of notes payable obligations reported as liabilities in the Statement of Net Position. The outstanding portions due within one year are reported as current liabilities.

Total Other Post-Employment Benefit (OPEB) Liability

For the purposes of measuring the Total OPEB Liability, deferred outflows of resources and deferred inflows of resources related to OPEB and OPEB expense, information about the fiduciary net position of the *Charleston Area Regional Transportation Authority Postretirement Health Plan* and additions to/deductions from the plan's fiduciary net position have been determined on the basis of an actuarial report for the plan. CARTA does not have a separate Trust for the plan and the plan has no plan assets. For this purpose benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The Total OPEB Liability is the portion of the actuarial present value of projected benefit payments that is attributed to past periods of employee service. Changes in the Total OPEB Liability that have not been include in OPEB expense are reported as deferred outflows or deferred inflows of resources related to OPEB. CARTA's valuation method is the Entry Age Normal (Alternative Measurement Method) Actuarial Cost Method under which the Actuarial present value of the projected benefits of each individual included in an actuarial valuation is allocated on a level basis over the earnings or service of the individual between entry age and assumed exit age(s).

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the South Carolina Retirement System plan (SCRS) and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

CHARLESTON AREA REGIONAL TRANSPORTATION AUTHORITY
(d/b/a CARTA)

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

1. **Summary of Significant Accounting Policies (continued)**

D. Assets, Liabilities, Net Position, Revenue and Expenses (continued)

Deferred Inflows/Outflows of Resources

Pursuant to GASB Concepts Statement No. 4, “deferred outflow of resources” is a consumption of net position (assets minus liabilities) by the government that is applicable to a future period, while an ‘asset’ is a resource with present service capacity that the government presently controls. A “deferred inflow of resources” is an acquisition of net position (assets minus liabilities) by the government that is applicable to a future reporting period, while a ‘liability’ is a present obligation to sacrifice resources that the government has little or no discretion to avoid. Deferred outflows and inflows of resources are reported separate from assets and liabilities, respectively, in the Statement of Net Position.

Net Position

Net position comprises the various net earnings from operating income, non-operating revenues and expenses, and capital contributions. Net position is classified in the following three components:

Net Investment in Capital Assets- This component of net position consists of 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 improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of capital assets, net of related debt. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

Restricted- This component of net position consists of constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted - This component of net position consists of net position that do not meet the definition of “restricted” or “net investment in capital assets.”

Program Revenue – Exchange Transactions

Revenue resulting from an exchange transaction, in which each party gives and receives essentially equal value, are recorded on the accrual basis of accounting when the exchange takes place. CARTA charges ‘user’ fees for services provided and, along with advertising and other contract fees, are reported as operating revenue in the Statement of Activities.

CHARLESTON AREA REGIONAL TRANSPORTATION AUTHORITY
(d/b/a CARTA)

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities, Net Position, Revenue and Expenses (continued)

Grants Revenue and Contributions - Nonexchange Transactions

Nonexchange transactions, in which the entity receives value without directly giving value in return, include grants and donations. On an accrual basis, revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used on the fiscal year when use is first permitted, matching requirements in which the entity must provide local resources to be used for specific purpose, and expenditures requirements in which resources are provided to the entity on a reimbursement basis.

CARTA receives grants from certain governmental agencies to be used for various operating and capital purposes connected with the planning, modernization, and expansion of transportation facilities and equipment. Operating grants are reported as non-operating revenue while capital grants and related contributions are reported as contributed capital.

Comparative Data and Reclassification

Comparative data, if applicable for the prior year, has been presented in selected sections of the accompanying financial statements in order to provide an understanding of changes in CARTA's financial position and operations. Also, certain items in the prior year have been reclassified to conform to current year presentation.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Estimates are used to determine depreciation expense, and the allowance for doubtful accounts among other accounts. Actual results could differ from those estimates.

CHARLESTON AREA REGIONAL TRANSPORTATION AUTHORITY
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NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

2. Deposits

As of September 30, 2018, CARTA had the following cash and cash equivalents:

Cash on hand	\$ 220
Carrying amount of deposits – unrestricted	9,993,535
Carrying amount of deposits – restricted	<u>3,329,276</u>
Totals cash and cash equivalents	<u>\$ 13,323,031</u>

Deposits

Custodial credit risk of deposits is the risk that in the event of bank failure, CARTA's deposits may not be returned to it. CARTA does not have a policy for custodial credit risk. At September 30, 2018, the carrying amount of CARTA's deposits with financial institutions totaled \$13,322,811, and the financial institution balances were \$15,125,877. Of the financial institution's balances, \$250,000 was covered by federal depository insurance and the remaining balance was covered by collateral held by the financial institutions' trust departments in CARTA's name. Accordingly, CARTA was not exposed to material custodial credit risk.

3. Receivables

Accounts receivable at September 30, 2018, consists of the following:

Accounts receivable:	
Grants	\$ 399,473
Advertising	81,182
Contracts	380,335
Passes	10,943
Other transportation contracts	<u>39,254</u>
Total accounts receivable	<u>\$ 911,187</u>

There were no material uncollectible accounts at September 30, 2018.

CHARLESTON AREA REGIONAL TRANSPORTATION AUTHORITY
(d/b/a CARTA)

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

4. Capital Assets

Changes in CARTA's capital assets during the year ended September 30, 2018, are as follows:

	Balance Reported 9/30/2017	Restatement /Reclassifi- cations	Restated Balance 9/30/2017	Additions	Retirements	Balance 09/30/2018
<u>Capital assets not being depreciated:</u>						
Land	\$ 564,509	\$ (72,331)	\$ 492,178	\$ 1,456,622	\$ —	\$ 1,948,800
Construction in process	2,540,604	(2,540,604)	—	—	—	—
Total capital assets not being depreciated	3,105,113	(2,612,935)	492,178	1,456,622	—	1,948,800
<u>Capital assets being depreciated:</u>						
Land improvements	—	—	—	33,510	—	33,510
Maintenance Center	8,920,259	3,903	8,924,162	408,923	—	9,333,085
Shelters and superstop	2,264,283	1,447	2,265,730	918,841	—	3,184,571
Buses, vans, cars, and trucks	21,485,624	—	21,485,624	1,709,754	(242,774)	22,952,604
Fareboxes	1,912,913	—	1,912,913	132,200	—	2,045,113
Furniture and fixtures and equipment	1,497,097	(5,350)	1,491,747	—	(20,752)	1,470,995
Bus signs	62,555	—	62,555	—	—	62,555
Total capital assets being depreciated	36,142,731	—	36,142,731	3,203,228	(263,526)	39,082,433
Less, accumulated depreciation	(23,058,073)	—	(23,058,073)	(1,976,547)	263,526	(24,771,094)
Total capital assets being depreciated, net	13,084,658	—	13,084,658	1,226,681	—	14,311,339
Capital assets, net	\$ 16,189,771	\$ (2,612,935)	\$13,576,836	\$ 2,683,303	\$ —	\$16,260,139

There were no material capitalized interest costs and depreciation expenses totaled \$1,976,547 for the year ended September 30, 2018.

CHARLESTON AREA REGIONAL TRANSPORTATION AUTHORITY
(d/b/a CARTA)

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

5. Long-Term Debt

FTA Note Payable - Federal Intermodal Agreement

CARTA incurred a liability related to its decision to dispose of the initial location of the Intermodal Transportation Facility Project. Federal Transportation Authority (“FTA”) funding had been used to secure the initial location as well as to fund various construction costs. Under an agreement dated July 10, 2015 with the FTA, CARTA is required to repay \$3,667,000 over a five-year period. There is no stated interest assessed on the amount required to be repaid. Payments of \$2,431,588 were made in prior fiscal years and \$411,804 was paid in the fiscal year ended September 30, 2018. The remaining balance of \$823,608 must be repaid over the next two years and imputed interest is deemed immaterial. The current monthly principal and interest installments equal \$411,804.

Annual amortization of the principal follows:

<u>Year Ended September 30,</u>	FTA Note Payable		
	Principal	Interest	Total
2019	\$ 411,804	\$ —	\$ 411,804
2020	411,804	—	411,804
	823,608	\$ —	\$ 823,608
Less, current portion	(411,804)		
Long-term portion	\$ 411,804		

BB&T Note Payable - 2018

On February 14, 2018, CARTA executed a note payable agreement with a local bank. The note was for \$2,000,000 at 3.5% per annum for 15 years with annual principal and interest payments of \$173,650. The loan is secured by land at Melnick Avenue, for a new Park-n-Ride lot.

Annual amortization of the principal follows:

<u>Year Ended September 30,</u>	BB&T Note Payable		
	Principal	Interest	Total
2019	\$ 103,650	\$ 70,000	\$ 173,650
2020	107,278	66,372	173,650
2021	111,033	62,617	173,650
2022	114,918	58,732	173,650
2023	118,941	54,709	173,650
2024-2028	660,141	208,109	868,250
2029-2033	784,039	84,211	868,250
	2,000,000	\$ 604,750	\$ 2,604,750
Less, current portion	(103,650)		
Long-term portion	\$ 1,896,350		

CHARLESTON AREA REGIONAL TRANSPORTATION AUTHORITY
(d/b/a CARTA)

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

5. Long-Term Debt (continued)

SCDOT Repayment

During 2016, CARTA received an advance of \$88,390 from the SC Department of Transportation, half of which was paid in 2017 and the remaining balance of \$44,195 was paid in fiscal year 2018.

A summary of changes in long-term debt follows:

	<u>Balance</u> <u>September 30, 2017</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>September 30, 2018</u>
FTA Agreement	\$ 1,235,412	\$ —	\$ (411,804)	\$ 823,608
BB&T Note	—	2,000,000	—	2,000,000
SCDOT Repayment	44,195	—	(44,195)	—
	<u>\$ 1,279,607</u>	<u>\$ 2,000,000</u>	<u>\$ (455,999)</u>	<u>\$ 2,823,608</u>

Accrued Compensated Absences

The following is a summary of the changes in accrued compensated absences:

	<u>Balance</u> <u>September 30, 2017</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>September 30, 2018</u>
	\$ 12,936	\$ 6,470	\$ —	\$ 19,406

CHARLESTON AREA REGIONAL TRANSPORTATION AUTHORITY
(d/b/a CARTA)

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

6. Employee Retirement

CARTA's retirement program for its employees is summarized as follows:

Plan Description

The South Carolina Retirement System (SCRS) is a defined benefit retirement plan for employees of state agencies, public and charter school districts, public higher education institutions and other local subdivisions of government that participate in SCRS. All non-temporary CARTA employees, who are eligible for membership, are required to participate in the SCRS, a cost-sharing, multiple employer public employee retirement system administered by the South Carolina Public Employee Benefit Authority (PEBA).

The SCRS offers retirement and disability benefits, cost of living adjustments on an ad-hoc basis, life insurance benefits and survivor benefits. The Plan's provisions are established under Title 9 of the SC Code of Laws. Actuarial determinations are made by the Administrator (PEBA) for the plan.

Benefits

Benefits of the retirement system are established by state statutes. Member employees who retire at age 65 or after 28 years of credited service are entitled to an annual full service retirement benefit, payable monthly for life, equal to 1.82 percent of the employee's highest twelve consecutive quarters of compensation. Member employees who are at least 55 years of age may elect early retirement with reduced benefits. In either case, any unrecovered contributions are payable upon death and benefit payments increase 4 percent each year following an increase in the consumer price index of at least 3 percent. Full service or early retirees may elect other optional methods of benefit distributions, including lump sum distributions, benefit levels coordinated with the retiree's social security benefits and distributions to a named beneficiary. Benefits are fully vested on reaching five years of service. The retirement system also provides death and disability benefits to all member employees.

CHARLESTON AREA REGIONAL TRANSPORTATION AUTHORITY
(d/b/a CARTA)

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

6. Employee Retirement (continued)

Funding Policy

State statutes determine the levels of contributions required by both employers and employees.

For the twelve months ended June 30, 2018, SCRS contribution rates for non-public safety employees and the employer were 9.00 percent and 13.56 percent, respectively. Effective July 1, 2018, the employee contribution rate remains 9.00 percent and the employer required contribution will be 14.41 percent, plus .15 percent for incidental death benefit coverage. CARTA contributed 100% of the required contribution for the plan for the fiscal years ending September 30, 2018, 2017, and 2016, as shown in the table below.

	SCRS		
	2018	2017	2016
Wages:			
Pensionable	\$ 114,376	\$ 106,347	\$ 379,352
Contribution rates:			
Employees	9.00%	8.66% - 9.00%	8.16% - 8.66%
Employer	13.41% - 14.41%	11.41% - 13.41%	10.91% - 11.41%
Contributions:			
Employees	\$ 9,704	\$ 9,307	\$ 33,629
Employer*	\$ 15,893	\$ 14,420	\$ 38,901

Net Pension Liability, Pension Expense, Deferred Outflows/Inflows of Resources

At September 30, 2018, CARTA reported a liability of \$260,684 (for the measurement period ended June 30, 2017) for its proportionate share of the net pension liabilities all of which was for SCRS. The net pension liabilities were measured by PEBA as of June 30, 2017 (measurement date) and the total pension liabilities used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016. CARTA's proportion of the net pension liability was based on a projection of CARTA's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2017, PEBA reported CARTA proportion of the collective net pension liability was 0.01158% for SCRS.

CHARLESTON AREA REGIONAL TRANSPORTATION AUTHORITY
(d/b/a CARTA)

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

6. Employee Retirement (continued)

Net Pension Liability, Pension Expense, Deferred Outflows/Inflows of Resources (continued)

For the year ended September 30, 2018, CARTA recognized net increase from pension activities of \$275,504.

Changes in the net pension liability for the measurement period, June 30, 2017, follows:

	SCRS
<u>Components of Change in Net Pension Liability (NPL)</u>	
Pension expense:	
Service cost	\$ 9,311
Interest on total pension liability	38,423
Changes in plan benefits	—
Plan administrative costs	156
Plan member contributions	(9,571)
Expected return on plan assets	(20,383)
Recognition of deferred outflows/inflows:	
Plan performance	9,765
Assumption changes	4,966
Investment performance	(2,650)
Proportion changes	(301,927)
Other	(3,594)
Total pension expense	(275,504)
PEBA reported employer contribution	(13,510)
Changes in deferred items (net of amortization):	
Outflow – plan performance	(10,257)
Outflow – assumption changes	15,260
Outflow – investment experience	(109,070)
Outflow – allocated proportion change	—
Inflow – plan performance	1,052
Inflow – assumption changes	—
Inflow – investment experience	23,673
Inflow – proportion change	(472,488)
Total change in net pension liability	\$ (840,844)

CHARLESTON AREA REGIONAL TRANSPORTATION AUTHORITY
(d/b/a CARTA)

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

6. Employee Retirement (continued)

Net Pension Liability, Pension Expense, Deferred Outflows/Inflows of Resources (continued)

At September 30, 2018, CARTA reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	SCRS	
	Deferred Outflows of Resources Related to Pensions	Deferred Inflows of Resources Related to Pensions
Differences between expected and actual plan performance	\$ 1,162	\$ 144
Changes of assumptions	15,260	—
Net difference between projected and actual earnings on pension plan investments	21,031	13,754
Changes in proportion and differences between CARTA contributions and proportionate share of contributions	—	763,345
CARTA contributions subsequent to the measurement date	18,597	—
Total	\$ 56,050	\$ 777,243

The \$18,597 reported as deferred outflows of resources related to pensions resulting from CARTA's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability as \$14,757 and \$3,840, in the fiscal years ended September 30, 2018 and 2019, respectively. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be amortized to subsequent pension expense as follows:

<u>Fiscal Year Ended September 30:</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
2019	\$ 25,653	\$ 324,388
2020	24,182	245,466
2021	5,196	193,851
2022	(17,578)	13,538
	\$ 37,453	\$ 777,243

CHARLESTON AREA REGIONAL TRANSPORTATION AUTHORITY
(d/b/a CARTA)

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

6. Employee Retirement (continued)

Actuarial Assumptions

The total pension liabilities pursuant to the GASB Statements No. 68 *Accounting and Financial Reporting for Pensions*, measured as of June 30, 2017, was based on the July 1, 2016 actuarial valuation. That valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	SCRS
Actuarial cost method	Entry-age normal
Asset Valuation Method	20% difference recognition method
Amortization Method	Level percent of pay
Amortization Period	Max of 30 years, variable
Inflation	2.25 percent
Salary Increases	3.0 percent to 12.5% (step-rate increases for members with less than 25 years of service) including inflation
Investment rate of return*	7.25 percent, net of pension plan investment expense, including inflation
Benefit increases	Lesser of 1% or \$500 annually
Mortality	RP-2000 Mortality Table (White Collar Adjustment for Educators), projected at Scale AA from year 2000. Male rates at 100% for non-educators and 110% for educators. Female rates at 90% for non-educators and 95% for educators.

* After the July 1, 2016 actuarial report, the legislature changed the statutory investment return rate to 7.25% effective July 1, 2017. A roll forward adjustment was made by the actuary for this assumption revision for the June 30, 2017 plan year report used for the September 30, 2018 financial statement.

CHARLESTON AREA REGIONAL TRANSPORTATION AUTHORITY
(d/b/a CARTA)

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

6. Employee Retirement (continued)

Actuarial Assumptions (continued)

Member and employer contribution rates for are determined in accordance with Section 9-1-1085 and 9-11-225 of the South Carolina Code of Laws, respectively. Contribution rates determined by an actuarial valuation are effective for the fiscal year beginning 24 months after the valuation date. The Retirement System Funding and Administration Act of 2017 (the “Act”) was signed into law on April 25, 2017, and became effective on July 1, 2017. This legislation amended Title 9 of the South Carolina Code of Laws. In addition to setting the employee and employer rates for the plan year beginning July 1, 2017, the Act also scheduled the employer contribution to increase by 1 percent each year for each of the subsequent five fiscal years for an ultimate rate of 18.56 percent by July 2022, for SCRS.

The June 30, 2017 total pension liability, net pension liability and sensitivity information were determined based on the July 1, 2016, actuarial valuations, as adopted by the PEBA Board and State Fiscal Accountability Authority which utilized membership data as of July 1, 2016. The total pension liability was rolled forward from the valuation date to the plans fiscal year ended June 30, 2017, using generally accepted actuarial principles. The Act included a provision to reduce the assumed rate of return from 7.50% to 7.25% effective July 1, 2017. As a result of the Act, the actuary made an adjustment to the calculation of the roll-forward of the total pension liability as an assumption change for the measurement date of July 1, 2017.

Long-term Expected Rate of Return

The long-term expected rate of return on pension plan investments for actuarial purposes is based upon the 30 year capital market outlook at the beginning of 2017. The actuarial long-term expected rates of return represent best estimates of arithmetic real rates of return for each major asset class and were developed in coordination with the investment consultant for the Retirement System Investment Commission (RSIC) using an arithmetic building block approach, reflecting observable inflation and interest rate information available in the fixed income markets as well as Consensus Economic forecasts. The actuarial long-term assumptions for other asset classes are based on historical results, current market characteristics and professional judgment.

CHARLESTON AREA REGIONAL TRANSPORTATION AUTHORITY
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NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

6. Employee Retirement (continued)

Long-term Expected Rate of Return (continued)

The RSIC has exclusive authority to invest and manage the retirement trust funds' assets. As co-fiduciary of the SCRS System, statutory provisions and governance policies allow the RSIC to operate in a manner consistent with a long-term investment time horizon. The expected real rates of investment return, along with the expected inflation rate, form the basis for the target asset allocation adopted annually by the RSIC. For actuarial purposes, the long-term expected rate of return is calculated by weighting the expected future real rates of return by the target allocation percentage and then adding the actuarial expected inflation which is summarized in the table below. Due to the Act effective July 1, 2017, the rates in this table were actuarially adjusted to 7.25 percent assumed annual investment rate of return comprised of a 5.00 percent real rate of return and a 2.25 percent inflation component.

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Expected Arithmetic Real Rate of Return</u>	<u>Long Term Expected Portfolio Real Rate of Return</u>
Global Public Equity	45.0%		
Global Public Equity	31.0%	6.72%	2.08%
Private Equity	9.0%	9.60%	0.86%
Equity Options Strategies	5.0%	5.91%	0.30%
Real Estate	8.0%		
Real Estate (private)	5.0%	4.32%	0.22%
Real Estate (REITs)	2.0%	6.33%	0.13%
Infrastructure	1.0%	6.26%	0.06%
Opportunistic	17.0%		
GTAA/Rik Parity	10.0%	4.16%	0.42%
Hedge Funds (non-PA)	4.0%	3.82%	0.15%
Other Opportunistic Strategies	3.0%	4.16%	0.12%
Diversified Credit	18.0%		
Mixed Credit	6.0%	3.92%	0.24%
Emerging Markets Debt	5.0%	5.01%	0.25%
Private Debt	7.0%	4.37%	0.31%
Conservative Fixed Income	12.0%		
Core Fixed Income	10.0%	1.60%	0.16%
Cash and Short Duration (Net)	2.0%	0.92%	0.02%
Total expected real return	<u>100.0%</u>		<u>5.32%</u>
Inflation for actuarial purposes			<u>2.25%</u>
Total expected nominal return			<u>7.57%</u>

CHARLESTON AREA REGIONAL TRANSPORTATION AUTHORITY
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NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

6. Employee Retirement (continued)

Discount Rate

The discount rate used to measure the total pension liability at June 30, 2017 measurement date was 7.25 percent. 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 code of laws. Based on those assumptions, each system’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity Analysis

The following presents CARTA’s proportionate share of the net pension liability calculated using the discount rate of 7.25 percent, as well as what CARTA’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.25 percent) or one percentage point higher (8.25 percent) than the current rate.

	CARTA’s proportionate share of the net pension liability to changes in the discount rate		
	<u>1% decrease (6.25%)</u>	<u>Current discount rate (7.25%)</u>	<u>1% increase (8.25%)</u>
SCRS	\$ 335,986	\$ 260,684	\$ 214,994

Pension Plan Fiduciary Net Position

Detailed information about the pension plan’s fiduciary net position is available in the separately issued PEBA financial report. A comprehensive annual financial report containing financial statements and required supplementary information for the SCRS, which is issued and publicly available on the website www.peba.sc.gov, or a copy may be obtained by submitting in writing a request to S.C. Public Employee Benefit Authority, 202 Arbor Lake Drive, Columbia, SC 29223.

7. Post-Employment Benefits Other than Pensions (OPEB)

GASB Statement No. 75

GASB Statement No. 75, “Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions”, replaced the requirements of GASB Statement No. 45, “Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions”, as amended, and GASB Statement No. 57, “OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans”, for OPEB. Reporting under GASB Statement No. 75 is effective for fiscal years commencing after June 15, 2017. CARTA has implemented GASB No. 75 effective October 1, 2017.

CHARLESTON AREA REGIONAL TRANSPORTATION AUTHORITY
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NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

7. Post-Employment Benefits Other than Pensions (OPEB) (continued)

Plan Description

In addition to the pension benefits described in *Note 8*, CARTA's single employer defined benefit OPEB plan, *Charleston Area Regional Transportation Authority Postretirement Health Plan* (herein after referred to as "OPEB plan" or "Program"), provides, if elected, other post-employment benefits for any employee who has the last 5 years of earned service credit served consecutively with an eligible state insured employer and either left employment when eligible to retire with at least 10 years of service with an eligible state insured employer or left employment before eligible to retire and has at least 20 years of earned service credit with an eligible state insured employer. The Program is a single employer defined benefit OPEB plan administered by CARTA (through the Executive Director and Authority's Board of Directors). The Board grants the authority to establish and amend the benefit terms and financing requirements (funding policy). No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75. The Program does not issue separate stand-alone financial statements and is not included in the financial statements of another entity.

Benefits Provided

The plan offers retired employees' premium payments for the employee group health insurance plan (including dental) at no cost. CARTA's policy premium rates are based upon age and range from \$1,166 to \$1,172 for the retiree and from \$3,025 to \$3,040 for the spouse for the Program year ended September 30, 2018. CARTA paid the employer portion of the premium for retiree coverage. The retiree paid the employee portion for retiree only coverage and paid the full premium rate for spouse coverage. The program covers the retired employee until the earlier of (1) the retired employee reaches age 65, or (2) the retired employee qualifies for health insurance under another plan. The spouse coverage ceases upon the death of the retiree.

CARTA's contributions are financed on a pay-as-you-go basis and, therefore, no trust fund has been established which would maintain plan assets. As of the census date of December 31, 2018, CARTA had 3 employees with an average age of 49 years covered by the program with monthly premium costs averaging \$1,503.69 per participant. Total expenses funded by CARTA for the year ended September 30, 2018 were \$5,705. For prior fiscal years 2017 and 2016, total funding expenses were \$8,767 and \$8,608 respectively.

CHARLESTON AREA REGIONAL TRANSPORTATION AUTHORITY
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NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

7. Post-Employment Benefits Other than Pensions (OPEB) (continued)

Expected Future Cash Flows are highlighted as follows:

<u>Fiscal Year Ended September 30,</u>	<u>Estimated Benefit Payments</u>
2019	\$ 4,808
2020	9,695
2021	9,864
2022	10,022
2023	10,168
2024	10,298
2025	10,410
2026	10,502
2027	10,570
2028	10,611
2029	10,621

The projection of future cash flows is based on a closed group valuation. It does not take into account the impact of future new hires. It also includes the Implicit Rate Subsidy.

Employees covered by benefit terms

At the valuation date of October 1, 2017, the following employees were covered by the benefit terms:

	<u># Participants</u>	<u>\$ Amount</u>
Inactive employees or beneficiaries currently receiving benefit payments	1	\$73,795
Inactive employees entitled to but not yet receiving benefit payments	—	—
Active employees	2	110,530
	<u>3</u>	<u>\$184,325</u>

Total OPEB Liability

CARTA's total OPEB liability of \$184,325 was measured as of September 30, 2018, and was determined by an actuarial valuation as of October 1, 2017 completed in January 2019.

CHARLESTON AREA REGIONAL TRANSPORTATION AUTHORITY
(d/b/a CARTA)

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

7. Post-Employment Benefits Other than Pensions (OPEB) (continued)

Actuarial Assumptions and Other Inputs

The total OPEB liability in the October 1, 2017 actuarial valuation, measured as of September 30, 2018, was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Cost method	Entry Age Normal (Alternative Measurement)
Inflation	3.00%
Projected salary increases	3.50%
Discount rate	3.64%
Health care trend – medical – Pre-Medicare	Declining from 7.1% to 4.5% over 10 years
Health care trend – medical – Medicare Supplement	3.20%
Retiree contribution	Same as Health Care trend
Investment rate of return	Not applicable
Mortality, disability, retirement, and withdrawal rates	RP-2014 Combined Annuitant Mortality Table for males and females
Morbidity rates	None
Election at retirement	100% of active employees at retirement
Marital status	0%
Retiree Lapse Rate	0%

CARTA does not have a dedicated Trust to pay retiree healthcare benefits. To comply with GASB 75, the discount rate was based on the S&P Municipal Bond 20-Year High-Grade Rate Index as of September 30, 2018.

Projections of benefits are based on the substantive program (the program as understood by the CARTA and participants) and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the CARTA and the participants to that point. Assumptions may be made about participant data or other factors. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in total other post-employment benefit (OPEB) liabilities and the actuarial value of other post-employment benefit (OPEB) assets.

CHARLESTON AREA REGIONAL TRANSPORTATION AUTHORITY
(d/b/a CARTA)

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

7. Post-Employment Benefits Other than Pensions (OPEB) (continued)

Changes since the last actuarial valuation: In the actuarial valuation, the amortization was changed to a discount rate of 3.64% to comply with GASB Statement No.75. Termination rates were changed from the rates found in the GASB Statement No. 45 to Table T-5 from the Pension Actuary's Handbook. Coverage for the spouse of the retiree was terminated. The liability as of September 30, 2018 reflects the starting Fiscal Year 2018 balance under GASB #75 rules.

Changes in the Total OPEB Liability

The changes in CARTA's Total OPEB Liability for the current year and the related information for the program are as follows:

Total other post-employment benefit (OPEB) obligation – beginning of year, as restated ⁽¹⁾	\$ 251,973
Changes in total OPEB Liability:	
Service cost	5,616
Interest	9,084
Changes of benefit terms	—
Differences between expected and actual experience	8,426
Changes in assumptions or other inputs	(51,955)
Contributions -- employer	—
Contributions – active and inactive employees	—
Net investment income	—
Benefit payments ⁽²⁾	(4,808)
Other changes	(34,011)
Net changes	(67,648)
Net other post-employment benefit (OPEB) obligation – end of year	\$ 184,325

(1) Fiscal year 2017 results calculated using a 3.35% Discount Rate index as of September 30, 2017.

(2) Includes the Implicit Rate Subsidy.

There were no changes of benefit terms during the period.

Changes of assumptions and other inputs reflect a change in the discount rate from 3.35 percent in 2017 to 3.64% in 2018.

CHARLESTON AREA REGIONAL TRANSPORTATION AUTHORITY
(d/b/a CARTA)

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

7. Post-Employment Benefits Other than Pensions (OPEB) (continued)

Sensitivity Analysis

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents CARTA's Total OPEB Liability calculated using the discount rate of 3.64%, as well as what CARTA's Total OPEB Liability would be if it were calculated using a discount rate that is one percentage point lower (2.64%) or one percentage point higher (4.64%) than the current discount rate:

CARTA's Total OPEB Liability sensitivity to changes in the discount rate			
	1% Increase (4.64%)	Valuation Rate (3.64%)	1% Decrease (2.64%)
Total OPEB liability	\$ 163,114	\$ 184,325	\$ 210,436

Sensitivity of the total OPEB liability to changes in the health care trend rates. The following presents CARTA's Total OPEB Liability calculated using the health care trend rate of 7.10% decreasing to 4.50%, as well as what CARTA's Total OPEB Liability would be if it were calculated using a health care trend rate that is one percentage point lower (6.10% decreasing to 3.50% and 2.20%) or one percentage point higher (8.10% decreasing to 5.50% and 4.20%) than the current discount rate:

CARTA's Health Care Trend Sensitivity to Changes in the Discount Rate			
	1% Increase (8.10 – 5.50% and 4.20%)	Valuation Rate (7.10 – 4.50% and 3.20%)	1% Decrease (6.10 – 3.50% and 2.20%)
Health care trend	\$ 212,815	\$ 184,325	\$ 161,646

CARTA's total other post-employment benefit (OPEB) liability was \$184,325 and \$251,973, for the fiscal years 2018 and 2017, respectively.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the other post-employment benefit (OPEB) and the annual required contributions of the employer are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The required schedule of funding progress presented as required supplementary information provides multiyear trend information that shows whether the actuarial value of other post-employment benefit (OPEB) assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

CHARLESTON AREA REGIONAL TRANSPORTATION AUTHORITY
(d/b/a CARTA)

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

7. Post-Employment Benefits Other than Pensions (OPEB) (continued)

OPEB Expense

For the measurement year ended September 30, 2018, CARTA recognized OPEB expense of \$859 as follows:

Service cost	\$	5,419
Interest on service cost		197
Total		5,616
Interest cost		9,084
Difference between expected and actual experience		1,504
Changes of assumptions and other inputs		(15,345)
Total OPEB expense	\$	859

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

At September 30, 2018, CARTA reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	OPEB Related	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual plan experience	\$ 6,922	\$ —
Changes of assumptions	—	70,620
Net difference between projected and actual earnings on OPEB Investments	—	—
Total	\$ 6,922	\$ 70,620

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

Fiscal Year Ending September 30,	OPEB Related Future Deferred	
	Outflows of Resources	Inflows of Resources
2019	\$ 1,504	\$ 15,346
2020	1,504	15,346
2021	1,504	15,346
2022	1,504	15,346
2023	906	9,236
Thereafter	—	—
Total	\$ 6,922	\$ 70,620

CHARLESTON AREA REGIONAL TRANSPORTATION AUTHORITY
(d/b/a CARTA)

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

8. Net Position

Net position represents the difference between assets and deferred outflows, less liabilities and deferred inflows. Reported amounts for net investment in capital assets and restricted net position were as follows:

<u>Net Investment in Capital Assets</u>	
Net capital assets	\$ 16,260,139
Less, notes payable	(2,823,608)
Add, portion of debt proceeds reported as restricted	<u>232,694</u>
Net position – net investment in capital assets	<u>\$ 13,669,225</u>
 <u>Restricted Net Position</u>	
Pensions	\$ 18,597
Capital projects – Intermodal Transportation Center	<u>3,329,276</u>
Total restricted net position	<u>\$ 3,347,873</u>

9. Federal and State Grants, and Contributed Capital

In the normal course of operations, CARTA receives grant funds from Federal and State agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement, which may arise as the result of these audits is not believed to be material.

Federal, State, and local grants are classified as either “capital” or operating by the grantor. However, portions of a federal or state capital grants may be used for prevention and maintenance, such portions are not capitalized. A summary of the grant assistance received follows:

	<u>Federal</u>	<u>State</u>	<u>Local</u>	<u>Total</u>
Operating assistance	<u>\$ 5,792,002</u>	<u>\$ 801,478</u>	<u>\$ 3,705</u>	<u>\$ 6,597,185</u>
Capital grants	\$ 1,135,435	\$ 753,693	\$ 151,000	\$ 2,040,128
Capital grants passed-through to sub recipient	<u>5,234,864</u>	<u>—</u>	<u>—</u>	<u>5,234,864</u>
Total contributed capital	<u>\$ 6,370,299</u>	<u>\$ 753,693</u>	<u>\$ 151,000</u>	<u>\$ 7,274,992</u>

10. Economic Dependency

A material part of CARTA’s revenue is dependent upon the funding from federal and state grants and local sales taxes appropriated by local governments, the loss of which could have a materially adverse financial effect on the operations of CARTA.

CHARLESTON AREA REGIONAL TRANSPORTATION AUTHORITY
(d/b/a CARTA)

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

11. Income Taxes

CARTA functions as an instrumentality of government, and thus is exempt from federal and state income tax. CARTA has adopted, if applicable, the recognition requirements for uncertain income tax positions as required by generally accepted accounting principles, with no cumulative effect adjustment required for the year then ended.

12. Related Party Transactions

CARTA contracts with the Berkeley-Charleston-Dorchester Council of Governments (BCDCOG) for administrative, management and financial services. For the year ended September 30, 2018, payments to BCDCOG totaled \$1,813,495. The BCDCOG contracts with CARTA for advertising and para-transit operating assistance. For the year ended September 30, 2018, the BCDCOG paid CARTA \$164,369.

13. Commitments and Contingencies

Litigation

The CARTA is party to legal proceedings that normally occur in governmental operations. CARTA officials believe any legal proceedings are not likely to have a material adverse impact on the net position of the CARTA at September 30, 2018.

Federal and State Assisted Programs

In the normal course of operations, CARTA receives grant funds from various federal and state agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to insure compliance with conditions precedent to the granting of funds. Such audits could result in the refund of grant monies to the grantor agencies. Management believes that any unallowed costs would be immaterial and no provision has been made in the accompanying financial statements for the refund of grant funds.

14. Risk Management

CARTA is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. CARTA pays insurance premiums to certain agencies of the state of South Carolina to cover risks that may occur in normal operations.

In addition, CARTA carries commercial property insurance coverage; general liability coverage; automobile liability; professional and public official's liability; and various fidelity bond coverages for its employees. Coverage amounts are \$5.0 million general liability for property and casualty and up to \$1 million general liability for persons or property per occurrence. There have been no significant reductions in insurance coverage in the current year, and settled claims have not exceeded coverage in any of the last three fiscal years.

CHARLESTON AREA REGIONAL TRANSPORTATION AUTHORITY
(d/b/a CARTA)

NOTES TO FINANCIAL STATEMENTS

— CONTINUED —

15. Subsequent Events

Management has evaluated subsequent events which may require disclosure through the date of this report.

16. Restatements

Restatement for Accounting Principle Change

CARTA has implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which replaced the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*, as amended, and GASB Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. CARTA implemented GASB Statement No. 75 effective October 1, 2017. The net effect of change in accounting principal is \$231,430 at September 30, 2017.

Change in Pension Measurement Year

At September 30, 2017, CARTA's financial statements were presented using the June 30, 2017 pension measurement year. However, the June 30, 2018 pension measurement year data was not available for the September 30, 2018 financial statement date and it is not anticipated to be available by future financial statement reporting dates. Therefore, the September 30, 2017 pension measurement year values have been recomputed with June 30, 2016 as the pension measurement year and the June 30, 2017 pension measurement year will be used for the September 30, 2018 financial report. The net effect of change in pension measurement year is \$275,532 at September 30, 2017.

Correction for Errors in Capital and Intangible Asset Financial Reporting

At September 30, 2017, CARTA had reported the Intermodal Facility Project as construction-in-process. However, CARTA does not and will not have title to the Project. Therefore, capital assets were overstated by \$2,612,935 at September 30, 2017. In addition, certain period costs had been capitalized as intangible assets with a net value of \$66,868. The net effect of the errors in capital and intangible asset reporting is \$2,679,803 at September 30, 2017.

A summary of the restatements of net position follows:

	2017
Net Position, as previously reported	\$ 24,664,107
Cumulative effect of change in accounting principle	(231,430)
Net effect of change in pension measurement year	(275,532)
Net effect of errors in capital and intangible assets reporting	(2,679,803)
Net Position as restated, September 30, 2017	\$ 21,477,342

CHARLESTON AREA REGIONAL TRANSPORTATION AUTHORITY
(d/b/a CARTA)

REQUIRED SUPPLEMENTARY INFORMATION

CHARLESTON AREA REGIONAL TRANSPORTATION AUTHORITY
(d/b/a CARTA)

SCHEDULE OF CARTA'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

SOUTH CAROLINA RETIREMENT SYSTEM (SCRS)

LAST TEN FISCAL YEARS*(1)

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
CARTA'S proportion of the net pension liability	N/A	0.001158%	0.005157%	0.006298%	0.007861%	N/A	N/A	N/A	N/A	N/A
CARTA'S proportion share of the net pension liability	N/A	\$ 260,684	\$ 1,101,528	\$ 1,194,466	\$ 1,322,414	N/A	N/A	N/A	N/A	N/A
CARTA'S pensionable payroll	\$ 114,376	\$ 106,347	\$ 379,352	\$ 590,505	N/A	N/A	N/A	N/A	N/A	N/A
CARTA'S proportion share of the net pension liability as a percentage of its covered-employee payroll	N/A	245.1%	290.4%	202.3%	N/A	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	N/A	53.3%	52.9%	57.0%	29.9%	N/A	N/A	N/A	N/A	N/A

*The amounts presented for each fiscal year determined as of measurement year that occurred within the fiscal year.

(1) Because prior year data is unavailable, CARTA has elected to present information prospectively.

N/A - Not available

CHARLESTON AREA REGIONAL TRANSPORTATION AUTHORITY
(d/b/a CARTA)

SCHEDULE OF CARTA'S CONTRIBUTIONS

SOUTH CAROLINA RETIREMENT SYSTEM (SCRS)

LAST TEN FISCAL YEARS⁽¹⁾

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually required contribution	\$ 15,893	\$ 14,420	\$ 38,901	\$ 64,365	N/A	N/A	N/A	N/A	N/A	N/A
Contributions in relation to the contractually required contribution	\$ 15,893	\$ 14,420	\$ 38,901	\$ 64,365	N/A	N/A	N/A	N/A	N/A	N/A
Contribution deficiency (excess)	\$ —	\$ —	\$ —	\$ —	N/A	N/A	N/A	N/A	N/A	N/A
CARTA's covered-employee payroll	\$ 114,376	\$ 106,347	\$ 379,352	\$ 590,505	N/A	N/A	N/A	N/A	N/A	N/A
Contributions as a percentage of covered-employee wages	13.9%	13.6%	10.3%	10.9%	N/A	N/A	N/A	N/A	N/A	N/A

⁽¹⁾ Because prior year data is unavailable, CARTA has elected to present information prospectively.

N/A – Not available

CHARLESTON AREA REGIONAL TRANSPORTATION AUTHORITY
(d/b/a CARTA)

SCHEDULE OF CHANGES IN CARTA'S TOTAL OPEB LIABILITY AND RELATED RATIOS

LAST TEN FISCAL YEARS*(1)

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Service cost	\$ 5,616	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Interest	9,084	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Changes in benefit terms	—	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Differences between expected and actual experience	8,426	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Changes of assumptions or other inputs	(51,955)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contributions – employer	—	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contributions – active & inactive employees	—	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net investment income	—	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Benefit payments ⁽²⁾	(4,808)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Other changes	(34,011)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net changes in total OPEB liability	(67,648)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total OPEB liability – beginning	\$ 251,973	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total OPEB liability – ending	\$ 184,325	\$ 251,973	N/A	N/A						
Covered-employee payroll ⁽³⁾	\$ 110,613	N/A	N/A	N/A	N/A	N/A	N/A	N/A	\$N/A	N/A
Total OPEB liability as a percentage of covered-employee payroll	166.64%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

(1) Because prior year data is unavailable, CARTA has elected to present information prospectively.

(2) Includes the Implicit Rate Subsidy.

(3) Prior to September 30, 2018, valuations were not obtained.

N/A – Not available

CHARLESTON AREA REGIONAL TRANSPORTATION AUTHORITY
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NOTES TO SCHEDULE OF CHANGES IN CARTA'S NET PENSION LIABILITIES,
TOTAL OPEB LIABILITY AND RELATED CONTRIBUTIONS AND RATIOS

LAST TEN FISCAL YEARS*(1)

A. Pensions

Changes of benefit terms: None

Changes to assumptions: The assumed investment return was changed from 7.5% to 7.25% effective July 1, 2017.

B. Other Post-employment Benefit Liability

Changes to benefit terms:

2018 - The spouse of the retiree was receiving coverage in the last valuation, but is not covered in the 2018 valuation.

Changes of assumptions:

Termination rates – 2018 - Termination rates were changed from the rates found in the GASB 45 Statement to Table T-5 from the Pension Actuary's Handbook.

Discount rate – Changes of assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period:

Changes to comply with GASB #75

2018	3.64%
2017	3.35%
2016	N/A
2015	N/A
2014	N/A
2013	N/A
2012	N/A
2011	N/A
2010	N/A
2009	N/A

CHARLESTON AREA REGIONAL TRANSPORTATION AUTHORITY
(d/b/a CARTA)

OTHER FINANCIAL INFORMATION

CHARLESTON AREA REGIONAL TRANSPORTATION AUTHORITY
(d/b/a CARTA)

SCHEDULES OF BUDGET TO ACTUAL COSTS - SCDOT

YEAR ENDED SEPTEMBER 30, 2018

OPT Contract - #PT - 81239-25

Contract Period July 1, 2016 – September 30, 2018

	Budget	Federal	Federal	SMTF	SMTF	Local	Local	Variance
		Current Period 7/1/17-6/30/18	Prior Period 7/1/16-6/30-17	Current Period 7/1/17-6/30/18	Prior Period 7/1/16-6/30-17	Current Period 7/1/17-6/30/18	Prior Period 7/1/16-6/30-17	
Expenditures								
Capital								
Other Capital Items	\$ 313,467	\$ —	\$ 204,238	\$ —	\$ 51,060	\$ —	\$ —	\$ 58,169
Total Expenditures	\$ 313,467	\$ —	\$ 204,238	\$ —	\$ 51,060	\$ —	\$ —	\$ 58,169
Approved Budget:	\$ 313,467							
Federal	204,238							
State (SMTF)	51,060							
Local	—							
Budget Balance	\$ 58,169							

CHARLESTON AREA REGIONAL TRANSPORTATION AUTHORITY
(d/b/a CARTA)

SCHEDULES OF BUDGET TO ACTUAL COSTS - SCDOT

— CONTINUED —

		OPT Contract - #PT 81299-20				
		Contract Period April 1, 2017 – December 30, 2018				
		Federal	SMTF	Local		
		Current Period	Current Period	Current Period		
		4/1/17 – 9/30/18	4/1/17 – 9/30/18	4/1/17 – 9/30/18		
Expenditures	Budget	4/1/17 – 9/30/18	4/1/17 – 9/30/18	4/1/17 – 9/30/18	Variance	
Capital						
11.12.04 Bus<30 ft (Replacement)	\$ 420,000	\$ —	\$ —	\$ —	\$ 420,000	
Total Expenditures	\$ 420,000	\$ —	\$ —	\$ —	\$ 420,000	
Approved Budget:	\$ 420,000					
Federal	—					
State (SMTF)	—					
Local	—					
Budget Balance	<u>\$ 420,000</u>					

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CHARLESTON AREA REGIONAL TRANSPORTATION AUTHORITY
(d/b/a CARTA)

SCHEDULES OF BUDGET TO ACTUAL COSTS - SCDOT

— CONTINUED —

OPT Contract - #PT 81299-64					
Contract Period July 1, 2017 – June 30, 2018					
	Federal	SMTF	Local		
	Current Period	Current Period	Current Period		
	7/1/17 – 6/30/18	7/1/17 – 6/30/18	7/1/17 – 6/30/18		
<u>Expenditures</u>	<u>Budget</u>	<u>7/1/17 – 6/30/18</u>	<u>7/1/17 – 6/30/18</u>	<u>7/1/17 – 6/30/18</u>	<u>Variance</u>
Operating					
503.01 Management Service Fee	\$ 3,309,160	\$ 1,654,580	\$ 334,894	\$ 1,319,686	\$ —
Capital					
11.7A.00 Preventive Maintenance	2,093,946	1,649,008	326,791	118,147	—
Total Expenditures	\$ 5,403,106	\$ 3,303,588	\$ 661,685	\$ 1,437,833	\$ —
Approved Budget:	\$ 5,403,106				
Federal	3,303,588				
State (SMTF)	661,685				
Local	1,393,638				
VAP Payback	44,195				
Budget Balance	<u>\$ —</u>				

SUPPLEMENTARY FEDERAL FINANCIAL ASSISTANCE REPORTS

CHARLESTON AREA REGIONAL TRANSPORTATION AUTHORITY
(d/b/a CARTA)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED SEPTEMBER 30, 2018

<u>Federal Grantor/Pass-Through Grantor/Program Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Entity Identification Number</u>	<u>Passed Through to Sub-recipient</u>	<u>Total Federal Expenditures</u>
Federal Transit Administration, U.S. Department of Transportation				
Direct:				
Capital Investment Grants (FTA 5309)	20.500	SC-04-0010-00	\$ 5,234,864	\$ 5,234,864
Formula Grants for Urbanized Areas (FTA 5307)	20.507	SC-90-X259-00	—	124,448
Formula Grants for Urbanized Areas (FTA 5307)	20.507	SC-90-X264-01	—	389,421
Formula Grants for Urbanized Areas (FTA 5307)	20.507	SC-90-X279-00	—	16,669
Formula Grants for Urbanized Areas (FTA 5307)	20.507	SC-90-X287-00	—	8,377
Capital Investment Grants (FTA 5339)	20.526	SC-2017-005-00	—	586,694
Formula Grants for Urbanized Areas (FTA 5307)	20.507	SC-2017-012-00	—	9,826
Formula Grants for Urbanized Areas (FTA 5307)	20.507	SC-2018-038-00	—	5,632,340
Total Formula Grants for other than Urbanized Areas			<u>5,234,864</u>	<u>12,002,639</u>
Passed through from State:				
S.C. Department of Transportation, Office of Public Transit:				
Capital investment Grants (FTA 5339) (PT-81239-25)	20.526	SC-2017-009-00	—	204,238
Total Federal Transit Cluster			<u>5,234,864</u>	<u>12,206,877</u>
Passed thru Berkeley-Charleston-Dorchester Council of Governments (BCDCOG):				
Enhanced Mobility of Seniors and Individual Disabilities (FTA 5310)	20.513	SC-2018-001-00	—	159,662
Total			<u>—</u>	<u>159,662</u>
Total U.S. Department of Transportation, Federal Transit Administration			<u>5,234,864</u>	<u>12,366,539</u>
Total Federal Financial Assistance-Primary Government			<u>\$ 5,234,864</u>	<u>\$ 12,366,539</u>

See accompanying notes to the Schedule of Expenditures of Federal Awards.

CHARLESTON AREA REGIONAL TRANSPORTATION AUTHORITY
(d/b/a CARTA)

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED SEPTEMBER 30, 2018

1. Basis of Presentation

The Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of CARTA under programs of the federal government. The Schedule is presented in accordance with the requirement requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "OMB Uniform Grant Guidance (Subpart F)"). Therefore, some amounts presented in the Schedule may differ from amounts presented in or used in the presentation of the financial statements.

2. Summary of Significant Accounting Policies

The Schedule is presented on the accrual basis of accounting in accordance with generally accepted accounting principles. Such expenditures are recognized following the cost principles contained in the OMB Uniform Grant Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

CARTA has elected not to use the 10 percent *de minimus* indirect cost rate as allowed in the OMB Uniform Grant Guidance.

3. Federal Award Funds Cash Balance

At September 30, 2018, CARTA had \$3,096,582 of federal funds from the prior sale of property purchased with federal grant funds. They are restricted for use on the Intermodal Transportation Facility Project.

CHARLESTON AREA REGIONAL TRANSPORTATION AUTHORITY
(d/b/a CARTA)

ROBERT E. MILHOUS, C.P.A., P.A. & ASSOCIATES

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Board of Directors
Charleston Area Regional Transportation Authority
North Charleston, South Carolina

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*

I have audited in accordance with the standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Audit Standards* issued by the Comptroller General of the United States, the basic financial statements of the Charleston Area Regional Transportation Authority (“CARTA”), as of and for the year ended September 30, 2018, and have issued my report thereon dated January 25, 2019. I conducted my audit in accordance with auditing standards generally accepted in 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.

Internal Control Over Financial Reporting

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

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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the 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.

My consideration of internal control over financial reporting 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 my audit I did not identify any deficiency in internal control over financial reporting that I consider to be a material weakness. I did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs that I consider to be significant deficiencies as items #2018-001, #2018-002, and #2018-003.

— CONTINUED —



Compliance and Other Matters

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

CARTA's Response to Findings

CARTA's response to the findings identified in my audit are described in the accompanying corrective action plan. CARTA's response was not subject to the auditing procedures applied in the audit of the financial statements and accordingly, I express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the result of that testing and not to provide an opinion 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.



January 25, 2019
Columbia, South Carolina

ROBERT E. MILHOUS, C.P.A., P.A. & ASSOCIATES

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Board of Directors
Charleston Area Regional Transportation Authority
North Charleston, South Carolina

Report on Compliance For Each Major Federal Program; Report on Internal Control Over Compliance Required by the Uniform Guidance; and Report on the Schedule of Expenditures of Federal Awards

Report on Compliance for Each Major Federal Program

I have audited Charleston Area Regional Transportation Authority's ("CARTA") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of CARTA's major federal programs for the year ended September 30, 2018. CARTA's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

My responsibility is to express an opinion on compliance for each of CARTA's major federal programs based on my audit of the types of compliance requirements referred to above. I conducted my 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 I 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 CARTA's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

I believe that my audit provides a reasonable basis for my opinion on compliance for each major federal program. However, my audit does not provide a legal determination of CARTA's compliance.

— CONTINUED —



Opinion on Each Major Federal Program

In my opinion, CARTA complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2018.

Report on Internal Control Over Compliance

Management of CARTA is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing my audit of compliance, I considered CARTA'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 Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of CARTA'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 a 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.

My 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. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses. However, I identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as items #2018-001, #2018-002, and #2018-003 that I consider to be significant deficiencies.

CARTA's Response to Findings

CARTA's response to the findings identified in my audit are described in the accompanying corrective action plan. CARTA's response was not subject to the auditing procedures applied in the audit of the financial statements and accordingly, I express no opinion on it.

Purpose of this Report

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

— CONTINUED —

Report on Schedule of Expenditures of Federal Awards Required by Uniform Guidance

I have audited the financial statements of CARTA as of and for the year ended September 30, 2018, and have issued my report thereon dated January 25, 2019, which contained an unmodified opinion on those financial statements. My audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the Schedule of Expenditure of Federal Awards is fairly stated in all material respects in relation to the financial statements as a whole.



January 25, 2019
Columbia, South Carolina

CHARLESTON AREA REGIONAL TRANSPORTATION AUTHORITY
(d/b/a CARTA)

CHARLESTON AREA REGIONAL TRANSPORTATION AUTHORITY
(d/b/a CARTA)

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED SEPTEMBER 30, 2018

Part I— Summary of Auditor’s Results

Financial Statements:

I have issued an unmodified opinion dated January 25, 2019 on the financial statements of the Charleston Area Regional Transportation Authority, (the “CARTA”).

Internal control over financial reporting:

- Material weakness identified? No
- Significant deficiencies identified? Yes
- Noncompliance material to financial statements noted No

Federal Awards:

I have issued an unmodified opinion dated January 25, 2019 on the compliance for major programs.

Internal control over major programs:

- Material weakness identified? No
- Significant deficiencies identified? Yes
- Any audit findings disclosed that are required to be reported in accordance with OMB Uniform Grant Guidance (Subpart F). Yes

Identification of Major Programs:

CFDA #20.509 – Formula Grants for Other Than Urbanized Areas (FTA 5311)

- Dollar threshold used to distinguish between type A and type B programs: \$750,000
- Auditee qualified as low-risk auditee? Yes

— CONTINUED —

CHARLESTON AREA REGIONAL TRANSPORTATION AUTHORITY
(d/b/a CARTA)

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

— CONTINUED —

Part II — Financial Statement Findings

A. Current Year Financial Statement Findings

#2018-001 Internal Control Over Capital Asset Reporting

Condition

The prior audit (year ended September 30, 2017) had reported, as construction-in-process, the Intermodal Transportation Facility Project as an asset of CARTA. The land is not owned by CARTA and the intermodal facility construction is under a sub-recipient grant to the City of North Charleston dated October 15, 2015, as amended. Additionally, CARTA continued capitalizing the Intermodal Project costs in 2018 as its asset.

Cause

The prior auditors had recommended this accounting to CARTA.

Criteria

In accordance with the agreement between the City of North Charleston and CARTA, the City of North Charleston is a sub-recipient of federal funds and will own the title to all assets of the Intermodal Transportation Facility Project.

Effect

The prior year's reported capital assets of CARTA were overstated by \$2.5 million and resulted in a restatement of the prior year's net position as a correction of an error. The capital asset records of CARTA have been corrected as a result of the 2018 audit.

Recommendation

CARTA should establish internal control policy and procedures to ensure that proper title is held before an asset is added to its capital asset records. A separate inventory should be maintained for assets acquired with federal funds which are controlled by CARTA, but do not meet the definition of a capital asset for financial reporting.

#2018-002 Internal Control Over Sub-Recipient Monitoring

Condition

Monitoring reports were not formally documented by CARTA for the sub-recipient grant award to the City of North Charleston. In addition, the sub-recipient's audit reports and the related Schedule of Expenditures of Federal Awards ("SEFA") had not been provided to CARTA timely.

CHARLESTON AREA REGIONAL TRANSPORTATION AUTHORITY
(d/b/a CARTA)

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

— CONTINUED —

Cause

While CARTA has written policies and procedures that include procedures, forms and checklists over sub-recipient monitoring, all of the forms and checklists had not been used in the monitoring process. Within the monthly reporting packages received from the sub-recipient, there was evidence that procurement, Buy America, Disadvantaged Business Enterprises (DBE), and other compliance areas, had been met. CARTA does have an employee who reviews and approves the documentation package prior to the package being submitted to accounting for federal fund reimbursement; however, no evidence of supervisory review of the package or of its monitoring compliance there to was noted.

Criteria

Pursuant to the Sub-Recipient Grant Agreement, dated October 15, 2015, Section VIII requires the sub-recipient (City of North Charleston) to submit many compliance reports and deliverables to CARTA. Additionally, and within nine (9) months of the City's year end (June 30), the City is require to submit to CARTA an Uniform Guidance Single Audit (formerly known as OMB Circular A-133) report and related SEFA. According to the OMB Compliance Supplement, routine sub-recipient monitoring is a requirement for grantees with sub-recipient grant awards.

Effect

Although CARTA maintains files with many supporting documents received from the sub-recipient, and there were indications that a review/ approval by an employee was documented on the package submitted to accounting for federal fund disbursement to the sub-recipient, it was not clear what monitoring compliance had actually been performed. The lack of formal monitoring and compliance documentation by CARTA could result in the sub-recipient being non-compliant.

Recommendation

CARTA should review its contracts with sub-recipients and OMB Uniformed Guidance for conditions and requirements to ensure controls are in place to verify that such conditions and requirements are met. CARTA should prepare formal monitoring reports of its sub-recipient grant awards indicating the procedures performed and document findings and questioned costs, if any. Site visits of the sub-recipient grant project should be documented when they occur. The final disbursement package and monitoring report(s) should be provided to senior management of CARTA for approval.

CHARLESTON AREA REGIONAL TRANSPORTATION AUTHORITY
(d/b/a CARTA)

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

— CONTINUED —

#2018-003 Internal Control Over Schedule of Expenditures of Federal Awards (“SEFA”) and Related Notes

Condition

The prior year’s (year ended September 30, 2017) Schedule of Expenditures of Federal Awards (“SEFA”) and its related notes did not indicate federal funds that had been passed through to the City of North Charleston, and thus, was not in compliance with Uniform Guidance presentation requirements for sub-recipient grant awards.

Cause

CARTA management was unaware of the SEFA requirement and the prior auditors did not identify this deficiency in their reports.

Criteria

Pursuant to the Uniform Guidance, the SEFA shall include the total federal awards provided to sub-recipients from each federal program.

Effect

Users of the SEFA were not informed that federal award funds had been passed through to another entity for prior years.

Recommendation

CARTA should review the OMB Uniform Guidance and Compliance Supplement compliance criteria for requirements to report sub-recipient grant awards and adopt policy and procedures to insure that future SEFA’s are compliant.

B. Prior Year Financial Statement Findings Reported

None reported

CHARLESTON AREA REGIONAL TRANSPORTATION AUTHORITY
(d/b/a CARTA)

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

— CONTINUED —

Part III — Federal Award Findings and Questioned Costs

A. Current Year Financial Statement Findings and Questioned Costs

#2018-001 Internal Control Over Capital Asset Reporting

{see above finding}

#2018-002 Internal Control Over Sub-Recipient Monitoring

{see above finding}

#2018-003 Internal Control Over Schedule of Expenditures of Federal Awards (“SEFA”) and Related Notes

{see above finding}

B. Prior Year Financial Statement Findings Reported and Questioned Costs

None reported

Part IV — Corrective Action Plan

{see attached response}

CARTA

CHARLESTON AREA REGIONAL TRANSPORTATION AUTHORITY

CARTA – Corrective Action Plan for Fiscal Year Ending September 30, 2018

Part III – Financial Statement Findings

#2018-001 Internal Control Over Capital Asset Reporting

CARTA Response: CARTA has established an internal control policy to address proper title of assets before they are added to capital inventory. CARTA will maintain capital assets inventory as required by the federal transit administration which do not meet the definition of a capital asset for financial reporting.

#2018-002 Internal Control Over Sub-Recipient Monitoring

CARTA Response: CARTA and the Sub-Recipient had a change in project management staff and the new staff did not realize that CARTA had to perform sub-recipient monitoring. CARTA now has a process in place that will ensure that all sub-recipient monitoring is performed as required and that all future staff will know what is required for future projects.

#2018-0 03 Internal Control Over Schedule of Expenditures of Federal Awards (“SEFA”) and Related Notes

CARTA Response: CARTA has reviewed the OMB Uniform Guidance and Compliance Supplement to ensure that all requirements are met in properly reporting expenditures of Federal Awards in the future.