ADD-ONS

ADD-ONS

County Council of Beaufort County Finance Committee Meeting

Chairman
CHRIS HERVOCHON

Vice Chairman
MARK LAWSON

Committee Members
GERALD DAWSON
STU RODMAN
PAUL SOMMERVILLE

County Administrator
ASHLEY M. JACOBS

Clerk to Council
SARAH W. BROCK

Staff Support
RAYMOND WILLIAMS

Administration Building
Beaufort County Government
Robert Smalls Complex
100 Ribaut Road

Contact
Post Office Drawer 1228
Beaufort, South Carolina 29901-1228
(843) 255-2180
www.beaufortcountysc.gov

Finance Committee Agenda

Monday, May 18, 2020 at 2:00 PM
[This meeting is being held virtually in accordance with Beaufort County Resolution 2020-05]

THIS MEETING WILL CLOSED TO THE PUBLIC. CITIZEN COMMENTS AND PUBLIC HEARING COMMENTS WILL BE ACCEPTED IN WRITING VIA EMAIL TO THE CLERK TO COUNCIL AT SBROCK@BCGOV.NET OR PO DRAWER 1228, BEAUFORT SC 29901. CITIZENS MAY ALSO CALL 843-255-2041 TO SIGN UP FOR PUBLIC COMMENT PARTICIPATION BY PHONE AND CAN COMMENT DURING THE MEETING THROUGH FACEBOOK LIVE.

1. CALL TO ORDER
2. PLEDGE OF ALLEGIANCE
3. *[Public notification of this meeting has been published, posted, and distributed in compliance with the South Carolina Freedom of Information Act]*
4. APPROVAL OF AGENDA
5. APPROVAL OF MINUTES - April 20, 2020

PRESENTATION ITEMS

6. FUNDING REQUEST FOR FISCAL YEAR 2020-2021 FROM THE LOWCOUNTRY REGIONAL TRANSPORTATION AUTHORITY / PALMETTO BREEZE IN THE AMOUNT OF $357,052
7. BEAUFORT COUNTY SHERIFF'S OFFICE FY21 BUDGET REQUEST - SHERIFF P.J. TANNER
8. BEAUFORT COUNTY'S PROBATE COURT FY21 BUDGET REQUEST - JUDGE KENNETH FULP
9. BEAUFORT COUNTY PUBLIC DEFENDER'S OFFICE FY 21 BUDGET REQUEST - STEPHANIE SMART-GITTINGS
10. BEAUFORT COUNTY CORONER'S OFFICE FY21 BUDGET REQUEST - CORONER ED ALLEN
11. TREASURER'S OFFICE BUDGET REQUEST FY21 – TREASURER MARIA WALLS
12. BEAUFORT COUNTY AUDITOR'S OFFICE FY 21 BUDGET REQUEST – AUDITOR JIM BECKERT

DISCUSSION ITEMS

13. DISCUSSION REGARDING THE METHOD USED TO ESTABLISH THE SCHOOL TAX MILLAGE RATE AS REQUESTED BY THE COUNTY AUDITOR

14. HILTON HEAD ISLAND-BLUFFTON CHAMBER OF COMMERCE / VISITOR & CONVENTION BUREAU 20/21 SOUTHERN BEAUFORT COUNTY MARKETING PLAN https://issuu.com/hdmartin/docs/2020-2021_beaufort_county_marketing_plan_-_final/54

15. GREATER BEAUFORT-PORT ROYAL CVB REQUEST FOR A/H-TAX FUNDS.

ACTION ITEMS

16. CONSIDERATION OF A MAY RIVER AFFORDABLE HOUSING IMPACT FEE WAIVER

17. CONSIDERATION OF A FILOT AGREEMENT REGARDING PROJECT BLUEBERRY

CITIZEN COMMENTS

18. CITIZEN COMMENTS (EVERY MEMBER OF THE PUBLIC WHO IS RECOGNIZED TO SPEAK SHALL LIMIT COMMENTS TO THREE MINUTES - CITIZENS MAY EMAIL SBROCK@BCGOV.NET OR COMMENT ON OUR FACEBOOK LIVE STREAM)

19. ADJOURNMENT

BEAUFORT COUNTY COUNCIL

Agenda Item Summary

Item Title:

Approval of Minutes

Council Committee:

Finance Committee

Meeting Date:

May 18, 2020

Committee Presenter (Name and Title):

Issues for Consideration:

Approval of the April 20, 2020 minutes

Points to Consider:

Funding & Liability Factors:

None.

Council Options:

Approve, Modify or Reject

Recommendation:

Approve

Finance Committee Minutes

Monday, April 20, 2020 at 2:00 PM

Council Chambers, Administration Building Beaufort County Government Robert Smalls Complex 100 Ribaut Road, Beaufort

CALL TO ORDER

Chairman Hervochon called the meeting to order at 2:00PM

FOIA

Chairman Hervochon noted that Public notification of this meeting had been published, posted, and distributed in compliance with the South Carolina Freedom of Information Act.

APPROVAL OF AGENDA

Motion: It was moved by Council Member Passiment, Seconded by Council Member Dawson to approve the agenda. Voting Yea: Council Member Passiment, Council Member Sommerville, Council Member Covert, Council Member Dawson, Council Member Flewelling, Council Member Rodman, Council Member Glover, Chairman Hervochon, Council Member Howard, Vice Chairman Lawson and Council Member McElynn. The motion passed.

APPROVAL OF MINUTES

Motion: It was moved by Council Member Passiment, Seconded by Vice Chairman Lawson to approve the minutes from February 18, 2020. Voting Yea: Council Member Passiment, Council Member Sommerville, Council Member Covert, Council Member Dawson, Council Member Flewelling, Council Member Rodman, Council Member Glover, Chairman Hervochon, Council Member Howard, Vice Chairman Lawson and Council Member McElynn. The motion passed.

PRESENTATION ITEMS

Collections Update from the Beaufort County Treasure- Maria Walls

Discussion:

Maria Walls: A lot of decisions we have coming up depends on what our volume is going to be. We are growing in volume as a whole but we are seeing a decrease in walk in traffic. In office payments processed was almost at $60K. 2019 was the first year that, across the board, import payments exceeded walk in traffic. Collections as of March 3, 2020 is 94.66%.

Council Member Flewelling: Could you tell us the County operations percentage, County debt percentage collected versus last year?

County Council of Beaufort County Finance Committee Meeting

Chairman
CHRIS HERVOCHON

Vice Chairman
MARK LAWSON

Committee Members
GERALD DAWSON
STU RODMAN
PAUL SOMMERVILLE

County Administrator
ASHLEY M. JACOBS

Clerk to Council
SARAH W. BROCK

Staff Support
RAYMOND WILLIAMS
ALICIA HOLLAND

Administration Building
Beaufort County Government
Robert Smalls Complex
100 Ribaut Road

Contact
Post Office Drawer 1228
Beaufort, South Carolina 29901-1228
(843) 255-2180
www.beaufortcountysc.gov

Maria Walls: County operations 96.14%, County debt 96.14%. 2019 County operations 95.80%, County debt 95.78%.

Council Member Covert: We've billed more than the Ordinance; how did that happen?

Maria Walls: The Ordinance amount is only a projected amount. Money is not revenue until it is billed. When You passed your ordinance it was on anticipated revenue for the fiscal year. There is going to be a portion of this You aren't going to see or collect this year. Unfortunately, things become delinquent and collected in a future fiscal year.

Council Member Covert: Maybe this question is for the auditor, why are you telling us $106M, that is what was voted on, and we are at $110M? These numbers are never going to match.

Maria Walls: I would encourage you, if you have questions for the Auditor, that you ask him to present to County Council. I am presenting facts. The fact is at the moment in time this data was generated County Operations was $110M. I have no control over that. I am collecting what I am directed too. We want these figures as close as possible so it doesn't look like we are billing more than what is necessary. At the time that number is created it is a projection. We are the collectors, we aren't assessors, auditors, etc. and I don't have the authority to make that less or more. From a collections stand point, regarding your questions, we are not going to reach $110M by June 30, 2020 and collect at 100%.

Council Member Flewelling: Does any of this data collected include delinquent taxes?

Maria Walls: No

Council Member Glover: Budget is actually $106M so we've collected $105M. Are you saying we should meet the $106M budget by the end of the fiscal year and anything over budget would be in fund balance?

Maria Walls: In an ideal world, yes. But what isn't factored in is that our customers are going to continue to file appeals and exemptions and that results in a refund from these dollars. If the refunds netted out against collections between now and June 30, 2020 and resulted in collecting more than the original ordinance anticipated. That excess would be up to Council or your financial policy. Liquidity, operating is completely liquid cushion of $60M is highly liquid. Our process is to keep enough cash in our account for two weeks because it is earning very little. We keep the majority of our funds in a local government investment pool account ran by the State Treasures Office. Each liquidity level is an indicator that those dollars are actively invested outside of the government pool in an actual investment vehicle. The level indicates how liquid an item is. Level I active $22M investment is still very liquid but during a short duration. Level IV is the longest duration with $25M and the least liquid. Total is around $80M on average during this time of year. These investments are monitored weekly, all of our investments have appreciated in value and if under extreme circumstances the County needed funds beyond the operating and cushioned level we would easily be able to identify investments to sell and not at a loss. We are doing very well and healthy in that department.

Council Member Flewelling: How is the cushion invested?

Maria Walls: With the local government investment pool with the South Carolina Treasurers Office. It functions like a money market fund and is available within 24 business hours of the request.

Council Member Glover: Level IV, what is the long term? 5 years?

Maria Walls: Between 3-5 years. Investment Update. As of March 31, 2020 $4,298,874.00 and expects to well exceed last years $4,700,399.00.

Council Member Covert: Investment returns don't roll over and add consecutively?

Maria Walls: If you are talking about compound interest, none of it does, not because we are spending a good portion of the amount we are investing at some point in time. The amount you are seeing $4,298,874.00 is for all agencies not just for County Operations.

Council Member Covert: At the end of the year, what document in CAFR do we look at to see where the money is made, the growth pattern and what account that goes in?

Maria Walls: It would be in the CAFR and throughout the year the dollar amounts are recorded in an undistributed interest account in the general ledger. It remains untouched inside this account. At the end of the fiscal year and end of finances closing they perform an allocation of those earnings to various general ledger funds based on average cash volume that the fund had.

Vice Chairman Lawson: We have a $60M cushion, $83M in investments and $6M made in investments this year. It is amazing and I commend you on that.

Maria Walls: Thank you.

Council Member Howard: Is the School Board District part of this cushion?

Maria Walls: The Finance Department allocates the funds and based on my review of last year's allocation, a good portion did go to the School District and they are a part of this cushion. They also have other investment earnings outside of equity pooled cash because we are very conservatively investing funds for them.

Chairman Hervochon: Looking at our budget book and the interest revenue numbers here for the general fund, for fiscal year 2019 actual, it has $719,249.00 it would seem as though it is a portion of that $4.7M?

Maria Walls: Yes, keep in mind that the general fund is not the only County fund that has money in equity and pool cash. The County has multiple funds and there all pieces of a whole. The County as an organization received more than just the $700K, Yes, the general fund did receive that.

Chairman Hervochon: That is a little more than 1/6 of the investment return. They budget for 2020 was $442,805.00 which would seem to be about 1/10 of that $4. 3M or so. Can you help me understand that, going from 1/6 to 1/10 and then the $4.3M, how are we expecting that to be impacted by the lower interest rate environment that we have right now with COVID 19 and the increased reserves?

Maria Walls: The anticipated budget, I did not set that budget amount for the County general fund so I can't speak to that. If I had, I would have set something a little bit higher from a budgetary stand point but due to the unpredictable nature of rates you want to over budget in this area and under deliver. I am limited on what I can do. What we are good at is managing the cash flow, making it work the minute we get it until the minutes it walks out the door. That is where I have the most opportunities to influence what has happened. From an investment option stand point I have no control over that. From a budgetary standpoint it's probably safer to be conservative in the budget amount. For the $4.3M this is not the first time we've been in a low rate environment. Going back to cash flow if you can never make a quality investment decision, if you don't know what money you need and when, you don't need to bother with investing because you could set yourself up for disaster. When you know what you need and when it allows you the purview and the freedom to make investments when the timing is right. Right now, unless you think the rates are going to go lower, it might not be the best time to buy and we need to be more strategic at using other options which we are currently considering. The only thing we have not utilized is free purchase agreement. We are working with an outside Attorney to see what that option may look like. I'm not prepared to say at the moment that it's an option because we are still in that research phase. Right now we have a very solid process and I don't want to alter it or incorporate anything that might detract from what we already have going on. At this lower rate environment, we should expect low rates on returns. How did we prepare ourselves and hedge that, is that we were very fortunate to lock in our earnings credit rate at ta healthy rate for two years when we move to the new Financial Institution. We are still earning that ECR on the cash that we are keeping at the bank. We have a compensating balance agreement and it works as a credit. Instead of earning interest we are earning dollars that can be put toward our bank fees.

Chairman Hervochon: From a collections perspective do you have any concerns relative to the environment we find ourselves in with COVID.

Maria Walls: Everyone is impacted. Do I know exactly what to expect, no. It won't be a typical year but it also won't be our worst case scenario and it is too soon to say where in that spectrum we are going to fall. The County, from tax collections standpoint only, that we could come up with a projection based on different property types. For instance are you going to pay your water craft taxes before your house taxes, probably not, but it would be a projection. We are going to be affected but I can't tell you how much. Right now I am not concerned because we are above where we were last year. When that starts to drop and even out with last year's number then I will be concerned. I don't know from a tax perspective if we will be able to tell what it has cost Beaufort County as a whole for months. Delinquent collections methods. As we are dealing with this we will see an increase in delinquent collections. There will not be any more penalties between now and August 31, 2020. The three main delinquent categories; delinquent tax sale, debt set off, and third party collections. They are very different and used for different property types. We send out multiple communications before going through these programs. At this I'm not expecting a different outcome with the tax sales this year. Delinquent tax sales are quicker at achieving collections, debt set off and third party collections are a waiting game and time consuming. We hope we aren't going to see a guge uptake in delinquencies. Each person will respond/recover differently. But the big picture here is that we are at 99% collection eventually.

Council Member Covert: Where are we at with 2019 tax year.

Maria Walls: We are at 94.66%. It is less, but this is from March. Are we going to reach 95.93% like 2018? I can't say, there is a clear progression through the years. The target for us internally would be an average of the past 5 years which would be about 95%. I don't know if that is achievable in this situation because I don't know if we are back to normal, whatever that may be.

Council Member Covert: There has to be a certain percentage that median can be applied? April, May, June of last year and a percentage of the last quarter. Could we be able to gauge off that for this year?

Maria Walls: The last quarter ended March 31, 2020 at 94.66%. Total collections and 95.8% for the County from last year. The total tax dollars' collection rate tends to be lower than the County because of the exemptions that don't affect the County but affects the school district. Each agency is affected differently if you look at the details. Operations Rate. We are at the end of the banking service transition rate. We are evaluating our current and future needs. Regardless of what our new normal looks like we will continue to focus on staff development and technologies. We can't lose site of the people and technology that allows us to create and provide great customer service. I view us as a support function, we need to our job so you can do your job.

Council Member Glover: March 31, 2020 was the deadline for delinquent penalties. If anyone sends theirs in by mail would it be honored as on time?

Maria Walls: Yes, the post mark date is honored as the payment date.

PRESENTATION ITEMS

Hungry Hearts ATAX/HTAX Funding Request- Council Member Flewelling

Request for $25,000,00 from the County H/Tax fund.

Discussion:

Council Member Flewelling: Low Country Strong.com started an organization to purchase meals from an open restaurant for people in the service industry that are out of work. They are asking for H/Tax Funds. Legal has said that this doesn't qualify for A/Tax- H/Tax. Is there another fund that could be allocated?

Chairman Hervochon: Is this a 501C3?

Council Member Flewelling: It is a 501C3 and has been receiving funding from Low Country Community Foundation.

Council Member McElynn: We do have the ability to fund non-profits through the Community Service grants through the Community Services Department. If the organization wants to file an application for the grant I would ask Monica Spells to get in touch with them.

Council Member Covert: Community Foundation does distribute to them and to a huge amount of other non-profits. They are spending $20K a week to fee service industry individuals that are out of work. Restaurants are not making any money off of this. If we could consider this, seriously, and move forward with it.

Council Member McElynn: I want to clarify that I will contact the County Administrator and have her reach out to speak with Monica Spells.

Discussion of Internal Audit- County Administrator, Ashley Jacobs.

Chairman Hervochon: Last year $65K was allocated to this year's budget for an internal audit ordinance to look at the budget. It has not moved forward. That is the purpose for today, to look at some areas and their cost.

Ashley Jacobs: (*No sound via County Channel or Facebook live)*

Council Member Flewelling: There may be some efficiencies gained by looking at the court system and the way fines are calculated and received and make sure we are doing it correctly and taking advantage of technology.

Council Member Passiment: It should come from the County Administrator, where we need to focus and then we need to narrow it down to areas and amount that can be easily accomplished.

Council Member Rodman: I think the suggestion of the A-Tax/H-Tax is a good one in the sense that we agree to re-open the ordinance and take a look at them.

Chairman Hervochon: If we could get about five ideas from the County Administrator and how to get this going, it would be super helpful.

Ashley Jacob: (*No sound via County Channel or Facebook live)*

FY 2021 Budget Status Update- Alicia Holland, Director of Finance

Discussion:

(*No sound via County Channel or Facebook live)*

Council Member Howard: Does this include the Sheriff's Department?

Alicia Holland: No, it does not. This is a general fund vehicle and equipment request excluding the Sheriff's Department. I could share theirs but I feel they would need to speak to their specific needs because they maintain their rotation of vehicles and all the details related to that.

Council Member Sommerville: Can you explain incumbent and how it applies?

Alicia Holland: If it is in the incumbent column that means there is a purchase order in our system but we have no received the item or received an invoice to pay for those items.

The next thing is FY 2019 capital assets sold. This is a 5-page document with a list of the assets that were sold, the specifics of the assets the price it was sold for and the commission which is generally 6% or 7%. Final price is the net that the county receives. Page 3 we sold to Daufuski Island Fire District and The Town of Yemassee Police and transferred some assets to Burton Fire District. The rest of the assets were sold online. The specifics about the communication equipment is on page 4 and 5. Next item is #4 FY20 regarding assets sold.

I want to answer a question Council Member Flewelling asked regarding the impact of waiving business licensing fees. Page 1 in the budget binder shows licensing fees at a proposed amount of $1.6M. that is a decrease compared to what we appropriated for FY20 in accordance with our decrease and projected revenue. $1.6M is the amount currently in the FY21 budget place holder.

Council Member Flewelling: My concern is the current fiscal year right now. Clearly you have a projection for next year's budget we are about to prepare. Any change to be made and we zero that as general revenue. If we were to do away with business licensing completely and state law lets us charge a flat rate of $25, $50, $75 instead of the percentage. So I am looking at next year if we charged a flat rate per business. How much have we received from the business licensing program? I think with COVID19 it may be helpful to stop with the business licensing for the remainder of the year and find some way to return the revenue already collected. Has that question debated and until we know the ramification? So how much has been collected currently and how much remains to be collected?

Alicia Holland: On an annual basis we have around 5,600.00 business licensing renewals in the unciorporated part of the County.

Ashley Jacobs: From the last time we spoke with Mrs. Stevenson there hasn't been any slowdown in the payments.

Alicia Holland: Yes, the payments are still coming in. Our revenue to date is around $800k-$900k out of a $2M appropriation but the dead line originally was the end of May and has been extended to sometime in June because of COVID19.

Council Member McElynn: There were 5,600 business in unicorporated is it accurate to say if the business is located in a municipality conducts business in the unincorporated areas in Beaufort County that they must obtain a Beaufort County business license?

Alicia Holland: Yes, that is correct. The business license determination is based on were the revenue is generated in the unincorporated part of the County.

Council Member McElynn: I just wanted to clarify that the business doesn't have to be located in the unincorporated part of the County to obtain a license.

Council Member Rodman: If we were to refund business it would be the entire $2M?

Alicia Holland: Yes, if we were to refund businesses it would be the entire FY20 to date and obviously not collecting anything more.

Councilman Hervochon: Would it be possible to see the business stratified by revenue size? So we can see what is possible to abide or reduce certain fees for certain size businesses.

Alicia Holland: I can get that in the next day or two if that information is available.

There was a request for a total summary consolidation of accounts. I created one for revenue and one for expenditures. How Does finance close out the month and when that occurs. Also I received a question about the YTD number in the book. There is a fiscal year end date on the headings of those columns. Where the column says YTD actual for June 30, 2020 those are the YTD actuals for the year 2020. Those columns in the budget book are annual columns. We generally close the month around the third or fourth week of the following month. Between revenue that takes place and fifty different sources received income it takes three to four weeks to get everything into finance.

Chairman Hervochon: Is every group in the budget book updated through the same date FY20?

Alicia Holland: That data is pulled from June 30, 2020.

Chairman Hervochon: I'm curious about the timing of these expenditures and if they are happening sporadically, beginning of the year, end of the year?

Alicia Holland: They were pulled at the end of March 2020. You have some March data in those numbers, you have some data for the whole year in those numbers because of the transfers.

Chairman Hervochon: So, I'm getting that there have some column with March data and some that don't?

Alicia Holland: Yes, if you are looking for a monthly cut off, the monthly interim financial report post online is a better source for that.

Document number 8. Council Member Covert suggested that I ask the County Auditor to take our current County operations millage rate and apply them to the values that were known today. April 9th. So I provided a 1-page summary and hope that answers some questions that were related to the $110M billed in County operations a why our ordinance is $1.6M. There is a lot of difference between what totally gets billed and what is available for the County operations to be recognized as revenue. Column for preliminary taxable value, our current County operations millage rate, multiplied provides us with an estimated grand total $112.4M. Which is equivalent to this years $110M. There is a 2% reduction for real property, a 10% reduction for personal motor vehicle and water craft and that reduced $112.4M by $3.1M. We are down to $109.3M net levy. That $109.3 total is not recognized 100% as County operations revenue because to the tax increment financing. Tax increment financing participation and multi county industrial park agreements. The projected TIF participated for Port Royal is 100% and the Hilton Head TIF we participate at 100%, The increment in those is $935,300.00 and $47.2M respectively and that equates to tax dollars at $50,785.00 and $2.5M almost $2.6M to these TIFS and if we didn't participate that money would go to County operations revenue. Multi County industrial park participation is $168K.

Council Member Flewelling: Is that a net amount that comes to the County or gross, the $50,785.00 and $2.563M?

Alicia Holland: Those amounts are part of the $109M collected but go into a different pot of money to fund the debt service for the TIF.

After reducing the $109.3M by the TIF participation and the multi county industrial park participation it comes down to $106.5M. The estimates do not take into consideration any changes in value during the tax year 2020. The preliminary taxable value, all the growth that has happened from the last tax year to this tax year is already in those numbers. Once we have the assessor's numbers of real property, add in new construction, take into consideration all ATI's, the changes we see throughout the tax year is a decrease in value by appeal or percentage change. None of those potential changes are taken into account. I did this to help answer some questions and help everyone understand the flow of information and why that $112.4M of what is billed is different than what we budget and expect to recognize in the County operations.

Council Member Covert: That preliminary taxable value, is that also interpreted as the value of 1 mill?

Alicia Holland: The gross value, because if you want to find out what the mill produces you could take that $106,498,625.00 divide that by the 54.3, that would give you your mill value. That produces revenue of a mill that produces the total amount of billed but the county operations, there are a lot of things that happen to the county operations number before the County operations get down to it's pieve of the pie at $106M.

Council Member Covert: It seems we are not starting off with the same number we end with, can you explain why?

Alicia Holland: We are not starting off on the same number because of different variables, collection reduction, TIF participation etc.

Council Member Covert: Every month we the County closes is there an accrual process in those books? Im' trying to understand where the data is compared.

Alicia Holland: When we do a monthly financial statement, we are only pulling the data until the end of that month. Example: February 28th only pulls to February 28th. If we have posted accruals for the whole 12 months the next March, April, May and June months accruals are not going to pull into that data for February 28th end date.

Council Member Covert: Ok, so in April, you take your YTD or year to February 28, you are going to get the months up to that. If you are going to do it in May and you go to March backwards a year it's going to go to March at the end of 12 months when you are reconciling for the whole year. Do you take every months accrual into consideration when you are reconciling the budget?

Alicia Holland: Yes.

Council Member Covert: So the foundation we started on, the balance doesn't magnify over that 12 month period. I'm trying to understand growth.

Alicia Holland: These amounts I am showing are for the entire year. When the TIF reconciliation happens, it is on a monthly basis and that current months activity is what gets recorded in the general ledger not the full $2.5M or the full $50K.

Council Member Glover: Las year when we were building our budget a lot of collection rates were thrown around 8-%, 94% 95% no one ever talked about 98%. Are we building our budget on a low collection rate with the anticipation of a higher collection reality?

Alicia Holland: Maria showed that the collection rate at the fiscal year was 95%. Then she showed at the end of the tax year it was a higher percentage. While she is showing you current collections happening in this fiscal year we also have delinquent tax collections that come into play that were not collected from years ago. I take that into account when doing budget projections because that was revnue to us in that fiscal year even though that may be pieces of a puzzle from 4 or 5 years ago. That helps to offset that collection rate.

Council Member Passiment asked about workman's coverage in case of catastrophic losses and we do, called Stop Loss in the amount of $3M.

Chairman Hervochon: What is the timing for an updated budget book?

Alicia Holland: We are aiming for the first week of May.

ACTION ITEMS

An Ordinance to Amend Beaufort County Ordinance 2019/32, FY 2019- 2020 Beaufort County Budget, to appropriate $695,000.00 from the General Fund to provide funds to settle litigation captioned 2019-CP-07-01642.

Motion: It was moved by Council Member Rodman, Seconded by Vice Chairman Lawson to approve an ordinance to Amend Beaufort County Oridinance 2019/32, FY 2019-2020 Beaufort County Budget, to appropriate $695,000.00 from the General Fund to provide funds to settle litigation captioned 2019-CP-07-01642. Voting Yea: Council Member Passiment, Council Member Sommerville, Council Member Covert, Council Member Dawson, Council Member Flewelling, Council Member Rodman, Council Member Glover, Chairman Hervochon, Council Member Howard, Vice

Chairman Lawson and Council Member McElynn. The motion passed.

CITIZEN COMMENTS

CITIZEN COMMENTS

No Citizen Comments

ADJOURNMENT: 4:07 PM

Meeting Ratified by Council:

Palmetto BREEZE

MEMORANDUM

TO: Mr. Joseph F. Passiment, Jr., Finance Committee Chairman

FROM: Mary Lou Franzoni, Executive Director

SUBJ: Budget Request

DATE: April 2, 2020

The Lowcountry Regional Transportation Authority d.b.a. Palmetto Breeze appreciates the opportunity to submit the following budget request to Beaufort County. Palmetto Breeze respectfully requests **$357,052** (required amount to match the urban and rural grants) for Fiscal Year 2020-2021 for the provision of public transportation throughout the Lowcountry region including service from the rural counties to destinations in Bluffton and Hilton Head Island and the urban services in the Bluffton / Hilton Head area. This request includes **$230,747** of local match for the rural grant and **$126,305** local match for the urban grant.

History

LRTA has been a rural (5311) transportation provider since its inception. The SCDOT administers the rural grant funding and when combined with fares, state match, and local match accounts for the revenue necessary to operate the system. Historically, the local match has been provided by the counties of Allendale, Beaufort, Colleton, Hampton, and Jasper as well as the Town of Hilton Head Island.

As of February 9, 2017, the LRTA has been approved by the Federal Transit Administration (FTA) as a direct recipient for urban (5307) funds designated for the Hilton Head Island / Bluffton urbanized area. In 2018, LRTA began seasonal trolley service on Hilton Head Island as the first initiative for new service in the urbanized area. In the next fiscal year, LRTA is planning for new service in the Bluffton area as well as expansion of the Trolley service.

Current Local Match Needs

The rural (5310 and 5311) grants for FY 20-21 are for a total project cost of $2,228,736 of which the grants pay for $1,385,313. LRTA will need $499,268 in local match for this project (the state contributes $344,155 to the project). The fares, contracts, and miscellaneous revenue make up the remainder of the rural services budget. The chart that follows illustrates the local match responsibilities for the rural grant by percentage of ridership as well the actual amounts contributed last fiscal year by each county.

5311-Rural Area FY20-21

	Ridership FY 19	% of ridership	Actual Match received 19-20	Local Match Required FY20-21
Beaufort	108,808	51.03%	218,578	230,747
Jasper	22,384	10.50%	18,500	47,479
Colleton	8,070	3.78%	11,513	17,092
Hampton	46,591	21.85%	27,280	98,801
Allendale	27,379	12.84%	62,500	58,060
Hilton Head			53,148	
Sub-total	213,232	100.00%	391,519	452,180
Walterboro Works	5,357		47,088	47,088
TOTAL				**$499,468**

5307-Urban Area FY20-21

The urban (5307) grant for FY 20-21 is for a total project cost of $1,369,028 of which the grant pays for $853,414. LRTA will need $433,888 in local match for this project (the state contributes $81,736 to the project). This match is provided by the Town of Hilton Head Island, the Town of Bluffton and Beaufort County based on the population of the urban area. This grant includes operation of new service in Bluffton, expansion of the trolley service and facility renovation funds.

	Population	%	Local match
Town of Hilton Head	37,099	52.99%	$229,917
Town of Bluffton	12,530	17.90%	$ 77,666
Beaufort County	32,908	29.11%	$126,305
Totals	70,007	100%	$433,888

Local Commitment

Like most public transit systems, Palmetto Breeze relies on local, state, and federal funds to subsidize expenses. Palmetto Breeze appreciates the commitment that Beaufort County has made over the years by investing in the regional public transportation system. The funding provided by Beaufort County has played a vital role in the continuation of commuter route services as well as the expansion towards new services. This year's request will go towards the subsidization of public transportation operating and administration expenditures including vehicle operator's wages, fuel, maintaining capital equipment, parts and supplies as well as the continuation of Trolley services on Hilton Head and the planning for services in Bluffton.

Please contact me at 843-757-5781 or via email at mfranzoni@palmettobreezetransit.com should you have any questions or concerns regarding this request. Thank you for your time and attention to this matter. We look forward to another safe and successful year with Beaufort County as our partner!

Lowcountry Regional Transportation Authority
Palmetto Breeze

Auditor's Discussion & Analysis (AD&A)
Financial & Compliance Audit Summary
June 30, 2019

Presented by:

Trey Scott, CPA

MAULDIN & JENKINS

Lowcountry Regional Transportation Authority

Auditor's Discussion & Analysis (AD&A)

June 30, 2019

PURPOSE OF AUDITOR'S DISCUSSION AND ANALYSIS

- Engagement Team and Firm Information.

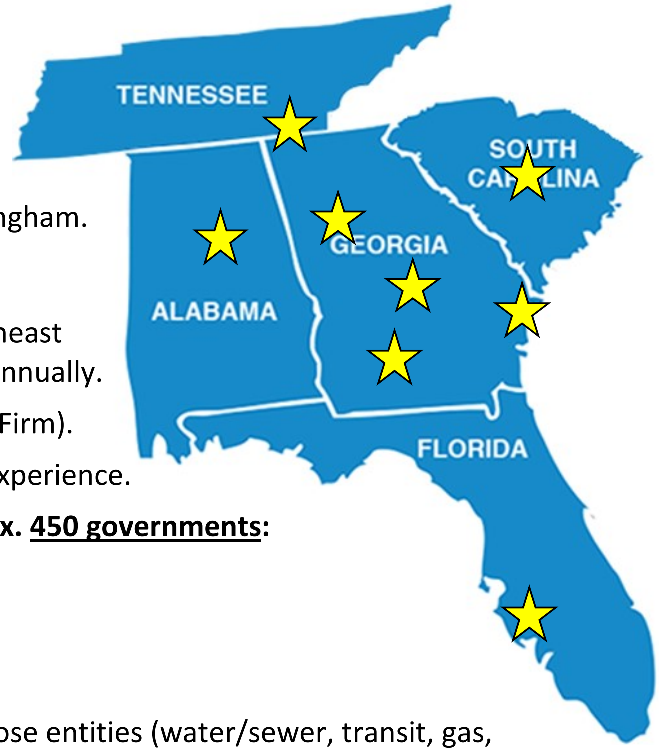
- Overview of:
  - Audit Opinion;
  - Financial Statements, Footnotes and Supplementary Information;
  - Compliance Reports;
  - Audit Scopes & Procedures.

- Required Communications under Government Auditing Standards.

- Accounting Recommendations and Related Matters.

- Answer Questions.

MAULDIN & JENKINS – GOVERNMENTAL PRACTICE



General Information:

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

Governmental Sector:

- Serve more governmental entities in the Southeast than any other firm with over 100,000 hours annually.
- Largest industry niche served by Firm (28% of Firm).
- Over 100 people with current governmental experience.
- **In past three (3) years, we have served approx. 450 governments:**
  - ✓ 120 cities;
  - ✓ 55 counties;
  - ✓ 55 school systems and 40 charter schools;
  - ✓ 40 state entities;
  - ✓ 45 stand-alone business-type special purpose entities (water/sewer, transit, gas, electric, and airports, etc.);
  - ✓ 105 stand-alone governmental special purpose entities (housing, development, industrial, other educational, health & welfare, retirement, libraries, etc.);
  - ✓ 100+ water & sewer systems, 25 airport operations, 10 gas systems, 15 electrical utilities, & 10 transit services;
  - ✓ 115 governments awarded the GFOA's and/or ASBO's Financial Reporting Certificates.
- Experience performing forensic audit services and information technology consultations.
- Experience performing municipal bond debt issuance attestation services serving approx. 50 clients with over $11 billion in aggregate publicly issued debt instruments.
- Considered to be in the Top 20 total number of Single Audits conducted in U.S.A.

Engagement Team Leaders Include:

- Trey Scott – Engagement Lead Partner – 11 years' experience, 100% governmental
- Miller Edwards – Quality Assurance Partner – 33 years' experience, 100% governmental
- Samantha Richardson – Engagement Manager – 15 years' experience, 100% governmental

INSIDE PUBLIC ACCOUNTING TOP 100 FIRMS 2018

MAULDIN & JENKINS – ADDITIONAL INFORMATION

Other Industries & Services by Mauldin & Jenkins:

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT

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

Management's Responsibility for the Financial Statements

The financial statements are the responsibility of management.

Auditor's Responsibility

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

Opinions

We have issued an unmodified audit report (i.e., "clean opinion"). The respective financial statements are considered to present fairly the financial position and results of operations as of and for the year ended June 30, 2019.

Other Matters

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

Other Reporting

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

OVERVIEW OF FINANCIAL STATEMENTS

Statement of Net Position

Assets & Deferred Outflows of Resources

Assets and deferred outflows of resources increased approximately $2,827,000 in the current period. Total assets and deferred outflows of resources amount to $7,380,000 of which $239,000 is reported as cash and cash equivalents and other current assets. This increase is the result of increases to capital assets, the pension deferred outflow of resources and the OPEB deferred outflow of resources.

Liabilities & Deferred Inflows of Resources

Liabilities and deferred inflows of resources increased approximately $1,887,000 in the current year. This increase is attributable to the $945,000 net increase in the net pension liability as well as an increase in the net OPEB liability of $784,000. Total liabilities and deferred inflows of resources amount to $5,473,000 as of year-end. The Authority's portion of the SCRS pension liability and the total OPEB liability approximate $4,545,000.

Net Position

Total net position (otherwise known as equity) amounts to $1,907,000 of which a deficit of $2,578,000 is considered unrestricted. The remaining elements of net position include the Authority's investment in capital assets of $4,484,000.

Net position over the past six years is as follows:

	2019	2018	2017	2016	2015	2014
Unrestricted	$ (2,577,578)	$ (2,057,792)	$ (759,856)	$ (652,664)	$ (619,129)	$ 735,782
Net Investment in Capital Assets	4,484,420	3,024,653	1,827,372	2,899,232	3,102,089	3,097,926
Total Net Position	$ 1,906,842	$ 966,861	$ 1,067,516	$ 2,246,568	$ 2,482,960	$ 3,833,708
Unrestricted Net Position	$ (2,577,578)	$ (2,057,792)	$ (759,856)	$ (652,664)	$ (619,129)	$ 735,782
Net Pension Liability	2,582,547	1,637,045	1,664,787	1,238,825	931,595	-
Net OPEB Liability	1,962,626	1,178,401	-	-	-	-
	$ 1,967,595	$ 757,654	$ 904,931	$ 586,161	$ 312,466	$ 735,782

Statement of Revenues, Expenses and Changes in Net Position

Total operating revenues of the Authority increased for the year in the amount of $148,000, from $791,000 in 2018 to $939,000 in 2019. This can be attributed to increased contract income in 2019.

Total operating expenses of the Authority increased from $3,406,000 in 2018 to $4,492,000 in 2019. Additionally, the Authority recognized net non-operating revenues in the amount of $4,493,000, which is primarily comprised of grant funds and interest income.

In total, the Authority's net position increased by $940,000 for an ending balance of $1,907,000.

Statement of Cash Flows

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

Net cash used in operating activities totaled $2,525,000 for the year ended June 30, 2019, which was an increase of $343,000 as compared to the year ended June 30, 2018.

Net cash provided by non-capital financing activities totaled $4,483,000 for the year ended June 30, 2019, which was an increase of $756,000 as compared to the year ended June 30, 2018.

Additionally, net cash used in capital financing activities totaled $2,043,000 for the year ended June 30, 2019, which was an increase of $462,000 as compared to the year ended June 30, 2018.

Overall, the Authority reflects a decrease in cash and cash equivalents in the amount of $80,000.

COMPLIANCE REPORTS

The financial report package contains one (1) compliance report.

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

REQUIRED COMMUNICATIONS

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

Our audit of the financial statements of the Authority for the year ended June 30, 2019, was conducted in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether caused by error, fraudulent financial reporting or misappropriation of assets. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. Accordingly, the audit was designed to obtain reasonable, rather than absolute, assurance about the financial statements. We believe our audit accomplishes that objective.

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

Accounting Policies

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

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

Management Judgments and Accounting Estimates

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

Financial Statement Disclosures

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

Significant Difficulties Encountered in Performing the Audit

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

Audit Adjustments

During our audit of the Authority's basic financial statements as of and for the year ended June 30, 2019, there were several adjustments proposed to the Authority. Most of these adjustments pertained to the implementation of GASB 68 and GASB 75. The detail of all audit adjustments have been provided to management. All adjustments have been discussed with management and have been posted.

Uncorrected Misstatements

We had no passed adjustments.

Disagreements with Management

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

Representation from Management

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

Management's Consultations with Other Accountants

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

Significant Issues Discussed with Management

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

Other Information in Documents Containing Audited Financial Statements

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

Independence

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

ACCOUNTING RECOMMENDATIONS AND RELATED MATTERS

Other Matters for Communication to the Board and Management

During our audit of the financial statements as of and for the year ended June 30, 2019, we noted other matters which we wish to communicate to you in an effort to keep the Authority abreast of accounting matters that could present challenges in financial reporting in future periods.

1) New Governmental Accounting Standards Board (GASB) Pronouncements

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

a) **Statement No. 84, *Fiduciary Activities*** was issued in January 2017 and is effective for the first reporting period beginning after December 15, 2018. This statement establishes criteria for identifying fiduciary activities with a focus on: 1) whether a government is controlling the assets of the fiduciary activity; and 2) the beneficiaries with whom a fiduciary relationship exists.

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

b) **Statement No. 87, *Leases*** was issued in June 2017 and is effective for the first reporting period beginning after December 15, 2019. This statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the principle that a lease is the financing of the right to use an underlying asset.

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

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

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

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

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

- The lessee or lessor elects to exercise an option even though it was previously determined that it was reasonably certain that the lessee or lessor would not exercise that option;

- The lessee or lessor elects not to exercise an option even though it was previously determined that it was reasonably certain that the lessee or lessor would exercise that option;

- An event specified in the lease contract that requires an extension or termination of the lease takes place.

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

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

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

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

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

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

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

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

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

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

c) **Statement 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*** was issued in March 2018 and is effective for reporting periods beginning after June 15, 2018 (meaning June 30, 2019). This standard defines debt for disclosure purposes and adds disclosures related to debt (it does not reduce any previously required disclosures).

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

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

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

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

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

d) **Statement 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*** was issued in June 2018 and is effective for reporting periods beginning after December 15, 2019 (meaning June 30, 2021). This standard eliminates the requirement/ability to capitalize construction period interest costs as part of the cost of a capital asset in enterprise funds. This standard should be applied prospectively with no restatement. This standard can be early implemented as part of fiscal year 2019.

e) **Statement 90, *Majority Equity Interests – An Amendment of GASB's No. 14 and 61*** was issued in August 2018, and is effective for reporting periods beginning after December 15, 2018 (meaning June 30, 2020). Under this standard, an equity interest is: a) a financial interest in a legally separate organization by the ownership shares of the organization's stock; or b) by otherwise having an explicit, measurable right to the net resources of the organization that is usually based on an investment of financial or capital resources by a government. An equity interest is explicit and measurable if: a) the government has a present or future claim to the net resources of the entity, and b) the method for measuring the government's share of the entity's net resources is determinable.

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

f) **Statement No. 91, *Conduit Debt Obligations*** was issued in May 2019 and is effective for the first reporting period beginning after December 15, 2020, meaning for those with year ends of December 31, 2021 and beyond.

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

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

- There are at least three parties involved: 1) an issuer, 2) a third-party obligor, and 3) a debt holder (or a debt trustee);
- The issuer and the third-party obligor are not within the same financial reporting entity;
- The debt obligation is not a parity bond of the issuer, nor is it cross-collateralized with other debt of the issuer;

- The third-party obligor (or its agent), not the issuer, ultimately receives the proceeds from the debt issuance;

- The third-party obligor, not the issuer, is primarily obligated for the payment of all amounts associated with the debt obligation (debt service payments).

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

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

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

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

- If the title passes to the third-party obligor at the end of the arrangement, an issuer should **not** recognize a capital asset.

- If the title does not pass to the third-party obligor and the third party has exclusive use of the entire capital asset during the arrangement, the issuer should **not** recognize a capital asset until the arrangement ends.

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

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

g) **Other Pending or Current GASB Projects.** As noted by the numerous pronouncements issued by GASB over the past decade, the GASB continues to research various projects of interest to governmental units. Subjects of note include:

- **Re-Examination of the Financial Reporting Model.** GASB has added this project to its technical agenda to make improvements to the existing financial reporting model (established via GASB 34). Improvements are meant to enhance the effectiveness of the model in providing information for decision-making and assessing a government's accountability. GASB anticipates issuing an initial due process document on this project by the end of 2018 with a final standard expected in early 2022.

- **Conceptual Framework** is a constant matter being looked at by GASB. Current measurement focus statements (for governmental funds) to change to near-term financial resources measurement. May dictate a period (such as 60 days) for revenue and expenditure recognition. May expense things such as supplies and prepaid assets at acquisition. Will look into which balances (at all statement levels) are measured at acquisition and which need to be re-measured at year-end. Final standard is expected in 2021.

- **Revenue and Expense Recognition** is another long-term project where the GASB is working to develop a comprehensive application model for recognition of revenues and expenses from non-exchange, exchange, and exchange-like transactions. The final standard is expected in 2023.

FREE QUARTERLY CONTINUING EDUCATION AND NEWSLETTERS FOR GOVERNMENTAL CLIENTS

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

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

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

Examples of subjects addressed in past quarters include:

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

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

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

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

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

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

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

CLOSING

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

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

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

MAULDIN & JENKINS CPA
Governmental Auditors, Accountants & Financial Reporting Consultants
Established 1918

LOWCOUNTRY REGIONAL TRANSPORTATION AUTHORITY DBA PALMETTO BREEZE

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEARS ENDED JUNE 30, 2019 AND 2018

Board of Directors

Richard Hamilton, Chair
Susan Zellman, Vice Chair

Chris Bickley
Louise Pinkney
Darrell Russell
Barbara Childs
Ginnie Kozak, Ex-Officio

Executive Director
Mary Lou Franzoni

Prepared By:
Mary Lou Franzoni, Executive Director
John E. Boyle, Director of Finance & Administration

LOWCOUNTRY REGIONAL TRANSPORTATION AUTHORITY

COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEARS ENDED JUNE 30, 2019 AND 2018

TABLE OF CONTENTS

TABLE OF CONTENTS (CONTINUED)

October 22, 2019

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

We are pleased to present the Comprehensive Annual Financial Report (CAFR) of the Lowcountry Regional Transportation Authority (LRTA) for the fiscal year ended June 30, 2019.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. As the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute assurance that the financial statements are free of any material misstatements

Mauldin & Jenkins, LLC have issued an unqualified ("clean") opinion on the Lowcountry Regional Transportation Authority's financial statements for the year ended June 30, 2019. The independent auditor's report is located at the front of the financial section of this report.

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

Major Initiatives

The LRTA is a member of the Lowcountry Area Transportation Study (LATS) which is the Metropolitan Planning Organization for the Hilton Head urbanized area. The Lowcountry Council of Governments provides the transportation planning function for LRTA. In the upcoming year, LRTA looks forward to the completion of phase two of the urban service plan.

In July of 2018, LRTA began providing seasonal trolley service on Hilton Head Island. This seasonal service runs from Spring through early Fall. In fiscal year 2019 over 13,000 passengers rode the trolley. Ridership for fiscal year 2020, is anticipated exceed 2019 ridership by approximately 25%.

In January, 2019, LRTA began providing transportation service for the University of South Carolina Beaufort (USCB) from the USCB Bluffton Campus to USCB's Hospitality Management Campus on Hilton Head. Faculty, staff and students now have alternative to driving to and from the Hospitality Management Campus. This service is also available to the general public.

LRTA Profile

In 1978 the Beaufort-Jasper Regional Transportation Authority was established as the primary public transportation provider for Beaufort and Jasper Counties. In 1984 the Authority added service to Allendale, Colleton and Hampton Counties. The expanded service area necessitated the renaming of the Authority to Lowcountry Regional Transportation Authority.

Long-term Financial Planning

The Authority will continue to apply for and receive Federal and State grants. Additional annual revenue received by LRTA includes county and municipal appropriations (local match), purchase of service contracts, and advertising revenue.

LRTA continues to leverage technology to increase operational effectiveness and efficiency.

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

Relevant Financial Policies

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

The financial policies of the Authority are subject to the guidance and approval of the South Carolina Department of Transportation.

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Lowcountry Regional Transportation Authority for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2018. This was the eighth consecutive year that LRTA has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. The report must satisfy both generally accepted accounting principles and applicable legal requirements.

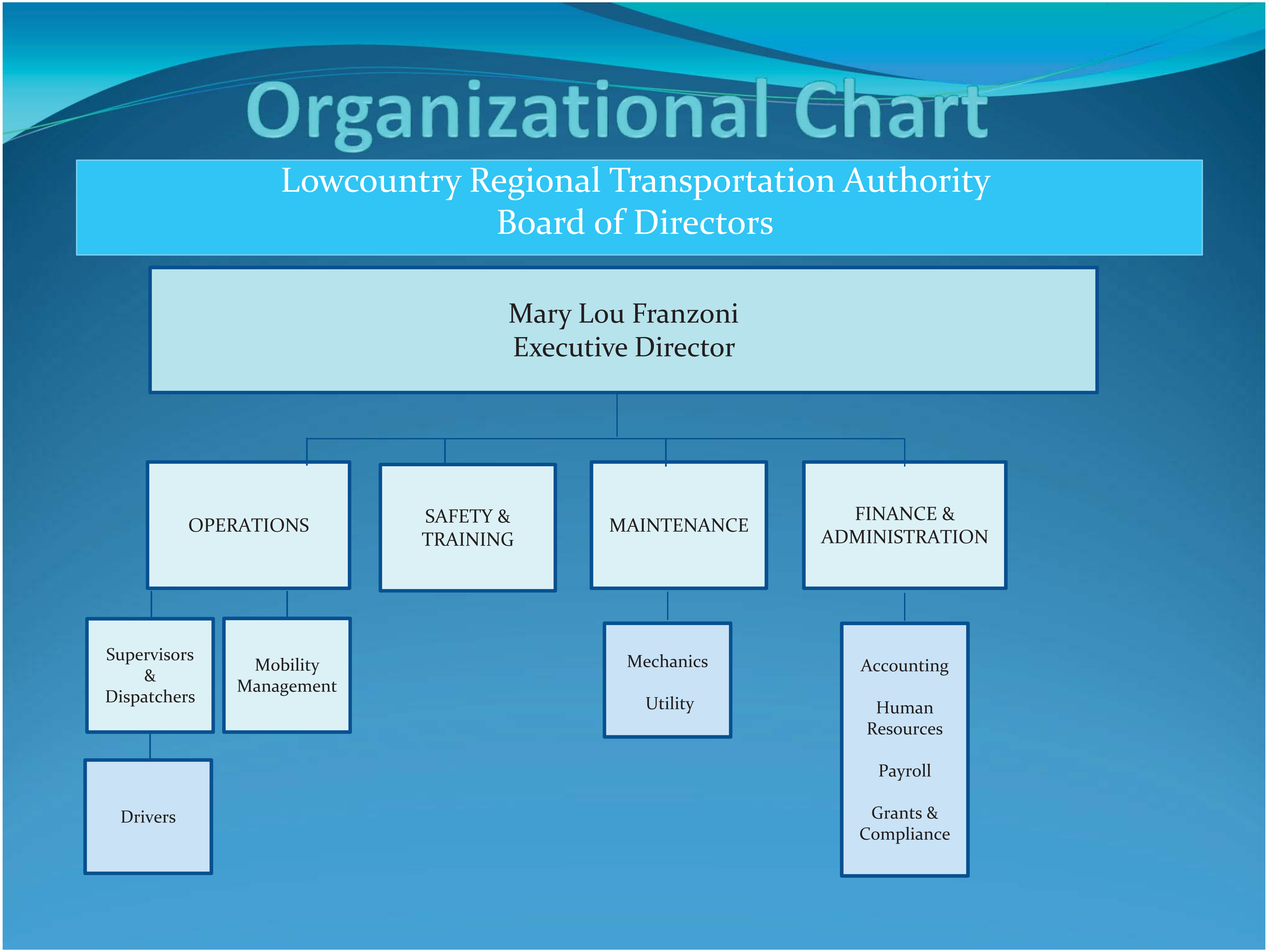
A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement

Program's requirements and we are submitting it to GFOA to determine its eligibility for another certificate.

Respectfully Submitted,

Mary Lou Franzoni
Executive Director

John E. Boyle
Director of Finance & Administration


Organizational Chart
Lowcountry Regional Transportation Authority
Board of Directors
Mary Lou Franzoni
Executive Director
OPERATIONS
SAFETY & TRAINING
MAINTENANCE
FINANCE & ADMINISTRATION
Supervisors & Dispatchers
Mobility Management
Drivers
Mechanics
Utility
Accounting
Human Resources
Payroll
Grants & Compliance

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Lowcountry Regional Transportation

Authority DBA Palmetto Breeze

South Carolina

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2018

Christopher P. Morrill

Executive Director/CEO

LOWCOUNTRY REGIONAL TRANSPORTATION AUTHORITY

PRINCIPAL OFFICIALS
JUNE 30, 2019

BOARD OF DIRECTORS

Richard Hamilton	Chair
Susan Zellman	Vice Chair
Chris Bickley	Board Member
Barbara Childs	Board Member
Louise Pinkney	Board Member
Darrell Russell	Board Member
Ginnie Kozak	Ex-Officio

AUTHORITY MANAGEMENT

Mary Lou Franzoni	Executive Director
John E. Boyle	Director of Finance & Administration
Mark Stanley	Maintenance Manager
Laura J. Atkinson	Mobility Manager
Yazmin Winston-Black	Safety & Training Manger

FINANCIAL SECTION

MAULDIN & JENKINS
CPAs & ADVISORS

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the **Lowcountry Regional Transportation Authority** (the "Authority") as of and for the years ended June 30, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

6001 CHATHAM CENTRE DRIVE, SUITE 250• SAVANNAH, GEORGIA 31405• 912-232-1622• FAX 803-799-5554 • www.mjcpa.com
MEMBERS OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Lowcountry Regional Transportation Authority as of June 30, 2019 and 2018, and the changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (on pages 4 through 9), the Schedule of Authority's Proportionate Share of the Net Pension Liability – South Carolina Retirement System (on page 42), the Schedule of Authority Pension Contributions – South Carolina Retirement System (on page 43), the Schedule of Authority's Proportionate Share of the Net OPEB Liability (on page 44), and the Schedule of Authority OPEB Contributions (on page 45) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Lowcountry Regional Transportation Authority's basic financial statements. The introductory section, the Schedules of Operating Expenses, the Schedules of Budget to Actual Costs for South Carolina Department of Transportation Contracts; the statistical section, and the Schedule of Expenditures of Federal and State Awards (as required by the Uniform Guidance*),* as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedules of Operating Expenses, the Schedules of Budget to Actual Costs for South Carolina Department of Transportation Contracts; and the Schedule of Expenditures of Federal and State Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedules of Operating Expenses, the Schedules of Budget to Actual Costs for South Carolina Department of Transportation Contracts; and the Schedule of Expenditures of Federal and State Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 22, 2019, on our consideration of the Lowcountry Regional Transportation Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Lowcountry Regional Transportation Authority's internal control over financial reporting and compliance.

Mauldin & Jenkins, LLC

Savannah, Georgia
October 22, 2019

This Management's Discussion and Analysis ("MD&A") of the Lowcountry Regional Transportation Authority (the "Authority") provides an overview of the major financial activities affecting the operations of the Authority. This overview encompasses the financial performance and financial statements of the Authority for the fiscal years ended June 30, 2019 and 2018. The information contained in this MD&A is prepared by management and should be considered in conjunction with the information contained in the Independent Auditor's Report and notes to the financial statements. Following this MD&A are the basic financial statements of the Authority, together with the notes, which are essential to a full understanding of the data contained in the financial statements.

Financial Highlights

- The Authority reported a net gain (increase in net position) of $939,981 for the fiscal year ended June 30, 2019, compared to a net gain of $1,122,308 in the prior fiscal year.

- Operating revenues, which exclude federal and state grants and local appropriations and awards increased 18.7% or $147,539 to $938,504 for fiscal year 2019.

- Non-operating revenues net of non-operating expenses consisting primarily of federal and state operating grants and local government appropriations and grants increased 20.2% or $755,459 to $4,493,255 for fiscal year 2019.

- The Authority's net position increased from $966,861 at the end of fiscal year 2018 to $1,906,842 at the end of fiscal year 2019.

Overview of the Financial Statements

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

The Statements of Revenues, Expenses and Changes in Net Position presents information showing how the Authority's net position changed during the fiscal year ended June 30, 2019. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. The Statements of Revenues, Expenses and Changes in Net Position can be found on page 11 of this report.

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided within the financial statements. The notes to the financial statements can be found on pages 13 through 40 of this report.

Financial Statements

Net Position: The following table summarizes the changes in net position for the fiscal years ended June 30, 2019, 2018, and 2017.

	2019	2018	2017
Current assets	$ **1,011,000**	$ 973,504	$ 676,493
Capital assets	**4,484,420**	3,024,653	1,827,372
Total assets	**5,495,420**	3,998,157	2,503,865
Deferred outflows of resources	**1,884,486**	554,686	525,018
Current liabilities	**700,638**	581,815	294,772
Long-term liabilites	**4,545,173**	2,815,446	1,664,787
Total liabilities	**5,245,811**	3,397,261	1,959,559
Deferred inflows of resources	**227,253**	188,721	1,808
Net position:			
Net investment in capital assets	**4,484,420**	3,024,653	1,827,372
Unrestricted	**(2,577,578)**	(2,057,792)	(759,856)
Total net position	$ **1,906,842**	$ 966,861	$ 1,067,516

The Authority's total assets increased by $1,497,263 and $1,494,292 during the fiscal years ended June 30, 2019 and 2018, respectively. The increase for both fiscal years 2019 and 2018 reflects the addition of capital assets.

The Authority's total liabilities increased by $1,848,550 and $1,437,702 during the fiscal years ended June 30, 2019 and 2018, respectively. The majority of the increase for both years is the result of accounting for other post-employment benefits and an increase in the net pension liability.

Revenues, Expenses, and Changes in Net Position: The following table summarizes the revenues, expenses and changes in net position for the fiscal years ended June 30, 2019, 2018, and 2017.

	2019	2018	2017
Operating revenues:			
Contract income	**$ 465,160**	$ 344,957	$ 335,359
Fares	**423,089**	431,928	487,783
Other operating revenue	**50,255**	14,080	31,908
Total operating revenue	**938,504**	790,965	855,050
Operating expenses:			
Fixed route transportation	**1,372,480**	1,252,473	1,111,263
General and administration	**1,245,469**	860,521	534,793
Allendale County 5310 and 5311	**18,286**	29,465	27,627
Demand response	**322,674**	296,655	233,474
Maintenance	**415,070**	196,541	172,698
RTAP funding	**19,096**	16,209	16,573
Small urbanized area	**972**	20,148	79,002
New Freedom	**4,705**	5,765	27,300
Job Access Reverse Commute	**18,727**	22,316	50,577
Mobil management grant	**118,767**	-	-
Contract services	**260,035**	274,130	399,932
SC Department - Employment & Welfare	**112,442**	43,405	-
Depreciation	**583,055**	388,825	1,181,847
Total operating expenses	**4,491,778**	3,406,453	3,835,086
Operating loss	**(3,553,274)**	(2,615,488)	(2,980,036)
Non-operating revenues (expenses):			
Federal grants	**3,317,776**	2,383,208	973,983
State grants	**628,454**	773,479	320,378
County and other local appropriations	**536,587**	570,624	513,280
Interest income	**5,023**	4,811	927
Gain (loss) on disposal of assets	**5,415**	5,674	(7,584)
Daufuskie Island ferry parking revenue	**-**	-	-
Fares - Daufuskie Island ferry service	**-**	-	(67,802)
Fares - Daufuskie Island ferry service remitted to Beaufort County	**-**	-	67,802
Total non-operating revenues, net	**4,493,255**	3,737,796	1,800,984
Change in net position	**939,981**	1,122,308	(1,179,052)
Net position, beginning of year	**966,861**	1,067,516	2,246,568
Prior period adjustment	**-**	(1,222,963)	-
Net position, beginning of year, as restated	**-**	(155,447)	2,246,568
Net position, end of year	**$ 1,906,842**	$ 966,861	$ 1,067,516

Revenues, Expenses, and Changes in Net Position (Continued): Fiscal year 2019 operating revenue increased $147,539 or 18.7%. The 2019 increase is largely the result of an increase in contract income. Fiscal year 2018 operating revenue decreased $64,085 or 7.5%. Operating revenues have generally remained consistent from year to year.

Operating expenses in fiscal year 2019 increased $1,085,325 or 31.9% to $4,491,778. For fiscal year 2019 the largest contributors to the expense increase are net pension liability, other post-employment benefits, and the addition of trolley service. Operating expenses in fiscal year 2018 decreased $428,633 or 11.2% to $3,406,453. The fiscal year 2018 decrease is largely due to the depreciation expense decreasing by $793,022. The fiscal year 2018 decrease reflects the normal depreciation of assets where fiscal year 2017 depreciation included the effect of shortening the useful life of certain vehicles.

Non-operating revenues (net) for fiscal year 2019 increased by $755,549 or 20.2% to $4,493,255. This increase is largely due to a $934,568 increase in federal grants. The 2018 increase of 107.5% is due to $1,409,225 in additional federal grants and an additional $453,101 in state grants.

Fiscal Year 2019 versus Fiscal Year 2018

- For the fiscal year ended June 30, 2019, operating revenues of the Authority were $938,504 which is an increase of $147,539 or 18.7%. This change is largely due to a $120,203 increase in contract income for 2019.

- For the fiscal year ended June 30, 2019, operating expenses increased by $1,085,325, or 31.9% to $4,491,778. The major components of this change are the addition of trolley service and increases in net pension expense and other post-employment benefits.

- Non-operating revenues (net) for fiscal year 2019 totaled $4,493,255, which is $755,459 or 20.2% greater than 2018. The increase is the result of an increase in federal grants of $934,568 and a decrease in state grants of $145,025.

- As a result of the above noted changes, net position increased $939,981. The net position at the end of the fiscal year is $1,906,842.

Fiscal Year 2018 versus Fiscal Year 2017

- For the fiscal year ended June 30, 2018, operating revenues of the Authority were $790,965, which is a decrease of $64,085, or 7.5% from 2017 operating revenues of $855,050. The fiscal year 2018 decrease in revenue is the result of a shift in service from fixed route to contracted service.

- For the fiscal year ended June 30, 2018, operating expenses decreased $428,633, or 11.2% to $3,406,453. The majority of the decrease in operating expenses is the result of a decrease in depreciation. 2017 depreciation included the effect of changing the useful life of certain vehicles from 15 years to 12 years.

- Non-operating revenues (net) for fiscal year 2018 totaled $3,737,796, which was $1,936,812 greater than 2017. The increase is the result of an increase in federal grants of $1,409,225 and an increase in state grants of $453,101.

Fiscal Year 2018 versus Fiscal Year 2017 (Continued)

- As a result of the above noted changes, net position increased $1,122,308. After considering the restatement of 2017 ending net position as a result of the change in accounting principle (implementation of GASB Statement No. 75 - other post-employment benefits). The net position at the end of fiscal year 2018 is $966,861.

Capital Assets

The Authority's investment in capital assets was $4,484,420 and $3,024,653 for the fiscal years ended June 30, 2019 and 2018, respectively. The increase of $1,459,767 for fiscal year 2019 represents a 48.3% increase. The increase in capital assets for fiscal year 2018 was $1,197,281 or 65.5%. The investments in capital assets include land, buildings, vehicles, computer software, and machinery and equipment.

Capital asset additions during fiscal year 2019 include the purchase of three trolleys, dispatch and scheduling software, construction in progress on the operations building, radios, two transit vans, and shop equipment.

2018 capital asset additions included the vehicle rehabilitation for several buses. Also included is construction in progress related to the operations building.

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

Long-term Liabilities

The Authority's long-term liabilities consist of the net pension liability and other post-employment benefits. The Authority's long-term liabilities increased $1,729,727 and $1,150,659 during fiscal years 2019 and 2018, respectively. The increase for 2019 is the result of substantial increases to both net pension liability and other post-employment benefits. The 2018 increase was due to the addition of net other post-employment benefits liability.

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

Economic Factors

The primary challenge facing the Authority remains obtaining local match funds required for federal and state grants. It is clear that the Authority must achieve ongoing, dedicated funding in order to develop and fund long-range plans. The Authority is reviewing the successes of other transit agencies in South Carolina to determine its best option for securing dedicated funding.

Requests for Information

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

LOWCOUNTRY REGIONAL TRANSPORTATION AUTHORITY

STATEMENTS OF NET POSITION
JUNE 30, 2019 AND 2018

	2019	2018
ASSETS		
Current assets		
Cash	$ 238,580	$ 312,919
Accounts receivable, net	649,767	570,046
Prepaid expenses	38,483	28,559
Inventory	84,170	61,980
Total current assets	1,011,000	973,504
Noncurrent assets		
Capital assets - nondepreciable	499,627	308,302
Capital assets - depreciable, net	3,984,793	2,716,351
Total noncurrent assets	4,484,420	3,024,653
Total assets	5,495,420	3,998,157
DEFERRED OUTFLOWS OF RESOURCES		
Pension	1,098,876	487,937
Other post-employment benefits	785,610	66,749
Total deferred outflows of resources	1,884,486	554,686
LIABILITIES		
Current liabilities		
Accounts payable	640,681	512,766
Accrued payroll and withholding	32,625	45,910
Accrued compensated absences	27,332	23,139
Total current liabilities	700,638	581,815
Noncurrent liabilities		
Net pension liability	2,582,547	1,637,045
Net other post-employment benefits liability	1,962,626	1,178,401
Total noncurrent liabilities	4,545,173	2,815,446
Total liabilities	5,245,811	3,397,261
DEFERRED INFLOWS OF RESOURCES		
Pension	66,739	77,312
Other post-employment benefits	160,514	111,409
Total deferred inflows of resources	227,253	188,721
NET POSITION		
Investment in capital assets	4,484,420	3,024,653
Unrestricted	(2,577,578)	(2,057,792)
Total net position	$ 1,906,842	$ 966,861

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

LOWCOUNTRY REGIONAL TRANSPORTATION AUTHORITY

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE FISCAL YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018
Operating revenues		
Contract income	$ 465,160	$ 344,957
Fares - fixed route	377,638	390,140
Fares - demand response	45,451	41,788
Miscellaneous	50,255	14,080
Total operating revenues	938,504	790,965
Operating expenses		
Fixed route	1,372,480	1,250,809
General administration	1,245,469	860,521
Allendale County 5311	18,286	29,465
Demand response	322,674	296,655
Maintenance department	415,070	196,541
Jasper County Board of Disabilities and Special Needs	115	-
Beaufort County Board of Disabilities and Special Needs	160,810	178,027
Job Access Reverse Commute 5307	10,324	11,276
Job Access Reverse Commute 5311	8,403	11,040
Senior services of Beaufort County	20,348	34,729
New freedom	4,705	5,765
Small urbanized area	972	20,148
Hotel shuttle	564	14,416
South Carolina Department of Employment	112,442	43,405
Marriott Hotel	31,387	12,734
Palmetto Bluff	37,554	34,224
Hilton Head Island trolley	118,767	-
USCB Service	7,230	-
RTAP funding	19,096	16,209
Access Health VIM	2,027	1,664
Depreciation expense	583,055	388,825
Total operating expenses	4,491,778	3,406,453
Operating loss	(3,553,274)	(2,615,488)
Non-operating revenues (expenses)		
Federal grants	3,317,776	2,383,208
State grants	628,454	773,479
County and other local appropriations	536,587	570,624
Interest income	5,023	4,811
Gain on disposal of assets	5,415	5,674
Total non-operating revenues, net	4,493,255	3,737,796
Change in net position	939,981	1,122,308
Net position, beginning of year, as previously reported	966,861	1,067,516
Restatement for change in accounting principle	-	(1,222,963)
Net position, beginning of year, as restated	966,861	(155,447)
Net position, end of year	$ 1,906,842	$ 966,861

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

LOWCOUNTRY REGIONAL TRANSPORTATION AUTHORITY

STATEMENTS OF CASH FLOWS
FOR THE FISCAL YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	$ 858,783	$ 481,313
Payments to suppliers	(1,354,049)	(847,552)
Payments to employees	(2,029,506)	(1,815,924)
Net cash used in operating activities	(2,524,772)	(2,182,163)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Federal and state grant receipts	3,946,230	3,156,687
County appropriations	536,587	570,624
Net cash provided by non-capital financing activities	4,482,817	3,727,311
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition or construction of capital assets	(2,042,822)	(1,586,516)
Proceeds from the sale of capital assets	5,415	6,084
Net cash used in capital and related financing activities	(2,037,407)	(1,580,432)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	5,023	4,811
Net cash provided by investing activities	5,023	4,811
Decrease in cash and cash equivalents	(74,339)	(30,473)
Cash and cash equivalents:		
Beginning of year	312,919	343,392
End of year	$ 238,580	$ 312,919
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	$ (3,553,274)	$ (2,615,488)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation expense	583,055	388,825
(Increase) decrease in:		
Accounts receivable	(79,721)	(309,652)
Prepaid expenses	(9,924)	(13,357)
Inventory	(22,190)	(4,475)
Deferred outflows of resources related to pension	(610,939)	37,081
Deferred outflows of resources related to other post-employment benefits	(718,861)	(30,941)
Increase (decrease) in:		
Accounts payable	127,915	291,069
Accrued payroll and withholding	(13,285)	7,308
Accrued compensated absences	4,193	4,715
Net pension liability	325,581	(27,742)
Net other post employment benefits liability	1,404,146	(80,370)
Deferred insurance reimbursement	-	(16,049)
Deferred inflows of resources related to pension	(10,573)	75,504
Deferred inflows of resources related to other post-employment benefits	49,105	111,409
Net cash used in operating activities	$ (2,524,772)	$ (2,182,163)

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

B. Fund Accounting

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

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

C. Measurement Focus and Basis of Accounting

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Basis of Presentation

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

E. Cash, Cash Equivalents and Investments

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

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

F. Accounts Receivable

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

G. Prepaid Expenses

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Inventory

Inventory, which is comprised of maintenance spare parts that are not purchased for immediate repair projects, are valued at cost, using the first-in, first-out method. The Authority utilizes the consumption method to recognize inventory usage. Under the consumption method, inventories are recorded as expenses when used rather than when purchased.

I. Capital Assets

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

Assets	Years
Buildings and improvements	10 – 40
Buses and vans	4 – 12
Support vehicles	5
Office furniture	5 – 10
Maintenance equipment	5 – 10
Fare box tokens and radios	10

J. Compensated Absences

It is the Authority’s policy to provide for the accumulation of up to 160 hours of earned vacation leave, which is fully vested as it is earned. This entire amount is accrued in the financial statements as a current liability as the Authority deems it reasonable that the entire liability will be used during the subsequent fiscal year. Sick leave accumulates for employees, but does not vest. As such, the Authority has no obligation for accumulated sick leave until the sick leave is taken and no accrual is recorded.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Compensated Absences (Continued)

Changes in compensated absences for the years ended June 30, 2019 and 2018, were as follows:

	Balance Beginning of Year	Increase	Decrease	Balance End of Year	Current
Fiscal year ended June 30, 2019					
Compensated absences	$ 23,139	$ 54,209	$ (50,016)	$ 27,332	$ 27,332
Total compensated absences	$ 23,139	$ 54,209	$ (50,016)	$ 27,332	$ 27,332
Fiscal year ended June 30, 2018					
Compensated absences	$ 18,424	$ 38,108	$ (33,393)	$ 23,139	$ 23,139
Total compensated absences	$ 18,424	$ 38,108	$ (33,393)	$ 23,139	$ 23,139

K. Capital Contributions

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

L. Net Position Classification

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

These three classifications are as follows:

a) Net investment in capital assets consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.

b) Restricted net position consists of net position with constraints placed on the use either by: 1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or 2) law through constitutional provisions or enabling legislation.

c) Unrestricted net position consists of all other net position that does not meet the definition of “restricted” or “net investment in capital assets”.

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. Operating and Non-operating Revenues and Expenses

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

N. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position reports a separate section for *deferred outflows of resources*. This separate financial statement element represents a consumption of net position that applies to future period(s) and so will not be recognized as an outflow of resources (expense) until then. Five items relating to the Authority's Retirement Plan and four items relating to the Authority's Other Post-employment Benefit Plan ("OPEB") qualify for reporting in this category and are combined in the Statements of Net Position under the headings "Pension" and "Other Post-employment Benefits", respectively. The first item, experience losses, results from periodic studies by the actuaries of the Retirement Plan and OPEB Plan, which adjust the net pension liability and the net OPEB liability for actual experience for certain trend information that was previously assumed, for example the assumed dates of retirement of plan members.

These experience losses are recorded as deferred outflows of resources and are amortized into pension expense and OPEB expense over the expected remaining service lives of the plan members. The second item, differences between projected investments return on pension investments and actual return on those investments, is deferred and amortized against pension expense over a four-year period, resulting in recognition as a deferred outflow of resources. The third item results from changes in the proportionate share and differences between employer contributions and the proportionate share of total plan employer contributions. These changes are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in future years. The fourth item, changes in the actuarial assumptions, adjust the net pension liabilities and are amortized into pension expense over the expected remaining service lives of plan members. Additionally, any contributions made by the Authority to the pension plan and to the OPEB plan before year-end but subsequent to the measurement date of the Authority's net pension liability and net OPEB liability are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability and the net OPEB liability during the year ended June 30, 2019.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. Deferred Outflows/Inflows of Resources (Continued)

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

O. Concentrations

During the years ended June 30, 2019 and 2018, the Authority received 78% and 73%, respectively, of its revenues (excluding capital grants) from federal and state operating grants. At June 30, 2019 and 2018, those grants accounted for 79% and 66% of accounts receivable, respectively.

P. Management Estimates

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

NOTE 2. DEPOSITS

Custodial Credit Risk – Deposits. Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the Authority will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. State statutes require all deposits and investments (other than federal or state government instruments) to be collateralized by depository insurance, obligations of the U.S. government, or bonds of public authorities, counties, or municipalities. The Authority's cash balances as of June 30, 2019 and 2018, were $238,580 and $312,919, respectively. The Authority's bank balances as of June 30, 2019 and 2018, were $224,635 and $464,100, respectively. As of June 30, 2019 and 2018, all of the Authority's funds which were uninsured were collateralized as required by the State of South Carolina.

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

NOTE 3. ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following at June 30, 2019 and 2018:

	June 30,	
	2019	2018
Receivables:		
Operating and capital grants receivable from the South Carolina Department of Transportation	**$ 423,775**	$ 187,817
Local grants and other receivables	**225,992**	382,229
Total receivables	**$ 649,767**	$ 570,046

NOTE 4. CAPITAL ASSETS

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

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

NOTE 4. CAPITAL ASSETS (CONTINUED)

Capital assets activity for the year ended June 30, 2018, is as follows:

	Balance	Increases	Decreases	Balance
Capital assets, not being depreciated:				
Land	$ 151,019	$ -	$ -	$ 151,019
Construction in progress	-	157,283	-	157,283
Total	151,019	157,283	-	308,302
Capital assets, being depreciated:				
Buildings and improvements	926,574	94,747	-	1,021,321
Vehicles	5,073,914	1,309,864	(59,941)	6,323,837
Furniture and equipment	63,731	17,843	-	81,574
Maintenance and other equipment	183,554	6,779	(625)	189,708
Computer software	105,423	-	-	105,423
Total	6,353,196	1,429,233	(60,566)	7,721,863
Less accumulated depreciation for:				
Buildings and improvements	(503,836)	(26,543)	-	(530,379)
Vehicles	(3,916,119)	(321,632)	59,531	(4,178,220)
Furniture and equipment	(58,391)	(14,687)	-	(73,078)
Maintenance and other equipment	(118,042)	(14,828)	625	(132,245)
Computer software	(80,455)	(11,135)	-	(91,590)
Total	(4,676,843)	(388,825)	60,156	(5,005,512)
Total capital assets, being depreciated, net	1,676,353	1,040,408	(410)	2,716,351
Total capital assets, net	$ 1,827,372	$ 1,197,691	$ (410)	$ 3,024,653

NOTE 5. UNEARNED REVENUE

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

A summary of the Authority's unearned revenue for the fiscal years ended June 30, 2019 and 2018, are as follows:

	Balance Beginning of Year	Amounts Received	Amounts Expended or Earned	Balance End of Year
Fiscal year ended June 30, 2019				
Insurance reimbursement	$ -	$ 4,256	$ (4,256)	$ -
Total unearned revenue	$ -	$ 4,256	$ (4,256)	$ -
Fiscal year ended June 30, 2018				
Insurance reimbursement	$ 16,049	$ -	$ (16,049)	$ -
Total unearned revenue	$ 16,049	$ -	$ (16,049)	$ -

NOTE 6. PENSION PLAN

Overview

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

NOTE 6. PENSION PLAN (CONTINUED)

Overview (Continued)

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

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

Plan Description

The SCRS, a cost-sharing multiple-employer defined benefit pension plan, was established July 1, 1945, pursuant to the provisions of Section 9-1-20 of the South Carolina Code of Laws for the purpose of providing retirement and other benefits for teachers and employees of the state and its political subdivisions. SCRS covers employees of state agencies, public school districts, higher education institutions, other participating local subdivisions of government and individuals newly elected to the South Carolina General Assembly at or after the 2012 general election.

Membership

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

NOTE 6. PENSION PLAN (CONTINUED)

Benefits

A Class Two member who has separated from service with at least five or more years of earned service is eligible for a monthly pension at age 65 or with 28 years credited service regardless of age. A member may elect early retirement with reduced pension benefits payable at age 55 with 25 years of service credit.

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

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

Contributions

Contributions are prescribed in Title 9 of the South Carolina Code of Laws. If the scheduled employee and employer contributions provided in statute, or the rates last adopted by the board, are insufficient to maintain the amortization period set in statute, the board shall increase employer contribution rates as necessary.

After June 30, 2027, if the most recent annual actuarial valuation of the Systems for funding purposes shows a ratio of the actuarial value of system assets to the actuarial accrued liability of the system (the funded ratio) that is equal to or greater than 85%, then the board, effective on the following July 1, may decrease the then current contribution rates upon making a finding that the decrease will not result in a funded ratio of less than 85%. If contribution rates are decreased pursuant to this provision, and the most recent annual actuarial valuation of the system shows a funded ratio of less than 85%, then effective on the following July 1, and annually thereafter as necessary, the board shall increase the then current contribution rates until a subsequent annual actuarial valuation of the system shows a funded ratio that is equal to or greater than 85%.

NOTE 6. PENSION PLAN (CONTINUED)

Contributions (Continued)

The Retirement System Funding and Administration Act establishes a ceiling on employee contribution rates at 9% for SCRS. The employer contribution rates will continue to increase annually by 1% through July 1, 2022. The legislation's ultimate scheduled employer rate is 18.56% for SCRS. The amortization period is scheduled to be reduced one year for each of the next 10 years to a 20-year amortization period. Employer contributions rates for the fiscal years ended June 30, 2019 and 2018, were 14.41% and 13.41%, respectively.

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

The most recent annual actuarial valuation report adopted by the PEBA Board and Budget and Control Board is as of July 1, 2017. The net pension liability of the System was therefore determined based on the July 1, 2017, actuarial valuations, using membership data as of July 1, 2017, projected forward to the end of the fiscal year, and financial information of the pension trust fund as of June 30, 2018, using generally accepted actuarial procedures. Information included in the following schedules is based on the certification provided by the System’s consulting actuary, Gabriel, Roeder, Smith and Company (“GRS”). As of June 30, 2019 and 2018, the Authority reported liabilities of $2,582,547 and $1,637,045, respectively, for its proportionate share of the SCRS plan net pension liability. At June 30, 2018, the Authority’s proportionate share was .011526%, which was an increase of .004254% from its proportionate share measured as of June 30, 2017.

For the fiscal year ended June 30, 2019, the Authority recognized pension expense of $251,411. In addition, the Authority reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 4,662	$ 15,198
Changes in assumptions	102,461	-
Net difference between projected and actual earnings on pension plan investments	41,023	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	728,954	51,541
Employer contributions subsequent to the measurement date	221,776	-
Total	$ 1,098,876	$ 66,739

NOTE 6. PENSION PLAN (CONTINUED)

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

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

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 7,298	$ 907
Changes of assumptions	95,831	-
Net difference between projected and actual earnings on pension plan investments	45,702	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	177,147	76,405
Employer contributions subsequent to the measurement date	161,959	-
Total	$ 487,937	$ 77,312

Authority contributions subsequent to the measurement date of $161,959, are reported as deferred outflows of resources and were recognized as a reduction of the net pension liability in the year ended June 30, 2019.

NOTE 6. PENSION PLAN (CONTINUED)

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

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

Year ending June 30:	2019	2018
2019	**$ -**	$ 125,640
2020	**615,643**	109,213
2021	**396,337**	28,276
2022	**(175,553)**	(14,463)
2023	**(26,066)**	-
	$ 810,361	$ 248,666

Actuarial Assumptions and Methods

Actuarial valuations of the plan involve estimates of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and future salary increases. Amounts determined regarding the net pension liability are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. South Carolina state statute requires that an actuarial experience study be completed at least once in each five-year period. An experience report on the Systems was most recently issued for the period ended June 30, 2015.

The June 30, 2018, total pension liability ("TPL"), net pension liability ("NPL"), and sensitivity information shown in this report were determined by our consulting actuary, GRS and are based on an actuarial valuation performed as of July 1, 2017. The total pension liability was rolled-forward from the valuation date to the plans' fiscal year-end, June 30, 2018, using generally accepted actuarial principles.

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

NOTE 6. PENSION PLAN (CONTINUED)

Long-Term Expected Rate of Return

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

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

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

Asset Class	Target Asset Allocation	Expected Arithmetic Real Rate of Return	Long-Term Expected Portfolio Real Rate of Return
Global Equity	**47.0%**		
Global public equity	33.0%	6.99%	2.31%
Private equity	9.0%	8.73%	0.79%
Equity options securities	5.0%	5.52%	0.28%
Real assets	**10.0%**		
Real estate (private)	6.0%	3.54%	0.21%
Real estate (REITs)	2.0%	5.46%	0.11%
Infrastructure	2.0%	5.09%	0.10%
Opportunistic	**13.0%**		
GTAA/Risk parity	8.0%	3.75%	0.30%
Hedge funds (non-PA)	2.0%	3.45%	0.07%
Other opportunistic strategies	3.0%	3.75%	0.11%
Diversified credit	**18.0%**		
Mixed credit	6.0%	3.05%	0.18%
Emerging markets	5.0%	3.94%	0.20%
Private debt	7.0%	3.89%	0.27%
Conservative fixed income	**12.0%**		
Core fixed income	10.0%	0.94%	0.09%
Cash and short duration (net)	2.0%	0.34%	0.01%
	100%		
	Total expected real return		5.03%
	Inflation for actuarial purposes		2.25%
	Total expected nominal return		7.28%

NOTE 6. PENSION PLAN (CONTINUED)

Discount Rate

For the years ended June 30, 2019 and 2018, the discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers in SCRS will be made based on the actuarially determined rates based on provisions in the South Carolina State Code of Laws. Based on those assumptions, SCRS' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity Analysis

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

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

Fiscal Year	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
2019	$ 3,300,095	$ 2,582,547	$ 2,069,676

The following table presents the sensitivity of the net pension liability to changes in the discount rate as of June 30, 2018.

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

Fiscal Year	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
2018	$ 2,109,925	$ 1,637,045	$ 1,350,117

Additional Financial and Actuarial Information

Detailed information regarding the fiduciary net position of the plans administered by PEBA is available in the separately issued CAFR containing financial statements and required supplementary information for SCRS. The CAFR of the Pension Trust Funds is publicly available on PEBA's Retirement Benefits' website at www.retirement.sc.gov, or a copy may be obtained by submitting a request to PEBA, P.O. Box11960, Columbia, South Carolina 29211-1960.

NOTE 7. OTHER POST-EMPLOYMENT BENEFITS

Overview

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

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

Plan Description

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

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

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

NOTE 7. OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

Benefits

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

Contributions and Funding Policies

Section 1-11-710 of the South Carolina State Code of Laws of 1976, as amended, requires these post-employment and long-term disability benefits to be funded through annual appropriations by the General Assembly for active employees to the PEBA, Insurance Benefits and participating retirees to PEBA, except for the portion funded through the pension surcharge and provided from the other applicable sources of the PEBA, Insurance Benefits. For active employees who are not funded by State General Fund appropriations, participating employers are mandated by State statute to contribute at a rate assessed each year by the Department of Administration Executive Budget Office. The covered payroll surcharge for the fiscal years ended June 30, 2018 and 2017 was 5.33%. The SCRS collects the monthly surcharge for all participating employers and remits it directly to the SCRHITF. Other sources of funding for the SCRHITF include mandatory transfers of accumulated PEBA, Insurance Benefits' reserves and income generated from investments. Employer contributions also include the implicit subsidy, or age-related subsidy inherent in the healthcare premiums structure. The implicit subsidy represents a portion of the health care expenditures paid on behalf of the employer's active employees. For purposes of GASB Statement No. 75, this expenditure on behalf of the active employee is reclassified as a retiree health care expenditure so that the employer's contributions towards the plan reflect the underlying age-adjusted, retiree benefit costs.

GASB Statement No. 75 requires participating employers to recognize revenue in an amount equal to the employer's proportionate share of the change in the collective net OPEB liability arising from contributions to the OPEB plan during the measurement period from non-employer contributing entities for purposes other than the separate financing of specific liabilities to the OPEB plan. Therefore, employers should classify this revenue in the same manner as it classifies grants from other entities. For the fiscal year ended June 30, 2019, the Authority recognized $14,812 as a non-operating revenue from contributions from non-employer contributing entities.

NOTE 7. OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

Contributions and Funding Policies (Continued)

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

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

Actuarial Assumptions and Methods

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

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

NOTE 7. OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

Actuarial Assumptions and Methods (Continued)

Additional information as of the latest actuarial valuation for SCRHITF:

Valuation Date:	June 30, 2017
Actuarial Cost Method:	Entry Age Normal
Inflation:	2.25%
Investment Rate of Return:	4.00, net of OPEB Plan investment expense; including inflation.
Single Discount Rate:	3.62% as of June 30, 2018.
Demographic Assumptions:	Based on the experience study performed for the South Carolina Retirement Systems for the five-year period ended June 30, 2015.
Mortality:	For healthy retirees, the 2016 Public Retirees of South Carolina Mortality Table for Males and the 2016 Public Retirees of South Carolina Mortality Table for Females are used with fully generational mortality projections based on Scale AA from the year 2016. Multipliers are applied to the base tables based on gender and employment type.
Health Care Trend Rate:	Initial trend starting at 6.75% and gradually decreasing to an ultimate trend rate of 4.15% over a period of 14 years.
Aging Factors:	Based on plan specific experience.
Retiree Participation:	79% for retirees who are eligible for funded premiums. 59% for retirees who are eligible for partial funded premiums. 20% for retirees who are eligible for non-funded premiums.
Notes:	The discount rate changed from 3.59% as of June 30, 2017, to 3.62% as of June 30, 2018.

Roll Forward Disclosure

The actuarial valuation was performed as of June 30, 2017. Update procedures were used to roll forward the total OPEB liability to the Authority's measurement date of June 30, 2018.

Net OPEB Liability

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

NOTE 7. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Net OPEB Liability (Continued)

As of June 30, 2019 and 2018, the Authority's portion of the net OPEB liability is as follows:

Total OPEB liability	**2019**	2018
Service cost	**$ 72,182**	$ 53,143
Interest	**72,416**	39,611
Benefit changes	**-**	
Difference between actual and expected experience	**34,141**	(593)
Assumption changes	**(13,422)**	(128,635)
Benefit payments	**(64,558)**	(36,200)
Net change in total OPEB liability	**100,759**	(72,674)
Total OPEB liability - beginning	**2,030,356**	1,348,060
Total OPEB liability - ending	**2,131,115**	1,275,386
Plan fiduciary net position		
Contributions - employer	**63,776**	35,827
Contributions - nonemployer contributing entities	**14,812**	6,900
Net investment income	**71**	1,169
Benefit payments	**(64,558)**	(36,200)
Administrative expense	**(8)**	-
Net change in plan fiduciary net position	**14,093**	7,696
Plan fiduciary net position - beginning	**154,396**	89,289
Plan fiduciary net position - ending	**168,489**	96,985
Net OPEB liability	**$ 1,962,626**	$ 1,178,401
Plan fiduciary net position as a percentage of the total OPEB liability	7.91%	7.60%

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

NOTE 7. OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

Single Discount Rate

The Single Discount Rate of 3.62% was used to measure the total OPEB liability for the SCRHITF. The accounting policy for this plan is to set the Single Discount Rate equal to the prevailing municipal bond rate. Due to the plan's investment and funding policies, the difference between a blended discount rate and the municipal bond rate would be less than several basis points (several hundredths of 1%).

Long-term Expected Rate of Return

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

Asset Class	**Target Asset Allocation**	**Expected Arithmetic Real Rate of Return**	**Weighted Long-Term Expected Real Rate of Return**
U.S. Domestic Fixed Income	80.00%	2.09%	1.67%
Cash	20.00%	0.84%	0.17%
Total	100.00%		1.84%
	Total expected weighted real return		1.84%
	Inflation for actuarial purposes		2.25%
	Total expected nominal return		4.09%
	Investment return assumption		**4.00%**

NOTE 7. OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

Sensitivity Analysis

The following table presents the SCRHITF's net OPEB liability calculated using a Single Discount Rate of 3.62%, as well as what the plan's net OPEB liability would be if it were calculated using a Single Discount Rate that is one percent lower or one percent higher as of June 30, 2019 and 2018:

South Carolina Retiree Health Insurance Plan
Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

Fiscal Year	1% Decrease (2.62%)	Current Discount Rate (3.62%)	1% Increase (4.62%)
2019	**$ 2,312,162**	**$ 1,962,626**	**$ 1,680,872**
2018	1,387,823	1,178,401	1,009,555

Regarding the sensitivity of the SCRHITF's net OPEB liability to changes in the healthcare cost trend rates, the following table presents the plan's net OPEB liability, calculated using the assumed trend rates as well as what the plan's net OPEB liability would be if were calculated using a trend rate that is 1% lower or 1% higher, as of June 30, 2019 and 2018:

South Carolina Retiree Health Insurance Plan
Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate

Fiscal Year	1% Decrease (6.00% decreasing to 3.15%)	Current Healthcare Cost Trend Rates (7.00% decreasing to 4.15%)	1% Decrease (8.00% decreasing to 5.15%)
2019	**$ 1,614,924**	**$ 1,962,626**	**$ 2,412,140**
2018	966,337	1,178,401	1,452,972

NOTE 7. OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

OPEB Expense

Components of collective OPEB expense reported in the allocation of the OPEB expense and deferred outflows and inflows of resources related to OPEB for the fiscal years ended June 30, 2019 and 2018, are presented below.

Description		2019		2018
Service cost	**$**	**138,779**	$	53,143
Interest on the total OPEB liability		**139,226**		39,611
Projected earnings on plan investments		**(12,413)**		(3,702)
OPEB plan administrative expense		**16**		1
due to liabilities		**(49,055)**		(17,834)
due to assets		**4,004**		506
Other		-		(2)
Total aggregate OPEB expense	**$**	**220,557**	$	71,722

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

NOTE 7. OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

Deferred Outflows of Resources and Deferred Inflows of Resources

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

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

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

NOTE 7. OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

Deferred Outflows of Resources and Deferred Inflows of Resources

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

South Carolina Retiree Health Insurance Plan	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 511
Net difference between projected and actual earnings on OPEB plan investments	2,025	-
Changes of assumptions	-	110,882
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	16
Employer contributions subsequent to the measurement date	64,724	-
Total	$ 66,749	$ 111,409

Authority contributions subsequent to the measurement date of $64,724 for the SCRHITF plan are reported as deferred outflows of resources and will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019.

NOTE 7. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Deferred Outflows of Resources and Deferred Inflows of Resources

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

Year ending June 30:	2019	2018
2019	$ -	$ (17,331)
2020	101,057	(17,331)
2021	101,057	(17,331)
2022	104,534	(17,331)
2023	110,040	(17,837)
Thereafter	116,255	(22,223)
	$ 532,943	$ (109,384)

NOTE 8. COMMITMENTS AND CONTINGENCIES

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

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the Federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the Authority expects such amounts, if any, to be immaterial.

NOTE 9. RISK MANAGEMENT

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

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

NOTE 9. RISK MANAGEMENT (CONTINUED)

Expenses for coverage through the South Carolina Insurance Reserve Fund for the years ended June 30, 2019 and 2018, totaled $132,986 and $116,429, respectively.

For all covered risks, the transfer of risk culminates upon filing a claim. Consequently, for items not covered, the members separately purchase policies to bear the risk up to policy premiums. The amount of settlements has not exceeded coverage in each of the past three years.

REQUIRED SUPPLEMENTARY INFORMATION

LOWCOUNTRY REGIONAL TRANSIT AUTHORITY

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

Plan Year Ended June 30,	Authority's proportion of the net pension liability	Authority's proportionate share of the net pension liability	Authority's covered payroll	Authority's share of the net pension liability as a percentage of its covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2018	0.011526%	$ 2,582,547	$ 1,194,384	216.2%	54.1%
2017	0.007272%	1,637,045	597,252	274.1%	53.3%
2016	0.007794%	1,664,787	605,250	275.1%	52.9%
2015	0.006532%	1,238,825	492,513	251.5%	57.0%
2014	0.005411%	931,595	402,298	231.6%	59.9%

Notes to the Schedule:

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

LOWCOUNTRY REGIONAL TRANSIT AUTHORITY

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

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

Notes to the Schedule:

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

LOWCOUNTRY REGIONAL TRANSIT AUTHORITY

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

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

Notes to the Schedule:

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

The discount rate changed from 3.59% as of June 30, 2017, to 3.62% as of June 30, 2018.

LOWCOUNTRY REGIONAL TRANSIT AUTHORITY

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

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

Notes to the Schedule:

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

SUPPLEMENTARY INFORMATION

LOWCOUNTRY REGIONAL TRANSPORTATION AUTHORITY

SCHEDULES OF OPERATING EXPENSES
FOR THE FISCAL YEARS ENDED JUNE 30, 2019 AND 2018

		2019		2018
Fixed route				
Salaries and wages	**$**	**652,871**	$	561,847
Payroll taxes, employee retirement and fringe benefits		**346,803**		244,919
Contract maintenance		**14,796**		21,722
Employee training, physicals and drug testing		**5,617**		4,440
Fuel and lubricants		**230,740**		169,291
Management service contract		**248**		-
Materials and supplies		**50,306**		132,222
Miscellaneous		**3,524**		11,573
Other services		**9,514**		18,366
Tires		**17,064**		33,672
Travel and meetings		**11,189**		12,272
Uniforms		**6,072**		7,569
Utilities		**23,736**		32,916
Total fixed route	**$**	**1,372,480**	$	1,250,809
General and administration				
Salaries and wages	**$**	**785,667**	$	421,005
Payroll taxes, employee retirement and fringe benefits		**106,607**		110,996
Advertising		**66,511**		26,051
Contract maintenance		**3,685**		4,419
Copier rental		**4,447**		4,560
Dues and subscriptions		**3,504**		2,407
Employee training, physicals and drug testing		**6,793**		2,318
Insurance		**126,626**		93,754
Materials and supplies		**17,419**		14,407
Miscellaneous		**13,463**		1,708
Other contract services		**-**		11,615
Professional fees - management, legal and audit		**89,881**		144,074
Travel and meetings		**1,189**		4,155
Utilities		**19,677**		19,052
Total general and administration	**$**	**1,245,469**	$	860,521
Allendale County 5311				
Other contract services	**$**	**18,286**	$	29,465
Total Allendale County 5311	**$**	**18,286**	$	29,465
Demand response				
Salaries and wages	**$**	**168,434**	$	167,938
Payroll taxes, employee retirement and fringe benefits		**80,171**		67,067
Fuel and lubricants		**74,069**		61,650
Total demand response	**$**	**322,674**	$	296,655
Maintenance department				
Salaries and wages	**$**	**82,200**	$	109,068
Payroll taxes, employee retirement and fringe benefits		**74,762**		57,182
Employee training, physicals and drug testing		**3,747**		1,133
Emergency operations		**2,813**		-
Contract maintenance		**92,578**		-
Fuel and lubricants		**4,088**		3,400
Materials and supplies		**142,788**		16,056
Travel and meetings		**400**		933
Uniforms and safety supplies		**5,131**		4,570
Utilities		**6,563**		4,199
Total maintenance department	**$**	**415,070**	$	196,541

(Continued)

LOWCOUNTRY REGIONAL TRANSPORTATION AUTHORITY

SCHEDULES OF OPERATING EXPENSES
FOR THE FISCAL YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018
Jasper County Board of Disabilities and Special Needs		
Salaries and wages	$ 115	$ -
Total Jasper County Board of Disabilities and Special Needs	$ 115	$ -
Beaufort County Board of Disabilities and Special Needs		
Salaries and wages	$ 85,338	$ 89,878
Payroll taxes, employee retirement and fringe benefits	31,647	32,235
Insurance	-	14,276
Fuel and lubricants	43,825	41,638
Total Beaufort County Board of Disabilities and Special Needs	$ 160,810	$ 178,027
Job Access Reverse Commute 5307		
Salaries and wages	$ 5,042	$ 4,890
Payroll taxes, employee retirement and fringe benefits	2,114	2,190
Fuel and lubricants	3,164	2,306
Professional fees	1	1,890
Uniforms	3	-
Total Job Access Reverse Commute 5307	$ 10,324	$ 11,276
Job Access Reverse Commute 5311		
Salaries and wages	$ 3,765	$ 4,890
Payroll taxes, employee retirement and fringe benefits	1,471	1,954
Fuel and lubricants	3,164	2,306
Professional fees	-	1,890
Uniforms	3	-
Total Job Access Reverse Commute 5311	$ 8,403	$ 11,040
Senior Services of Beaufort County		
Salaries and wages	$ 8,238	$ 18,169
Payroll taxes, employee retirement and fringe benefits	7,471	7,286
Insurance	-	705
Fuel and lubricants	4,639	8,569
Total Senior Services of Beaufort County	$ 20,348	$ 34,729
New Freedom		
Salaries and wages	$ -	$ 2,869
Payroll taxes, employee retirement and fringe benefits	-	614
Fuel and lubricants	4,705	2,282
Total New Freedom	$ 4,705	$ 5,765
Job Access Reverse Commute		
Salaries and wages	$ -	$ (580)
Payroll taxes, employee retirement, and fringe benefits	-	(160)
Total Job Access Reverse Commute	$ -	$ (740)
Small Urban Mass Transit Funds		
Salaries and wages	$ -	$ 8,111
Payroll taxes, employee retirement and fringe benefits	-	2,127
Fuel	972	1,309
Insurance	-	8,506
Travel and meetings	-	52
Utilities	-	43
Total Small Urban Mass Transit Funds	$ 972	$ 20,148

(Continued)

LOWCOUNTRY REGIONAL TRANSPORTATION AUTHORITY

SCHEDULES OF OPERATING EXPENSES
FOR THE FISCAL YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018
Hotel Shuttle Service		
Salaries and wages	$ -	$ 8,562
Payroll taxes, employee retirement and fringe benefits	-	2,521
Fuel	564	3,333
Total Hotel Shuttle Service	$ 564	$ 14,416
South Carolina Department of Employment		
Salaries and wages	$ 83,093	$ 22,060
Payroll taxes, employee retirement and fringe benefits	14,090	9,643
Fuel	15,259	10,864
Advertising	-	308
Materials and supplies	-	530
Total South Carolina Department of Employment	$ 112,442	$ 43,405
Marriott Hotel		
Salaries and wages	$ 19,644	$ 8,396
Payroll taxes, employee retirement and fringe benefits	6,936	2,813
Fuel	4,807	1,525
Total Marriott Hotel	$ 31,387	$ 12,734
RTAP Funding		
Employee training	$ 19,096	$ 16,209
Total RTAP Funding	$ 19,096	$ 16,209
Access Health VIM		
Salaries and wages	$ 963	$ -
Payroll taxes, employee retirement and fringe benefits	1,064	-
Total Access Health VIM	$ 2,027	$ -
Palmetto Bluff		
Salaries and wages	$ 20,329	$ 19,475
Payroll taxes, employee retirement and fringe benefits	7,423	5,669
Fuel and lubricants	9,802	9,080
Total Palmetto Bluff	$ 37,554	$ 34,224
Hilton Head Island Trolley		
Salaries and wages	$ 62,187	$ -
Payroll taxes, employee retirement and fringe benefits	26,936	-
Maintenance and other equipment	8,904	-
Advertising	2,500	-
Fuel and lubricants	18,240	-
Total Palmetto Bluff	$ 118,767	$ -
USCB Service		
Salaries and wages	$ 5,403	$ -
Payroll taxes, employee retirement and fringe benefits	1,827	-
Total Palmetto Bluff	$ 7,230	$ -
Depreciation expense		
Buildings and improvements	$ 31,314	$ 26,543
Vehicles	512,216	321,632
Furniture and equipment	7,059	14,687
Maintenance and other equipment	21,766	14,828
Computer software	10,700	11,135
Total Depreciation Expense	$ 583,055	$ 388,825

LOWCOUNTRY REGIONAL TRANSPORTATION AUTHORITY

SCHEDULE OF BUDGETED TO ACTUAL COSTS – SCDOT GRANTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

OPT Contract #	PT-91311-46					
Contract Period	July 1, 2018 - September 30, 2019					
	Budget FY2019	Federal	State	Local	Total	
Performance period:	July 2018 through Sept. 2019	July 2018 through Sept. 2019	July 2018 through Sept. 2019	July 2018 through Sept. 2019	July 2018 through Sept. 2019	Total Program Variance
Administration						
Other salaries and wages	$ 176,398	$ 141,330	$ 11,033	$ 22,626	$ 174,989	$ 1,409
Fringe benefits	77,258	57,705	4,492	9,934	72,131	5,127
Professional and technical services	-	-	-	-	-	-
Contract maintenance services	-	-	-	-	-	-
Materials and supplies	-	-	-	-	-	-
Utilities	-	-	-	-	-	-
Casualty and liability	-	-	-	-	-	-
Dues and subscriptions	107,426	85,941	21,485	-	107,426	-
In-state travel and meetings	-	-	-	-	-	-
Advertising fees	-	-	-	-	-	-
Other miscellaneous	-	-	-	-	-	-
Leases and rentals	-	-	-	-	-	-
Total administration	361,082	284,976	37,010	32,560	354,546	6,536
Operations						
Operations wages	622,314	308,418	144,956	163,461	616,835	5,479
Operations fringe benefits	290,825	143,562	58,860	84,701	287,123	3,702
Management service fees	-	-	-	-	-	-
Professional and technical services	-	-	-	-	-	-
Advertising fees	-	-	-	-	-	-
Other services	21,250	9,625	6,906	8,791	25,322	(4,072)
Contract maintenance services	-	-	-	-	-	-
Other services		-	-	-	-	-
Fuel and lubricants	231,828	107,125	41,779	65,346	214,250	17,578
Tubes and tires	-	-	-	-	-	-
Other materials and supplies	12,900	2,700	8,950	1,343	12,993	(93)
Vehicle licensing and fees	-	-	-	-	-	-
Utilities	20,000	8,016	1,363	6,652	16,031	3,969
Miscellaneous expenses	9,514	4,549	1,638	2,911	9,098	416
Total operations	1,208,631	583,995	264,452	333,205	1,181,652	26,979
Less contra expenses	-	(130,646)	(36,826)	(144,018)	-	-
Net operations	1,208,631	453,349	227,626	189,187	1,181,652	26,979
Capital	573,312	387,236	61,280	35,529	484,045	89,267
Total program	$ 2,143,025	$ 1,125,561	$ 325,916	$ 257,276	$ 2,020,243	$ 122,782

Approved Budget	$ 2,143,025
TI Federal Costs	1,125,561
TI State Costs	325,916
TI Local Costs	257,276
Actual over Budget	$ 434,272

(Continued)

LOWCOUNTRY REGIONAL TRANSPORTATION AUTHORITY

SCHEDULE OF BUDGETED TO ACTUAL COSTS – SCDOT GRANTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

OPT Contract #	PT-913SP-04					
Contract Period	July 1, 2018 - December , 2019					
	Budget FY2019	Federal	State	Local	Total	
Performance period:	July 2018 through December 2019	July 2018 through December 2019	July 2018 through December 2019	July 2018 through December 2019	July 2018 through December 2019	Total Program Variance
Capital						
Administrative and maintenance facility	$ 277,963	$ 166,764	$ 49,986	$ -	$ 216,750	$ 61,213
Total program	$ 277,963	$ 166,764	$ 49,986	$ -	$ 216,750	$ 61,213

Approved Budget	$ 277,963
TI Federal Costs	166,764
TI State Costs	49,986
TI Local Costs	-
Budget over Actual	$ 61,213

(Continued)

LOWCOUNTRY REGIONAL TRANSPORTATION AUTHORITY

SCHEDULE OF BUDGETED TO ACTUAL COSTS – SCDOT GRANTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

OPT Contract #	RTAP					
Contract Period	July 1, 2018 - June 30, 2019					
	Budget FY2018	Federal	State	Local	Total	
Performance period:	July 1, 2018 through June 30, 2019	July 1, 2018 through June 30, 2019	July 1, 2018 through June 30, 2019	July 1, 2018 through June 30, 2019	July 1, 2018 through June 30, 2019	Total Program Variance
Operations						
Employee training, physicals and drug testing						
19R013-01	$ -	$ 210	$ -	$ -	$ 210	$ (210)
19R013-02	-	1,239	-	-	1,239	(1,239)
19R013-03	-	298	-	-	298	(298)
19R013-04	-	591	-	-	591	(591)
19R013-05	-	606	-	-	606	(606)
19R013-06	-	795	-	-	795	(795)
19R013-07	-	795	-	-	795	(795)
19R013-08	-	1,615	-	-	1,615	(1,615)
19R013-09	-	144	-	-	144	(144)
19R013-10	-	1,510	-	-	1,510	(1,510)
19R013-11	-	580	-	-	580	(580)
19R013-12	-	425	-	-	425	(425)
19R013-13	-	1,096	-	-	1,096	(1,096)
19R013-14	-	147	-	-	147	(147)
19R013-15	-	147	-	-	147	(147)
19R013-16	-	275	-	-	275	(275)
19R013-17	-	275	-	-	275	(275)
19R013-18	-	1,054	-	-	1,054	(1,054)
19R013-19	-	350	-	-	350	(350)
19R013-20	-	350	-	-	350	(350)
T19-R013-04	-	1,643	-	-	1,643	(1,643)
T19-R013-03	-	1,311	-	-	1,311	(1,311)
T19-R013-03	-	657	-	-	657	(657)
T19-R013-01	-	4,412	-	-	4,412	(4,412)
Total administration	-	20,525	-	-	20,525	(20,525)
Total program	$ -	$ 20,525	$ -	$ -	$ 20,525	$ (20,525)

Approved Budget	$ -
TI Federal Costs	20,525
TI State Costs	-
TI Local Costs	-
Actual over Budget	$ (20,525)

(Continued)

LOWCOUNTRY REGIONAL TRANSPORTATION AUTHORITY

SCHEDULE OF BUDGETED TO ACTUAL COSTS – SCDOT GRANTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

OPT Contract #	PT-91310-76					
Contract Period	July 1, 2018 - June 30, 2019					
	Budget FY2018	Federal	State	Local	Total	
Performance period:	July 2018 through June 2019	July 2018 through June 2019	July 2018 through June 2019	July 2018 through June 2019	July 2018 through June 2019	Total Program Variance
Capital						
Mobility Management	$ 50,000	$ 40,000	$ -	$ 10,000	$ 50,000	$ -
Total program	$ 50,000	$ 40,000	$ -	$ 10,000	$ 50,000	$ -

Approved Budget	$ 50,000
TI Federal Costs	40,000
TI State Costs	-
TI Local Costs	10,000
Budget over Actual	$ -

OPT Contract #	SMTF-PT-91399-C2					
Contract Period	July 1, 2018 - June 30, 2019					
	Budget FY2018	Federal	State	Local	Total	
Performance period:	July 2017 through June 2018	July 1, 2017 through June 30, 2018	July 1, 2017 through June 30, 2018	July 1, 2017 through June 30, 2018	July 1, 2017 through June 30, 2018	Total Program Variance
SMTF - Admin	$ 7,545	$ -	$ 7,545	$ -	$ 7,545	$ -
SMTF - Operations	48,125	-	48,125	-	48,125	-
SMTF - Capital	2,761	-	2,761	-	2,761	-
SMTF - Capital ADA	33,237	-	33,237	-	33,237	-
Total program	$ 91,668	$ -	$ 91,668	$ -	$ 91,668	$ -

Approved Budget	$ 91,668
TI Federal Costs	-
TI State Costs	91,668
TI Local Costs	-
Budget over Actual	$ -

THIS PAGE INTENTIONALLY LEFT BLANK

STATISTICAL SECTION

STATISTICAL SECTION

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

Contents **Page**

Lowcountry Regional Transportation Authority

Total Net Position by Component
Last Ten Fiscal Years

	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Unrestricted	$ 637,868	$ 702,046	$ 623,356	$ 656,336	$ 735,782	$ (619,129)	$ (652,664)	$ (759,856)	$ (2,057,792)	$ (2,577,578)
Net Investment in Capital Assets	3,353,970	3,311,344	3,114,370	3,427,406	3,097,926	3,102,089	2,899,232	1,827,372	3,024,653	4,484,420
Total Position	$ 3,991,838	$ 4,013,390	$ 3,737,726	$ 4,083,742	$ 3,833,708	$ 2,482,960	$ 2,246,568	$ 1,067,516	$ 966,861	$ 1,906,842

Source: Lowcountry Regional Transportation Authority

Lowcountry Regional Transportation Authority

Change in Net Position
Last Ten Fiscal Years

	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Operating Revenue	$ 636,618	$ 485,218	$ 486,389	$ 539,991	$ 767,852	$ 877,161	$ 858,183	$ 855,050	$ 790,965	$ 938,504
Operating Expense	2,783,654	2,627,772	2,589,665	2,559,049	2,891,496	3,332,172	3,070,737	3,835,086	3,406,453	4,491,778
Operating Loss	(2,147,036)	(2,142,554)	(2,103,276)	(2,019,058)	(2,123,644)	(2,455,011)	(2,212,554)	(2,980,036)	(2,615,488)	(3,553,274)
Total Nonoperating Revenues/(Expenses)	1,801,508	1,907,965	1,827,612	1,706,423	1,885,077	2,022,733	1,976,162	1,800,984	3,737,796	4,494,065
Gain (Loss) before Capital Contributions	(345,528)	(234,589)	(275,664)	(312,635)	(238,567)	(432,278)	(236,392)	(1,179,052)	1,122,308	939,981
Capital Contributions	22,857	256,141	-	658,651	(11,467)	-	-	-	-	-
Change in Net Position	(322,671)	21,552	(275,664)	346,016	(250,034)	(432,278)	(236,392)	(1,179,052)	1,122,308	939,981
Net Position Beginning of Year as previously reported	2,844,711	2,522,040	2,543,592	2,819,256	3,165,272	2,915,238	2,482,960	2,246,568	1,067,516	966,861
Restatement for change in accounting principle	-	-	-	-	-	-	-	-	(1,222,963)	-
Net Position Beginning of Year as restated	-	-	-	-	-	-	-	-	(155,447)	-
Net Position End of Year	$ 2,522,040	$ 2,543,592	$ 2,267,928	$ 3,165,272	$ 2,915,238	$ 2,482,960	$ 2,246,568	$ 1,067,516	$ 966,861	$ 1,906,842

Source: Lowcountry Regional Transportation Authority

Lowcountry Regional Transportation Authority

Revenue History by Source
Last Ten Fiscal Years

	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Operating	636,618	485,218	486,389	539,991	767,852	877,161	858,183	855,050	790,965	938,504
Federal Operating Grants	1,058,068	1,100,166	1,024,575	914,380	1,083,253	1,102,331	1,137,842	973,983	2,383,208	3,317,776
State	263,225	303,362	280,311	280,646	303,524	373,879	329,485	320,378	773,479	628,454
County & Municipal Appropriations	574,030	559,597	523,404	509,392	492,280	574,025	523,280	513,280	570,624	536,587
Interest Income	605	441	353	580	253	132	346	927	4,811	5,023
Other *	-	2,100	4,800	1,425	4,200	-	-	-	-	-
Capital Grants	21,833	256,141	-	658,651	(11,467)	-	-	-	-	-
Gain (Loss) Disposal of Fixed Assets	1,600	2,500	-	-	1,567	(27,634)	(14,791)	(7,584)	5,674	5,415
Other Capital Contributions **	(4,317)	-	-	-	-	-	-	-	-	-
Total	$ 2,551,662	$ 2,709,525	$ 2,319,832	$ 2,905,065	$ 2,641,462	$ 2,899,894	$ 2,834,345	$ 2,656,034	$ 4,528,761	$ 5,431,759

* Other - Accomodations Tax Grants and other grants, etc.
** Other Capital Contributions - Imputed interest on capital advances - SCDOT

Source: Lowcountry Regional Transportation Authority

Lowcountry Regional Transportation Authority

Expense History by Function
Last Ten Fiscal Years

	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Operations	$ 1,925,359	$ 1,670,437	$ 1,601,396	$ 1,591,977	$ 1,936,852	$ 2,280,621	$ 1,868,533	$ 1,945,748	$ 1,960,566	$ 2,248,184
Maintenance	124,395	136,876	148,494	96,108	106,142	138,487	160,026	172,698	196,541	415,070
Administration	381,941	449,392	490,976	492,080	474,809	511,185	570,178	534,793	860,521	1,245,469
Depreciation	351,959	371,067	348,799	378,884	373,693	408,424	472,000	1,181,847	388,825	583,055
Total	$ 2,783,654	$ 2,627,772	$ 2,589,665	$ 2,559,049	$ 2,891,496	$ 3,338,717	$ 3,070,737	$ 3,835,086	$ 3,406,453	$ 4,491,778

Source: Lowcountry Regional Transportation Authority

Lowcountry Regional Transportation Authority

Fare History
Last Ten Fiscal Years

Cash	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Allendale	$ 2.50	$ 2.50	$ 2.50	$ 2.50	$ 2.50	$ 2.50	$ 3.25	$ 3.25	$ 3.25	$ 3.25
Beaufort	$ 2.25	$ 2.25	$ 2.25	$ 2.25	$ 2.25	$ 2.25	$ 2.75	$ 2.75	$ 2.75	$ 2.75
Colleton	$ 3.25	$ 3.25	$ 3.25	$ 3.25	$ 3.25	$ 3.25	$ 4.00	$ 4.00	$ 4.00	$ 4.00
Hampton	$ 3.25	$ 3.25	$ 3.25	$ 3.25	$ 3.25	$ 3.25	$ 4.00	$ 4.00	$ 4.00	$ 4.00
Jasper	$ 2.75	$ 2.75	$ 2.75	$ 2.75	$ 2.75	$ 2.75	$ 3.50	$ 3.50	$ 3.50	$ 3.50
Demand Response	$6-$10	$6-$10	$6-$10	$6-$10	$6-$10	$6-$10	$3.75-$14	$3.75-$14	$3.75-$14	$3.75-$14

Weekly Tickets	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Allendale	$ 27.00	$ 27.00	$ 27.00	$ 27.00	$ 27.00	$ 27.00	$ 35.10	$ 35.10	$ 35.10	$ 35.10
Beaufort	$ 24.30	$ 24.30	$ 24.30	$ 24.30	$ 24.30	$ 24.30	$ 29.70	$ 29.70	$ 29.70	$ 29.70
Colleton	$ 35.10	$ 35.10	$ 35.10	$ 35.10	$ 35.10	$ 35.10	$ 43.20	$ 43.20	$ 43.20	$ 43.20
Hampton	$ 35.10	$ 35.10	$ 35.10	$ 35.10	$ 35.10	$ 35.10	$ 43.20	$ 43.20	$ 43.20	$ 43.20
Jasper	$ 29.70	$ 29.70	$ 29.70	$ 29.70	$ 29.70	$ 29.70	$ 37.80	$ 37.80	$ 37.80	$ 37.80

Monthly Tickets	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Allendale	$ 93.50	$ 93.50	$ 93.50	$ 93.50	$ 93.50	$ 93.50	$ 128.70	$ 128.70	$ 128.70	$ 128.70
Beaufort	$ 84.15	$ 84.15	$ 84.15	$ 84.15	$ 84.15	$ 84.15	$ 108.90	$ 108.90	$ 108.90	$ 108.90
Colleton	$ 121.55	$ 121.55	$ 121.55	$ 121.55	$ 121.55	$ 121.55	$ 158.40	$ 158.40	$ 158.40	$ 158.40
Hampton	$ 121.55	$ 121.55	$ 121.55	$ 121.55	$ 121.55	$ 121.55	$ 158.40	$ 158.40	$ 158.40	$ 158.40
Jasper	$ 102.85	$ 102.85	$ 102.85	$ 102.85	$ 102.85	$ 102.85	$ 138.60	$ 138.60	$ 138.60	$ 138.60

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

Source: Lowcountry Regional Transportation Authority

Lowcountry Regional Transportation Authority

Long-Term Liabilities
Last Ten Fiscal Years

	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Advance from SCDOT	$ 219,269	$ 199,432	$ 126,343	$ 53,254	$ 64,721	$ 43,147	$ 21,573	$ -	$ -	$ -
Net pension liability	-	-	-	-	-	931,595	1,238,825	1,664,787	1,637,045	2,582,547
Net other post employment benefits liability	-	-	-	-	-	-	-	-	1,178,401	1,962,626
Less short-term portion of long-term liabilities	73,090	(90,481)	(73,089)	(17,751)	(21,574)	(21,574)	(21,573)	-	-	-
Total Assets	$ 292,359	$ 108,951	$ 53,254	$ 35,503	$ 43,147	$ 953,168	$ 1,238,825	$ 1,664,787	$ 2,815,446	$ 4,545,173

Source: Lowcountry Regional Transportation Authority

Lowcountry Regional Transportation Authority

Unemployment Rate Trends
Last Ten Fiscal Years

	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Allendale	19.1	18.4	16.9	14.0	12.2	11.3	8.5	6.9	6.4	5.7
Beaufort	8.7	8.7	7.6	6.4	5.7	5.5	4.8	4.0	3.4	3.0
Colleton	13.8	14.1	12.1	9.9	7.6	7.0	5.6	4.8	4.2	3.6
Hampton	12.8	12.9	11.2	9.3	7.7	8.4	5.8	4.5	3.8	3.4
Jasper	9.8	9.9	8.5	6.9	5.7	5.1	4.3	3.6	3.3	3.0
South Carolina	11.2	10.6	9.2	7.6	6.5	6.0	5.0	4.3	3.2	3.4
United States	9.6	8.9	8.1	7.4	6.2	5.3	4.9	4.4	4.0	3.7

Source: South Carolina Department of Employment & Workforce

Lowcountry Regional Transportation Authority

Per Capita Income and Debt Outstanding
Last Ten Fiscal Years

	Per Capita Income									
	Fiscal Year									
County	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Allendale	24,068	26,046	26,440	27,688	27,104	26,999	28,164	30,507	30,946	25,818
Beaufort	42,783	40,538	43,087	44,621	44,911	47,664	49,914	50,078	52,763	54,081
Colleton	27,181	27,667	28,820	29,413	30,280	31,557	33,272	34,362	34,345	30,216
Hampton	25,216	25,549	26,736	26,243	25,835	26,345	27,461	28,723	30,861	26,041
Jasper	22,491	21,945	22,494	22,654	23,445	24,735	25,718	26,274	27,762	30,610
South Carolina	31,635	32,160	33,804	35,248	35,292	37,014	38,783	39,517	42,081	43,702
United States	39,376	40,277	42,461	44,282	44,493	46,494	48,451	49,246	51,885	54,446

	Per Capita Debt Outstanding									
	Fiscal Year									
County	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Allendale	287	97	83	62	44	27	9	-	-	277
Beaufort	1,041	1,684	1,640	1,556	1,374	1,277	1,276	1,177	1,502	1,207
Colleton	378	290	250	388	337	279	1,019	991	914	804
Hampton	147	83	35	100	98	96	42	31	328	262
Jasper	804	839	858	851	852	830	808	860	863	790
South Carolina	*	*	*	3,147	3,088	3,124	3,089	3,271	-	-
United States	38,683	43,733	47,364	51,101	52,838	55,798	56,375	60,470	62,143	65,600

Notes:
* South Carolina per capita debt not available for these years

Sources:

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

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

Lowcountry Regional Transportation Authority

Personal Income (in thousands of dollars)
Last Ten Fiscal Years

County	Fiscal Year 2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Allendale	$ 255,577	$ 269,416	$ 270,932	$ 276,544	$ 265,757	$ 261,591	$ 265,305	$ 265,998	$ 275,935	$ 278,574
Beaufort	6,834,022	6,604,599	7,064,529	7,472,169	7,680,171	8,349,680	8,973,640	8,644,345	9,171,747	9,858,499
Colleton	1,056,352	1,076,498	1,109,035	1,124,286	1,144,009	1,191,394	1,255,698	1,249,641	1,303,126	1,291,755
Hampton	534,708	537,839	555,443	543,893	526,467	537,435	550,763	549,298	572,227	604,937
Jasper	545,058	546,295	571,530	587,911	624,202	667,801	71,253	722,056	747,895	790,052
South Carolina	145,201,638	149,093,360	157,952,965	166,397,814	168,267,898	178,719,703	189,836,135	196,049,325	205,536,000	226,042,000
United States	12,079,444,000	12,459,613,000	13,233,436,000	13,904,485,000	14,068,960,000	14,811,388,000	15,547,661,000	15,912,777,000	16,644,860,000	18,077,710,000

Sources:

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

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

Lowcountry Regional Transportation Authority

Population Trends
Last Ten Fiscal Year

County	Fiscal Year 2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Allendale	10,619	10,344	10,247	9,984	9,826	9,701	9,420	9,059	9,002	8,903
Beaufort	159,737	162,924	163,958	167,502	171,108	175,233	179,896	183,497	186,844	188,715
Colleton	38,864	38,909	38,482	38,121	37,682	37,548	37,467	37,599	37,611	37,660
Hampton	21,205	21,051	20,775	20,741	20,390	20,432	20,031	19,874	19,602	19,351
Jasper	24,234	24,922	25,408	28,797	26,428	26,762	27,605	28,071	28,458	28,971
South Carolina	4,589,872	4,635,943	4,672,637	4,720,760	4,767,894	4,828,430	4,894,834	4,961,119	5,024,369	5,084,127
United States	306,771,529	309,348,193	311,663,358	313,998,379	316,204,908	318,563,456	320,896,618	323,127,513	325,719,178	327,167,434

Source: US Census Bureau - www.census.gov

Lowcountry Regional Transportation Authority

Top 20 Employers by County

ALLENDALE	BEAUFORT	COLLETON	HAMPTON	JASPER
ALLENDALE COUNTY COUNCIL	ATLANTIC PERSONNEL INC	48FORTY SOULTIONS LLC	BILO LLC	CARECORE NATIONAL LLC
ALLENDALE COUNTY HOSPITAL & NURSING	BEAUFORT COUNTY SCHOOL DISTRICT	ADVANTAGE VETERANS SERVICES OF WALT	BRUNSONBUILDING SUPPLY CO INC	CBM ENTERPRISES LLC
ALLENDALE COUNTY RESCUE SQUAD INC	BEAUFORT MEMORIAL HOSPITAL	AGAPE COMMUNITY HOSPICE OF THE	BULLARD & SONS INC	CITY OF HARDEEVILLE
ALLENDALE COUNTY SCHOOLS	CARECORE NATIONAL LLC	BILO LLC	DEPARTMENT OF JUSTICE	CLELAND SITE PREP INC
ALLENDALE HAMPTON JASPER REG. LIBRARY	COUNTY OF BEAUFORT	CAROLINA COMPOSITES, LLC	ELLIOTT SAWMILLING CO INC	COASTAL CAROLINA MEDICAL CENTER INC
ALLENDALE IGA 71	CYPRESS CLUB INC.	CITY OF WALTERBORO	FOOD LION LLC	COASTAL STATES AUTOMOTIVE GROUP MAN
ARCHROMA US INC	DEPARTMENT OF DEFENSE	COLLETON COUNTY BOARD OF DISABILITE	H&H FOOD SERVICES LLC	COMPASSION HEALTHCARE INC
AZ ELECTRONIC MATERIALS USA CORP	HARGRAY COMMUNICATIONS GROUP INC	COLLETON COUNTY GOVERNMENT	HAMPTON COUNTY	COUNTY OF JASPER
BODDIE NOELL ENTERPRISES INC	LOWES HOME CENTERS INC	COLLETON COUNTY SCHOOL DISTRICT	HAMPTON COUNTY SCHOOL DISTRICT 2	JASPER CO BD OF DISABILITIES
COLLUMS ADMINISTRATION & MAINTENANC	MARINE CORPS COMMUNITY SERVICES	CRACKER BARREL OLD COUNTRY STORE	HAMPTON COUNTY SCHOOL DISTRICT ONE	JASPER COUNTY SCHOOL DISTRICT
FLUOR DANIEL FACILITY SER	MARRIOTT RESORTS HOSP CORP	JAXCO INDUSTRIES	HAMPTON REGIONAL MEDICAL CENTER IN	MYERS EDGE INC
GEORGIA PACIFIC WOOD PRODUCTS, LLC	MONTAGE HOTELS AND RESORTS LLC	JH HIERS CONSTRUCTION LLC	LECREUSET OF AMERICA INC	O C WELCH FORD LINCOLN MERCURY INC
JULIUS W WALL III	PUBLIX SUPER MARKETS INC	MASTERCORP INC	LOW COUNTRY FAMILY SERVICES INC	OLDFIELD CLUB LLC
LOWCOUNTRY HEALTH CARE SYSTEM	SEA PINES RESORT LLC	PALMETTO EXTERMINATORS INC.	MORNING STAR HOME CARE SERVICES LLC	PALMETTO ELECTRIC CO OP INC
SC DEPARTMENT OF CORRECTIONS	TECHNICAL COLLEGE OF THE LOWCOUNTRY	PRUITTHEALTH WALTERBORO LLC	MYERS EDGE INC	PEACOCK MANAGEMENT GROUP
SCOTSMAN GROUP LLC	TENET PHYSICIAN SVCS OF HILTON HEAD	RCI RESORT MANAGEMENT INC	PALMETTO STATE BANK	PUBLIX SUPER MARKETS INC
SHAW INDUSTRIES GROUP INC	THE GREENERY INC.	SOUTHERN HEALTH PARTNERS INC	PETERS MURDOUGH PARKER ELTZROTH & D	RIDGELAND NURSING CENTER INC
TOWN OF ALLENDALE	TOWN OF HILTON HEAD ISLAND	WAL-MART ASSOCIATES INC	PRUITTHEALTH ESTILL LLC	ROYAL LIVE OAKS ACADEMY RIDGELAND
UNIVERSITY OF SOUTH CAROLINA	UNIVERSITY OF SOUTH CAROLINA	WALTERBORO COMMUNITY HOSPITAL INC	R&L CARRIERS SHARED SERVICES LLC	SC DEPARTMENT OF CORRECTIONS
WALL TIMBER PRODUCTS INC	WAL-MART ASSOCIATES INC	WILLIAMS BROTHERS TRUCKING INC.	VALMONT INDUSTRIES INC	WAL-MART ASSOCIATES INC.

Source: SC Department of Employment & Workforce - Community Profiles Updated 7/19/19

Lowcountry Regional Transportation Authority

Trend Statistics
Last Ten Fiscal Years

	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Passengers	151,264	151,056	139,196	155,377	160,068	205,766	185,423	262,186	256,630	266,638
Revenue Miles	629,672	629,969	599,472	597,049	608,155	847,531	726,809	660,467	687,588	731,612
Total Miles	863,219	876,293	867,984	890,706	915,219	1,255,328	1,026,261	900,266	952,785	1,036,614
Passengers Per Total Miles	0.18	0.17	0.16	0.17	0.17	0.16	0.18	0.29	0.27	0.26
Revenue Hours	27,795	27,647	26,472	25,170	25,950	40,870	34,675	33,402	32,811	36,239
Total Hours	36,801	37,124	36,553	35,978	37,690	58,188	47,143	43,527	44,017	48,435
Passengers Per Revenue Hours	5.44	5.46	5.26	6.17	6.17	5.03	5.35	7.85	7.82	7.36
Total Operating Expense	$ 2,783,654	$ 2,627,772	$ 2,589,665	$ 2,559,049	$ 2,891,496	$3,338,717	$ 3,070,737	$ 3,835,086	$ 3,406,453	$ 4,491,778
Cost Per Mile	$ 3.22	$ 3.00	$ 2.98	$ 2.87	$ 3.16	$ 2.66	$ 2.99	$ 4.26	$ 3.58	$ 4.33
Cost Per Passenger	$ 18.40	$ 17.40	$ 18.60	$ 16.47	$ 18.06	$ 16.23	$ 16.56	$ 14.63	$ 13.27	$ 16.85
Farebox Revenue	236,443	261,647	272,229	306,932	347,735	385,069	474,014	487,783	431,928	435,539
Fare Revenue Per Passenger	$ 1.56	$ 1.73	$ 1.96	$ 1.98	$ 2.17	$ 1.87	$ 2.56	$ 1.86	$ 1.68	$ 1.63
Cost Per Revenue Hour	$ 100.15	$ 95.05	$ 97.83	$ 101.67	$ 111.43	$ 81.69	$ 88.56	$ 114.82	$ 103.82	$ 123.95
Cost Per Total Hour	$ 75.64	$ 70.78	$ 70.85	$ 71.13	$ 76.72	$ 57.38	$ 65.14	$ 88.11	$ 77.39	$ 92.74
Avg Passenger Trips Per Day	418	417	385	429	442	568	512	724	709	737
Road Calls	18	20	21	18	24	38	19	17	9	17
Accidents	1	2	5	8	17	12	12	11	10	9

Notes:
Farebox revenue - Over the years we have increased the number of contracts in which the passenger fare is covered by the contract fee, but is not reflected in farebox revenue.
Cost figures include depreciation expense.
Fiscal Year 2017 Total Operating Expense reflects one-time depreciation adjustment.

Source: Lowcountry Regional Transportation Authority

Lowcountry Regional Transporation Authority

Capital Assets Statistics
Last Ten Fiscal Years

	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Bus Routes	18	18	16	18	21	29	26	20	22	21
Buses	23	27	27	26	30	38	34	28	30	32
Operations Expense	$ 2,783,654	$ 2,627,772	$ 2,589,665	$ 2,559,049	$ 2,891,496	$3,338,717	$ 3,070,737	$ 3,835,086	$ 3,406,453	$ 4,491,778
Operating Cost Per Vehicle	$ 121,028	$ 97,325	$ 95,914	$ 98,425	$ 74,396	$ 87,861	$ 90,316	$ 136,967	$ 113,548	$ 140,368

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

Source: Lowcountry Regional Transportation Authority

Lowcountry Regional Transportation Authority

Employment Statistics
Last Ten Fiscal Years

	Fiscal Year									
	2010	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**
Administration	8	8	5	6	8	8	8	6	6	6
Operations	21	21	21	22	28	34	26	34	34	36
Maintenance	3	3	3	2	3	4	4	5	5	5
Total Employment	**32**	**32**	**29**	**30**	**39**	**46**	**38**	**45**	**45**	**47**

Source: Lowcountry Regional Transportation Authority

THIS PAGE INTENTIONALLY LEFT BLANK

COMPLIANCE SECTION

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States, the financial statements of the **Lowcountry Regional Transportation Authority** (the "Authority") as of and for the years ended June 30, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated October 22, 2019.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Mauldin & Jenkins, LLC

Savannah, Georgia
October 22, 2019

MAULDIN & JENKINS
CPAs & ADVISORS

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

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

Report on Compliance For Each Major Federal Program

We have audited the **Lowcountry Regional Transportation Authority's** (the "Authority") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended June 30, 2019. The Authority's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2019.

Report on Internal Control Over Compliance

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

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

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

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

Mauldin & Jenkins, LLC

Savannah, Georgia
October 22, 2019

LOWCOUNTRY REGIONAL TRANSPORTATION AUTHORITY

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Federal Grantor	Federal CFDA Number	Agency Grant Number	Federal Expenditures	State Expenditures
U.S. Department of Transportation:				
Federal Transit Administration				
Non-urbanized Area Formula Grant Program				
Passed through the South Carolina Department				
of Transportation - Office of Public Transportation				
5311 Operations	20.509	PT-91311-46	$ 1,125,561	$ 325,916
SMTF URBAN Operations		PT-91399-C2	-	91,668
Rural Transportation Assistance Program	20.509	19R013-01	210	-
Rural Transportation Assistance Program	20.509	19R013-02	1,239	-
Rural Transportation Assistance Program	20.509	19R013-03	298	-
Rural Transportation Assistance Program	20.509	19R013-04	591	-
Rural Transportation Assistance Program	20.509	19R013-05	606	-
Rural Transportation Assistance Program	20.509	19R013-06	795	-
Rural Transportation Assistance Program	20.509	19R013-07	795	-
Rural Transportation Assistance Program	20.509	19R013-08	1,615	-
Rural Transportation Assistance Program	20.509	19R013-09	144	-
Rural Transportation Assistance Program	20.509	19R013-10	1,510	-
Rural Transportation Assistance Program	20.509	19R013-11	580	-
Rural Transportation Assistance Program	20.509	19R013-12	425	-
Rural Transportation Assistance Program	20.509	19R013-13	1,096	-
Rural Transportation Assistance Program	20.509	19R013-14	147	-
Rural Transportation Assistance Program	20.509	19R013-15	147	-
Rural Transportation Assistance Program	20.509	19R013-16	275	-
Rural Transportation Assistance Program	20.509	19R013-17	275	-
Rural Transportation Assistance Program	20.509	19R013-18	1,054	-
Rural Transportation Assistance Program	20.509	19R013-19	350	-
Rural Transportation Assistance Program	20.509	19R013-20	350	-
Rural Transportation Assistance Program	20.509	T19-R013-04	1,643	-
Rural Transportation Assistance Program	20.509	T19-R013-03	1,311	-
Rural Transportation Assistance Program	20.509	T19-R013-02	657	-
Rural Transportation Assistance Program	20.509	T19-R013-01	4,412	-
Total Non-urbanized Area Formula Grant Program			1,146,086	417,584
Transit Services Program Cluster				
Enhanced Mobility for Seniors and Individuals				
with Disabilities Program				
Passed through the South Carolina Department				
of Transportation - Office of Public Transportation				
Section 5310 Rural	20.513	PT-91310-76	40,000	-
Federal Transit Cluster				
Capital Investment Grant				
Passed through the South Carolina Department				
of Transportation - Office of Public Transportation				
Capital Investment Grant - 5339 Capital	20.500	PT-913SP-04	166,764	49,986
Small Urban Funding Grant Program				
Direct from the U.S. Department of Transportation				
Small Urban Area - 5307 Capital and Operations	20.507	SC-2017-021-00	1,724,684	-
Small Urban Area - 5307 Capital and Operations	20.507	SC-2019-021-00	146,900	-
Total Federal Transit Cluster			2,038,348	49,986
Total U.S. Department of Transportation Grant Programs			3,224,434	467,570
U.S. Department of Labor:				
WIA Program				
Passed through the Lowcountry				
Council of Governments				
Dislocated Worker Program	17.258	N/A	96,761	-
Total U.S. Department of Labor Grant Programs			96,761	-
Total			$ 3,321,195	$ 467,570

LOWCOUNTRY REGIONAL TRANSPORTATION AUTHORITY

NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

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

Measurement Focus

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

Program Type Determination

Type A programs are defined as federal programs with federal expenditures exceeding the larger of $750,000 or 3% of total federal expenditures. The threshold of $750,000 was used in distinguishing between Type A and Type B programs.

Method of Major Program Selection

The risk based approach was used in the selection of federal programs to be tested as major programs. The Authority did not qualify as a low-risk auditee for the fiscal year ended June 30, 2019.

De-Minimis Indirect Cost Rate

During the year ended June 30, 2019, the Authority did not use the de-Minimis indirect cost rate.

LOWCOUNTRY REGIONAL TRANSPORTATION AUTHORITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

SECTION I
SUMMARY OF AUDIT RESULTS

Financial Statements

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

Federal Awards

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

Identification of major program:

CFDA Number	Name of Federal Program or Cluster
20.507 and 20.526	U.S. Department of Transportation; Federal Transit Cluster

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES

None reported

SECTION III
FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

None reported

SECTION IV
STATUS OF PRIOR YEAR AUDIT FINDINGS

None reported

Current Transfer from General Fund	$899,909.00
Public Defender FY21 Request	**$1,600,000.00**
Requested Increase	$700,091
New Positions Requested (salaries and benefits)	
1 Social Worker	$74,790
4 Attorneys ($93,488 per attorney)	$373,952
3 Administrative Assistants ($49,860 per admin)	$149,580
Infrastructure (new matrix) (one time request)	$150,000

Justification for a social worker and an education/mitigation attorney:

The reimbursements are contingent upon (1) court authorization and (2) the availability of funds. The pot of money used to reimburse is the same pot of money used to reimburse all public defender offices in the state. There is not a specific pot set aside for each county. So if the money is exhausted when your vouchers are submitted that expense comes back to the office and could result in a shortage budget and could come back to the county. Also experts hired under this system is limited in how much work they can do because only a set amount of money is authorized by the Court. Likewise these experts are retained only on one case. A staff social worker will allow the office (and the county) to get more work for the money. For example a salaried social worker will cost ($35,000) to handle 50 cases. Under the current system that cost would be like $50,000 at $1,000 per case. This position would be a cost saving and it would allow for more efficient handling of cases and prevent cases from being tried or handled multiple times because of ineffective assistance claims.

Materials on Holistic Defense

Sample portions that may be used with acknowledgment in grant proposals (acknowledge the *University of South Carolina's College of Social Work*)

Prepared by: Dana DeHart, PhD; Steven Lize, PhD; & Mary Ann Priester, MSW

This Project was supported by contract number 15900-14-37049 with the South Carolina Commission on Indigent Defense (SCCID). Points of view in this document are those of the authors and do not necessarily represent the official position or policies of SCCID.

Statement of the Problem

In the United States, an estimated 6,899,000 persons were under adult correctional supervision at yearend in 2013 (Glaze & Kaeble, 2014). There is substantial evidence that decades of mass incarceration has deleterious consequences, not only for those imprisoned, but for their families and communities. Incarceration has potential to extend social inequalities based on gender, race, and class, perpetuating health and mental health disparities, poverty and homelessness, family and community violence, and fragmented families (Condry, 2007; Golden, 2005; Wakefield & Wildeman, 2014). Holistic defense is a promising approach that may reduce incarceration, help prevent persons from becoming deeply enmeshed in the criminal justice system, and attenuate negative outcomes for individuals and communities. The holistic defense model responds to the complex challenges that brought someone into the justice system and the collateral consequences of incarceration that tend to amplify those challenges post-release. This model addresses both legal and non-legal defendant needs through the provision of social work services in defense offices (NLADA, 2008), and has been "widely recognized as the most effective public defense model in the country" (Steinberg, 2013, p.,963). Unfortunately, empirical research evaluating holistic defense is uncommon, and outcome data is frequently anecdotal (NLADA, 2008). Further research is warranted to assess the efficacy of holistic defense practices in ameliorating consequences of criminal involvement and to identify the most effective components of holistic defense. The current project ADDRESSES X, Y, Z…. We begin by reviewing literature on collateral consequences of mass incarceration, complex needs of indigent defendants, and the potential of holistic defense to address these issues.

Collateral Consequences of Criminal Conviction

Political discourse on law and order has prompted a variety of policies supporting "tough on crime" approaches. The effects of these policies span local, state, and federal levels and have resulted in massive increases in drug arrests, more punitive sentencing, and increasing racial profiling and community surveillance, with impacts disproportionately affecting poor people and people of color (Shah, Aziz, & Chamberlain, 2005). In addition to the direct consequences related to criminal justice involvement, there are a myriad of indirect consequences that extend well past the length of prison or jail sentences. Collateral consequences may include loss of or difficulty finding employment or housing, loss of family or domestic rights, loss of motor vehicle license, and ineligibility for government benefits, among other things (ABA, 2014). Dietrich (2002) argues that the impact of collateral consequences have increased in recent years due to increased availability of criminal history data. Collateral consequences prevent social and community integration for offenders post-incarceration, impacting their ability to comply with post-release stipulations such as housing and employment requirements while on probation or parole, and heightening potential for re-incarceration (Chinn & Holmes, 2002). Collateral consequences, particularly when coupled with factors such as mental illness, substance abuse, trauma, and poverty, often result in further disconnection from society and may result in cyclical and chronic criminal justice involvement.

Complex Needs of Indigent Defendants

Indigent defendants face numerous pre-existing and complicating challenges in their involvement with the criminal justice system. A recent study funded by the Bureau of Justice Statistics indicates that in a single year, 5,572,450 indigent defense cases were received across the U.S., with public defender programs spending over $830,000,000 providing indigent defense representation (Langton & Farole, 2010). Indigent defendants are disproportionately ethnic minorities and often have unaddressed physical health, substance abuse, housing, and mental health challenges that are directly related to their criminal justice involvement (Clarke, 2001; Cole, 2000; Pettus-Davis, 2012; Sentencing Project, 2011). Fifty-six percent of state prisoners and 45% of federal prisoners report mental health problems such as schizophrenia, depression, and bi-polar disorder (James & Glaze, 2006; Wilper et al., 2009). Backgrounds of co-morbid mental illness and substance abuse may be exacerbated by cumulative experiences of adversity (DeHart , Lynch, Belknap, Dass-Brailsford, & Green 2013; Trestman, Ford, Zhang., & Wiesbrock, 2007). Results from a survey of social service needs for adult indigent criminal defendants by the Louisiana Justice Coalition (2011) indicate indigent defendants have an array of non-legal needs. Twenty-eight percent report experiencing homelessness; 34% reported acute or complex trauma including physical and/or sexual abuse; 23% reported living in foster care; and 33% reported being enrolled in special education classes. Nineteen percent reported an average monthly income of zero, and only 49% reported being employed at the time of their arrest. Seventy-seven percent of clients reported being previously incarcerated, with 35% indicating that they were on probation at the time of the arrest. It is possible that these individuals not only lack the resources to meet the standards of compliance with probation and parole, but also lack the skills to navigate service systems to comply with court mandated activities.

This constellation of complex needs of indigent defendants may increase burdens on courts, corrections, and other service systems. For instance, James and Glaze (2006) found that, compared to those without mental health problems, inmates with mental health problems were twice as likely to be charged with rule violations, four times as likely to be charged with assault on a correctional officer or another inmate, and three times as likely to be injured in a fight since admission. A report by the SC Department of Mental Health (2008) suggests that correctional staff may not be equipped to handle behaviors symptomatic of mental illness, and that inadequate community resources contributed to inmates 'cycling' in and out of jails, with negative consequences including inmate overcrowding and increased pharmacological costs. This can contribute to extraordinary stress within and beyond agency settings as resources are drained, safety is compromised, and communities are put at risk via ineffective, transitory remedies.

Holistic Defense Programs

Legal services provided within the context of the comprehensive law movement (Daicoff, 2005) are integrated, collaborative, and acknowledge the role of social workers as essential to address the problems that contribute to an individual's involvement in the criminal justice system. Some of the most promising approaches to address the needs of offenders involve holistic defense, addressing the social determinants of crime, lessening the burden on courts and jails, and linking indigent persons with the treatment and supports they need to deter re-offending. These programs help create a discernable pathway to a healthy lifestyle, helping to move justice-involved persons and their families away from the cycle of crime, poverty, and social unrest. In states across the country, successful initiatives have involved co-locating social workers in defense offices to assist in assessment and service linkage for indigent non-violent offenders. These social workers may serve as a point of intercept that prevents the person's enmeshment in the justice system, engages them in treatment as early as possible, decreases admissions to jails, and decreases the rate of return to the justice system (Munetz & Griffin, 2006). Services delivered by the social worker can include assessment of mental health, substance abuse, trauma, and adversity; development of treatment plans; examining suitability of diversion alternatives as conditions of probation; and conducting screening and facilitating linkage to community services.

Jurisdictions have begun to implement these holistic defense programs and provide rudimentary data on program success. For instance, the Kentucky Department of Public Advocacy established a social work pilot program funded by the Kentucky General Assembly. Social workers provided assistance accessing housing, substance abuse treatment, counseling for personal problems, mental health treatment and medical care, jobs training programs, GED classes, family counseling, and child care. Among those who used services, there were significant reductions in recidivism (from 30% to 18%). Further, cost analyses indicated that savings in incarceration costs paid for the program as well as providing a substantial return on investment (approximately $100,000) for each social worker employed (Barber & Stone, 2008). In New York, the Bronx Defenders measured both case and life outcomes. In 2010, the Bronx Defenders helped prevent eviction for 150 families, helped prevent deportation for 100 individuals, assisted 50 individuals in gaining legal immigration status, helped maintain jobs and employment licenses for 100 individuals, and helped 70 families get health insurance (Steinberg, 2013). An internal evaluation of 6,000 clients indicated high client satisfaction, shorter sentences and a high rate of acquittals and dismissals (Clark and Savner, 2010). The Atlanta Sentencing and Mitigation Institute developed a program including attorneys and a large social work staff including forensic, licensed, and masters social workers as well of social work interns. Cost-benefit analysis of their services demonstrated cost-savings, with the program displacing expenses of more than $1,000,000 (NLADA, 2008).

Given these encouraging findings, holistic defense programs are being established across the United States, and holistic defense has gained great visibility at national professional conferences (e.g., American Society of Criminology's series on "Legal Services for the Indigent" at the 2014 conference; Community-Oriented Defender Network's annual conference). Yet, most holistic defense programs lack formal evaluation, and there is great need to identify both the legal (e.g., diversion, incarceration) and non-legal (e.g., substance abuse treatment, homelessness) outcomes associated with implementing holistic defense.

The North Carolina Systems Evaluation Project (NCSEP) was established to develop performance measures that could be used to evaluate system outcomes for offices conducting indigent defense. The NCSEP Performance Measures Guide (Gressens & Atkinson, 2012) was developed with input from a national group of defenders, researchers, policy experts, clients, and others and serves as a blueprint for evaluating indigent defense systems. While this listing of key performance measures provides a valuable resource for prospective evaluation studies, there have been few empirical studies using existing holistic defense program data to identify possible outcomes and feasibility issues across multiple jurisdictions.

Purpose, Goals, & Objectives of the Current Project

The current project ADDRESSES X, Y, Z… Specific goals of the study included:

- Goals 1…
  - Obective 1…[Objectives should be SPECIFIC, MEASURABLE, ACHIEVABLE, REALISTIC, TIME-RELATED
  - Objective 2…
- Goal 2…
- …

Project Design & Implementation

Sampling

Measures

Analysis Plan

Capabilities & Competencies

[organizational capacity to carry out—previous experience with grants, support from community partners, consultants, etc]

Impact & Outcome Evaluation

Implications for Public Safety

Our project will have implications for …[NAME IMPLICATIONS FOR JUVENILES, FAMILIES, COURTS, OTHER PROFESSIONALS]

Evaluation Plan

[Plans for evaluating processes, measuring outcomes through pre-test/post-tests, following up with participants/files to identify outcomes, etc.]

References

American Bar Association (2014). *National inventory of collateral consequences.* Retrieved from http://www.abacollateralconsequences.org/map/ on January 6, 2015.

Barber, R. & Stone, R. (2008). *Social work pilot project report.* Frankfort, KY: Department of Public Advocacy.

Chin, G. J., & Holmes, R. W. (2002). Effective assistance of counsel and the consequences of guilty pleas. *Cornell Law Review* , *87* , 697-742.

Clark, M., & Savner, E. (2010). *Community Oriented Defense: Stronger Public Defenders.* Brennan Center for Justice at New York University School of Law. Retrieved from http://www.americanbar.org/content/dam/aba/administrative/criminal_justice/StrongerPublicDefenders.authcheckdam.pdf

Clarke, C. (2001). Problem-solving defenders in the community expanding the conceptual and institutional boundaries of providing counsel to the poor. *Georgetown Journal Of Legal Ethics, 14(2),* 401-458.

Cole, D. (2000). *No equal justice: Race and class in the American criminal justice system* . NY: New Press.

Condry, R. (2007). *Families Shamed: The Consequences of Crime for Relatives of Serious Offenders.* Cullompton, UK: Willan.

Diacoff, S. (2005). Law as a healing profession: The "Comprehensive Law Movement." *Pepperdine Dispute Resolution Law Journal, 6(1)*, 1-62.

DeHart, D., Lynch, S., Belknap, J., Dass-Brailsford, P., & Green, B. (2014). Life history models of female offending: The roles of serious mental illness and trauma in women's pathways to jail. *Psychology of Women Quarterly* , *38* (1), 138-151.

Dietrich, S. M. (2002). Criminal records and employment: Ex-offenders' thwarted attempts to earn a living for their families. *In Every door closed: Barriers facing parents with criminal records (chapter 2).* Washington, DC: Center for Law and Social Policy and Community Legal Services.

Glaze, L., & Kaeble, D. (2014). *Correctional populations in the United States, 2013.* Washington, DC: US Department of Justice.

Golden, R. (2005). *War on the family: Mothers in prison and the families they leave behind.* NY: Routledge.

Gressens, M., & Atkinson, D. (2012). *The challenge: Evaluating indigent defense--North Carolina Systems Evaluation Project performance measures guide.* Durham, NC: Office of Indigent Defense Services.

IBM Corporation (2013). IBM SPSS Statistics for Windows, Version 22.0. Armonk, NY: IBM Corp.

James, D. J., & Glaze, L. E. (2006). *Mental health problems of prison and jail inmates* . Washington, DC: US Department of Justice.

Langton, L., & Farole, D. J. (2010). *State public defender programs, 2007* (NCJ 228229). Washington, DC: US Department of Justice.

Louisiana Justice Coalition (2011). *The Vernon Parish extralegal needs assessment.* Baton Rouge, LA: Louisiana Justice Coalition.

McEntyre, B. (2009). *Neighborhood Defenders Program: Evaluation to improve work and inform stakeholders.* Baltimore, MD: Office of the Public Defender.

Munetz, M., & Griffin, P. (2006). Use of the sequential intercept model as an approach to decriminalization of people with serious mental illness. *Psychiatric Services, 57(4)* , 544-549.

National Legal Aid Defenders Association (2008). *Making our case: Utilizing performance measurement to promote holistic advocacy and community oriented defense.* Washington, DC: Open Society Institute.

Pettus-Davis, C. (2012). Reverse social work's neglect of adults involved in the criminal justice system: The intersection and an agenda. *Social Work Research* , *36* (1), 3-8.

Sentencing Project. (2011). *Racial disparity.* Retrieved from http://www.sentencingproject.org/template/page.cfm?id=122 on January 6, 2015.

Shah, P., Aziz, N., & Chamberlain, P. (2005). *Defending justice: An activist resource kit.* Somerville, MA: Political Research Associates.

South Carolina Department of Mental Health. (2008). Pilot survey of persons with mental illness in SC jails. Retreived from http://www.state.sc.us/dmh/forensic/pilot_survey.html on January 6, 2015.

Steinberg, R. (2013). Heeding Gideon's call in the twenty-first century: Holistic defense and the new public defense paradigm. *Washington & Lee Law Review* , *70* , 961-1018.

Trestman, R. L., Ford, J., Zhang, W., & Wiesbrock, V. (2007). Current and lifetime psychiatric illness among inmates not identified as acutely mentally ill at intake in Connecticut's jails. *Journal of the American Academy of Psychiatry and the Law Online* , *35* (4), 490-500.

Wakefield, S., & Wildeman, C. (2014). *Children of the prison boom: Mass incarceration and the future of American inequality.* Oxford, England: Oxford University.

Wilper, A. P., Woolhandler, S., Boyd, J. W., Lasser, K. E., McCormick, D., Bor, D. H., & Himmelstein, D. U. (2009). The health and health care of US prisoners: Results of a nationwide survey. *American Journal of Public Health* , *99* (4), 666-672.

Appendix C: Practice & Policy Brief—Holistic Defense for the Indigent

IN BRIEF: Holistic Defense for the Indigent

Holistic defense is a promising approach that may reduce incarceration, help prevent persons from becoming deeply enmeshed in the criminal justice system, and attenuate negative outcomes for individuals and communities. The holistic defense model responds to both the complex challenges that brought someone into the justice system and the collateral consequences of incarceration that tend to amplify those challenges post-release. This model addresses both legal and non-legal defendant needs through the provision of social work services in defense offices, and has been widely recognized as the most effective public defense model in the country.

The Problem

Justice-involved persons have disproportionate experiences of extreme poverty, poor education and employment, trauma and victimization, substance abuse and dependence, physical illness (e.g., HIV, Hepatitis C), and mental health problems. This constellation of problems contributes to poorer criminal justice outcomes, increased costs of corrections-based medical care, and inmates repeatedly 'cycling' in and out of jails—creating stress for inmates, criminal justice professionals, and communities alike.

Possible Remedies

The most promising approaches to address the complex needs of offenders involve co-locating social workers in defense offices to assist in assessment and service linkage for indigent non-violent offenders. These social workers serve as an intercept that prevents the client's enmeshment in the justice system, engages them in treatment as early as possible, decreases admissions to jails, and decreases the rate of return to the justice system, lessening the burden on courts and jails.

The Benefits

In defense offices across the nation, social workers provide assistance accessing housing, substance abuse treatment, counseling for personal problems, mental health treatment and medical care, jobs training programs, GED classes, family counseling, and child care. For instance, in Kentucky, those who used services experienced significant reductions in recidivism from 30% to 18%. Savings in incarceration costs paid for the program as well as providing a substantial return on investment (approximately $100,000) for each social worker employed.

Resources

One of the best resources on developing a holistic defense program is the North Carolina Systems Evaluation Project, located at: http://www.ncids.org/Systems%20Evaluation%20Project/index.html The project Website includes a guide to key performance measures, pilot project reports, case flowcharts, a listserv, and toolkits on building in-house research capacity and data warehouses. The University of South Carolina can also provide support through collaborative research, assistance with funding proposals, and assistance in developing internship programs.

For further information on collaborating with the University of South Carolina on holistic defense projects, contact Dr. Dana DeHart at dana.dehart@sc.edu or Dr. Steven Lize at lize@mailbox.sc.edu

Appendix D: Sample Goals for Grant Proposals

- Cultivate collaborative relationships between public defenders' offices and human service providers to promote common interests of decreased recidivism, increased treatment completion, and increased public safety.
- Apply evidence-based strategies to improve efficacy of case management and alternative sentencing for offenders of non-violent crimes.
- Provide indigent defendants with holistic individualized assessment, wrap-around service referral, and social work casemanagement.
- Support defendant-initiated change through attorney-client privileged services with a professional social worker to promote skill-building, enhanced service coordination, and supportive community networks.
- Track program-level and client-level outcomes to evaluate effectiveness of social work services in reducing recidivism and improving public safety, making more efficient use of criminal justice resources, and improving quality of life for individuals served through the program.
- Develop professionally formatted promotional media and a user-friendly toolkit for implementing holistic defense practice in jurisdictions across the US.

Appendix E: Sample Legal Outcome Measures

For a comprehensive listing of legal performance indicators, see http://www.ncids.org/Systems%20Evaluation%20Project/PerformanceMeasures/PM_Links.htm

The following are basic examples of legal outcomes:

- Charges/
- Disposition
- Sentence
- Legal representation
- Days incarcerated pre/post trial
- Time on court docket
- Alternative sanctions/diversion
- Arrests during pendency of case
- Total number of court appearances, continuances, length of case
- Collateral consequences of conviction (e.g., losing employment, housing)
- Referrals to service
- Timeliness of assignment to social worker
- Number/nature of contacts with social worker
- Number/nature of contacts with defense counsel
- Recidivism

Appendix F: Sample Non-Legal Outcome Measures

Scaling:

1 = No services needed at this time

2 = Some concern in past but not currently

3 = Could benefit from services but not primary need

4 = Should be included in treatment plan and monitored

5 = Requires structured services and high level of support

- Mental health
- Alcohol & drug use
- Violence/trauma exposure
- Employment/job training
- Health/medical/pharmacy services
- Housing assistance
- Education/GED
- Childcare, child support, or custody issues
- Criminal record expungement
- Recovery of property/vehicle after arrest
- Transportation
- Marital counseling/divorce
- Social security/disability benefits
- Immigration issues
- Food security/SNAP
- Clothing
- Financial issues
- Supervision (for youthful offenders)
- Supportive networks
- Other legal problems
- Other concerns

Appendix G: Funding Resources

Selected Funding Opportunities:

Byrne Justice Assistance Grants

The Edward Byrne Memorial Justice Assistance Grant (JAG) Program is the primary provider of federal criminal justice funding to state and local jurisdictions. This formula grant program provides states and units of local governments with critical funding necessary to support a range of program areas including law enforcement, prosecution and court programs, corrections and community corrections, drug treatment and enforcement, crime victim and witness initiatives, planning, evaluation, and technology improvement programs. The solicitation identifies support for indigent defense as one of several key priority areas for maximizing the effectiveness of JAG funding at the state and local level. State and local jurisdictions are encouraged to bring all system stakeholders together in a strategic criminal justice planning process to guide JAG funding, and the Department notes that "our recommended guidelines are that at a minimum, the strategic planning process includes law enforcement, courts, prosecutors, indigent defense providers, victim advocates, and corrections officials." Recent solicitations also incorporated new application requirements to help the Department "assess[] the extent to which states are engaged in strategic planning in making allocation decisions about JAG funds, and the extent to which the recommendation that these efforts include all criminal justice stakeholders, including indigent defense, are being followed to ensure fairness in the criminal justice system." For more information visit: https://www.bja.gov/ProgramDetails.aspx?Program_ID=59.

Juvenile Accountability Incentive Block Grants

The Juvenile Accountability Block Grants (JABG) program supports states and units of local government in their efforts to strengthen juvenile justice systems. The program's goal is to help communities implement accountability-based programs that focus on both offenders and the juvenile justice system while supporting both state and local efforts in those same areas. Some of the 17 "JABG purpose areas" include hiring juvenile court judges, court-appointed defenders and special advocates, among others, and funding pretrial services (including mental health screening and assessment) for juvenile offenders; establishing and maintaining restorative justice programs; and establishing, improving, and coordinating pre-release and post-release systems and programs to facilitate the successful re-entry of juvenile offenders from state and local custody in the community. The authorizing statute expressly provides at 42 USC Section 3796ee-6 that the state or local government grantee may "contract with private, nonprofit entities, or community-based organizations to carry out the purposes" of the authorized activities. For more information visit: http://www.ojjdp.gov/jabg/.

Adult Drug Court Discretionary Grant

The Bureau of Justice Assistance distributes grants to establish new drug courts or enhance existing drug court services, coordination, and offender management and recovery support services. Solicitations for this grant program have been issued since 2002. For more information visit: https://www.bja.gov/ProgramDetails.aspx?Program_ID=58

Answering Gideon's Call: Improving Indigent Defense Delivery Systems

The Bureau of Justice Assistance distributes grants designed to contribute to indigent defense knowledge and practice by testing approaches to providing quality indigent defense services using the Ten Principles of a Public Defense Delivery System promulgated by the American Bar Association (ABA) in 2002 ("ABA Ten Principles"). A solicitation for this grant program was issued in 2012. For more information visit: https://www.bja.gov/Funding/12ImpIndigentDefenseSol.pdf

Capital Case Litigation Initiative

The Bureau of Justice Assistance distributes grants to state agencies in states that authorize capital punishment and that conduct, or will conduct prosecutions in which capital punishment is sought to improve the quality of representation and the reliability of verdicts in state and local capital cases through training for state and local prosecutors, defense counsel and trial judges. Solicitations for this grant program have been issued since 2006. For more information visit: https://www.bja.gov/ProgramDetails.aspx?Program_ID=52

Office of Violence Against Women Court Training and Improvement

This program funds projects that improve internal civil and criminal court functions, responses, practices, and procedures and provide education for court-based and -related personnel on issues relating to victims' needs, including safety, security, privacy, confidentiality, and economic independence, as well as information about perpetrator behavior and best practices for holding perpetrators accountable. Solicitations for this grant have been offered since 2007. For more information visit: http://www.justice.gov/ovw/grant-programs#ctip

Social Science Research on Indigent Defense

NIJ is funding research that can help with understanding the barriers faced by indigent criminal defendants to securing legal representation; offering recommendations to address these barriers; and disseminating the recommendations in a practical and easily accessible manner to practitioners across the United States. The FY 2012 solicitation solicited research on waiver of counsel, resources for defense team services and other research relevant to indigent defense services. For more information visit: https://www.ncjrs.gov/pdffiles1/nij/sl001006.pdf

Wrongful Conviction Review Program

The purpose of the Wrongful Conviction Review Program is to provide high quality and efficient representation for defendants in post-conviction claims of innocence that are likely to include complex challenges to the reliability and/or accuracy of evidence presented at trial. Solicitations for this grant program have been issued since 2010. For more information visit: https://www.bja.gov/evaluation/pm-solicitations/FY11_Wrongful_Conviction_Review_Program.pdf

John R. Justice

Under this program, the Bureau of Justice Affairs provides loan repayment assistance for state and federal public defenders and state prosecutors who agree to remain employed as public defenders and prosecutors for at least three years. Solicitations for this funding have been offered since 2010. For more information visit: https://www.bja.gov/ProgramDetails.aspx?Program_

The Langeloth Foundation

The Langeloth Foundation's grant-making program is centered on the concepts of health and well-being. The Foundation's purpose is to promote and support effective and creative programs, practices and policies related to healing from illness, accident, physical, social or emotional trauma, and to extend the availability of programs that promote healing to underserved populations (including offenders and incarcerated populations). For more information visit https://www.langeloth.org/#

The John and Laura Arnold Foundation

The Laura and John Arnold Foundation strives to produce substantial, widespread and **lasting changes to society** that will **maximize opportunity** and **minimize injustice**. LJAF's Criminal Justice initiative aims to reduce crime, increase public safety, and ensure the criminal justice system operates as fairly and cost-effectively as possible. In order to achieve these goals, the foundation works to develop, incubate, and spread innovative approaches to criminal justice challenges. LJAF builds teams of experts from both inside and outside the criminal justice field to develop research projects, creates tools for practitioners, and partners with local jurisdictions to pilot and test new policies and practices. LJAF focuses efforts on two targeted areas: the front end of the system, which runs from arrest through sentencing, and forensic science. LJAF selected these areas because reforms in these areas can significantly improve safety, cost, and fairness. For more information visit http://www.arnoldfoundation.org/

Selected Technical Assistance:

Drug Court Adult Technical Assistance

The Bureau of Justice Assistance Drug Court Clearinghouse/Technical Assistance Project at American University, provides a wide range of onsite and office-based technical assistance to help adult drug court programs to develop and implement improved program practices to promote program effectiveness and long-term participant success. For more information visit: http://www.ndcrc.org/content/technical-assistance-adult-drug-courts

National Criminal Justice Center Technical Assistance for Statewide Planning

In 2011, BJA launched a new project with the National Criminal Justice Association (NCJA) to assist SAAs in strategically investing their Byrne JAG funding. NCJA can provide valuable technical assistance for comprehensive criminal justice planning that includes bringing all criminal justice stakeholders to the table to develop innovative strategies to improve the fair administration of justice. The Justice Department's recommended guidelines are that at a minimum, the strategic planning process includes law enforcement, courts, prosecutors, indigent defense providers, victim advocates, and corrections officials. For more information visit: http://www.ncjp.org/strategic-planning/ncja-training-technical-assistance-available-statewide-planning

National Training and Technical Assistance Center

The National Training and Technical Assistance Center (NTTAC) accepts requests for and provides training and technical assistance to state and local criminal justice stakeholders. For more information visit: https://bjatraining.org/

Appendix H: Suggested Readings

Akesson, B., Smyth, J. M., Mandell, D. J., Doan, T., Donina, K., & Hoven, C. W. (2012). Parental involvement with the criminal justice system and the effects on their children: A collaborative model for researching vulnerable families. *Social Work Public Health, 27*(1-2), 148-164. doi: 10.1080/19371918.2012.629898

Bader, C. G. (2003). "Forgive me victim for I have sinned": Why repentance and the criminal justice system do not mix—a lesson from Jewish Law. *Fordham Urban Law Journal, 31*(1), 69-97.

Baker, T., Falco Metcalfe, C., Berenblum, T., Aviv, G., & Gertz, M. (2014). Examining public preferences for the allocation of resources to rehabilitative versus punitive crime policies. *Criminal Justice Policy Review*, 1-15. doi: 10.1177/0887403414521462

Barber, R., & Stone, R. (2008). *Social work pilot project report.* Frankfort, KY: Department of Public Advocacy.

Binder, D., Bergman, P., & Price, S. (1990). Lawyers as counselors: A client-centered approach. *New York Law School Law Review, 35*, 29-85.

Blader, S., & Tyler, T. R. (2003). A four-component model of procedural justice: Defining the meaning of a "fair" process. *Personality and Social Psychology Bulletin, 29*(6), 747-758. doi: 10.1177/0146167203252811

Chin, G. J. (2002). Race, the war on drugs, and the collateral consequences of criminal conviction. *Journal of Gender, Race & Justice, 6*, 255-278.

Chin, G. J., & Holmes, R. W. (2002). Effective assistance of counsel and the consequences of guilty pleas. *Cornell Law Review, 87*(3), 697-742.

Chung, S. Y. (2000). Prison overcrowding: Standards in determining Eighth Amendment violations. *Fordham Law Review, 68*(6), 2351-2400.

Clark, M., & Savner, E. (2010). *Community oriented defense: Stronger public defenders*. New York, NY: Brennan Center for Justice at New York University School of Law.

Clark, R. E., Ricketts, S. K., & McHugo, G. J. (1999). Legal system involvement and costs for persons in treatment for severe mental illness and substance use disorders. *Psychiatric Services, 50*(5), 641-647.

Clarke, C. (2001). *Community defenders in the 21st century: Building on a tradition of problem-solving for clients, families, and needy communities.* Washington, DC: United States Department of Justice Executive Office for United States Attorneys.

Clarke, C. (2001). Problem-solving defenders in the community: Expanding the conceptual and institutional boundaries of providing counsel to the poor. *Georgetown Journal Of Legal Ethics, 14*(2), 401-458.

Clarke, C., & Neuhard, J. (2005). Making the case: Therapeutic jurisprudence and problem solving practices positively impact clients, justice systems, and the communities they serve. *St. Thomas Law Review, 17*, 781-810.

Connor, R. (2000). Community oriented lawyering: An emerging approach to legal practice. *National Institute of Justice Journal, January*, 27-33.

Cusack, K. J., Morrissey, J. P., Cuddeback, G. S., Prins, A., & Williams, D. M. (2010). Criminal justice involvement, behavioral health service use, and costs of forensic assertive community treatment: A randomized trial. *Community Mental Health Journal, 46*(4), 356-363. doi: 10.1007/s10597-010-9299-z

Daicoff, S. S. (2005). Law as a healing profession: The comprehensive law movement. *Pepperdine Dispute Resolution Law Journal, 6*(1), 1-62.

DeHart, D., Lynch, S., Belknap, J., Dass-Brailsford, P., & Green, B. (2013). Life history models of female offending: The roles of serious mental illness and trauma in women's pathways to jail. *Psychology of Women Quarterly, 38*(1), 138-151. doi: 10.1177/0361684313494357

Desmarais, S. L., Van Dorn, R. A., Telford, R. P., Petrila, J., & Coffey, T. (2012). Characteristics of START assessments completed in mental health jail diversion programs. *Behavioral Science Law, 30*(4), 448-469. doi: 10.1002/bsl.2022

Dietrich, S. M. (2002). Criminal records and employment: Ex-offenders' thwarted attempts to earn a living for their families. In *Every door closed: Barriers facing parents with criminal records* (pp. 27-40). Washington, DC: Center for Law and Social Policy and Community Legal Services.

Focht-Perlberg, J. A. (2009). Two sides of one coin- repairing the harm and reducing recidivism: A case for restorative justice in reentry in Minnesota and beyond. *Hamline Journal of Public Law and Policy, 31*, 219-271.

Frazier-Camara, A. (2013). Fighting for social justice for indigent clients: The link that binds public defenders and civil legal service providers together. *Management Information Exchange Journal, Fall 2013*, 27-43.

Galowitz, P. (1998). Collaboration between lawyers and social workers: Re-examining the nature and potential of the relationship. *Fordham Law Review, 67*(5), 2123-2154.

Gannaway, J., Cook, N., & Freundlich, M. (2008). Broadening the array of services: Integrating legal and social work services for youth and families. *Journal of Community Practice, 16*(4), 459-479. doi: 10.1080/10705420802473667

Georgia Justice Project. (2014). *Advocating for the successful reentry of individuals with criminal records in Georgia: Georgia Justice Project: Lessons learned 2014* (pp. 1-19). Atlanta, GA: Georgia Justice Project.

Giovanni, T. (2012). *Community oriented defense: Start now*. New York, NY: Brennan Center for Justice: New York University School of Law.

Glaze, L., & Kaeble, D. (2014). *Correctional populations in the United States, 2013* (NCJ 248479). Washington, DC: U.S. Department of Justice.

Haney, C. (2006). The wages of prison overcrowding: Harmful psychological consequences and dysfunctional correctional reactions. *Washington University Journal of Law and Policy, 22*, 265-294.

Hashimoto, E. (2013). Gideon at 50: Reassessing the right to counsel: Panel 2: Unanticipated consequences and enmeshed penalties: Gideon and misdemeanors: The problem with misdemeanor representation. *Washington and Lee Law Review, 70*, 1019-2487.

Hisle, B., Shdaimah, C. S., & Finegar, N. (2012). Neighborhood Defenders Program: An evaluation of Maryland's holistic representation program. *Journal of Forensic Social Work, 2*(2-3), 122-140. doi: 10.1080/1936928x.2012.743868

Holland, B. (2005). Holistic advocacy: An important but limited institutional role. *New York University Review of Law and Social Change, 30*, i-xiii.

Houseman, A. W. (2003). *Civil legal aid in the United States: An overview of the program in 2003* (pp. 1-30). Washington, DC: Center for Law and Social Policy.

Houseman, A. W. (2005). *Civil legal aid in the United States: An overview of the program and developments* (pp. 1-33). Washington, DC: Center for Law and Social Policy.

Kentucky Department of Public Advocacy. (2008). *Legislative update: Social work pilot project, a success* (Vol. 28, pp. 1-4). Frankfort, KY: Kentucky Department of Public Advocacy

Lamb, H. R., & Weinberger, L. E. (2005). The shift of psychiatric inpatient care from hospitals to jails and prisons. *Journal of the American Academy of Psychiatry and the Law Online, 33*(4), 529-534.

Lamberti, J. S., & Weisman, R. L. (2004). Persons with severe mental disorders in the criminal justice system: Challenges and opportunities. *Psychiatric Quarterly, 75*(2), 151-164.

Langton, L., & Farole, D. J. (2010). *State public defender programs, 2007*. Washington, DC: U.S. Department of Justice.

Lee, K. M. (2003). Reinventing Gideon v. Wainwright: Holistic defenders, indigent defendants and the right to counsel. *American Journal of Criminal Law, 31*(3), 367-432.

Louisiana Justice Coalition. (2011). *The Vernon Parish extralegal needs assessment* (pp. 1-20). Baton Rouge, LA: Louisiana Justice Coalition.

Madden, R. G., & Wayne, R. H. (2003). Social work and the law: A therapeutic jurisprudence perspective. *Social Work, 48*(3), 338-347.

Mallet, C. A., & Julian, L. (2008). Alternatives for Youth's Advocacy Program: Reducing minority youth incarceration placements in Cleveland, Ohio. *Juvenile and Family Court Journal, 59*(3 (Summer), 2-17.

McEntyre, B. (2009). *Neighborhood Defenders Program: Evaluation to improve work and inform stakeholders*. Baltimore, MD: Office of the Public Defender.

McGraugh, S., Hagan, C., & Choate, L. (2014). Shifting the lens: A primer for incorporating social work theory and practice to Improve outcomes for clients with mental health issues and the law students who represent them. *Mental Health Law and Policy Journal, 3*, 471-504.

National Legal Aid Defenders Association. (2008). *Making our case: Utilizing performance measurement to promote holistic advocacy and community oriented defense*. Washington, DC: Open Society Institute.

Pettus-Davis, C. (2012). Reverse social work's neglect of adults involved in the criminal justice system: The intersection and an agenda. *Social Work Research, 36*(1), 3-8. doi: 10.1093/swr/svs036

Pinard, M. (2004). Broadening the holistic mindset: Incorporating collateral consequences and reentry into criminal defense lawyering. *Fordham Urban Law Journal, 31*, 1067-1088.

Pitts, J. M. A., Griffin, O. H., & Johnson, W. W. (2014). Contemporary prison overcrowding: Short-term fixes to a perpetual problem. *Contemporary Justice Review, 17*(1), 124-139. doi: 10.1080/10282580.2014.883844

Puritz, P., & Majd, K. (2007). Ensuring authentic youth participation in delinquency cases: Creating a paradigm for specialized juvenile defense practice. *Family Court Review, 45*(3), 466-484.

Puritz, P., & Shang, W. L. (1998). *Innovative approaches to juvenile indigent defense*. Washington, DC: U.S. Department of Justice.

Smyth, M. (2011). Collateral no more: The practical imperative for holistic defense in a post-Padilla world: or, how to achieve consistently better results for clients. *St. Louis University Public Law Review, 31*, 139-167.

Steinberg, R. (2013). Heeding Gideon's call in the twenty-first century: Holistic defense and the new public defense paradigm. *Washington and Lee Law Review, 70*, 961-1018.

Stephens, M.E., McLaughlin, L.P., Carpenter, R.S., Lucas, R.L., Chambers, L.W., & Nooe, R. (n.d.). *Community law office organizational concept paper*. Retrieved 1/13/2015 from http://nxs.net/svr4/pdknox/Downloadable/CLOconcept.pdf

Stephens, M.E., McLaughlin, L.P., Carpenter, R.S., Lucas, R.L., Chambers, L.W., & Nooe, R. (n.d.). *Community law office organizational strategies paper*. Retrieved 1/13/2015 from http://nxs.net/svr4/pdknox/Downloadable/CLOorg.pdf

Trestman, R. L., Ford, J., Zhang, W., & Wiesbrock, V. (2007). Current and lifetime psychiatric illness among inmates not identified as acutely mentally ill at intake in Connecticut's jails. *Journal of the American Academy of Psychiatry and the Law Online, 35*(4), 490-500.

Turanovic, J. J., Rodriguez, N., & Pratt, T. C. (2012). The collateral consequences of incarceration revisited: A qualitative analysis of the effects on caregivers of children of incarcerated parents*. *Criminology, 50*(4), 913-959. doi: 10.1111/j.1745-9125.2012.00283.x

Wilper, A. P., Woolhandler, S., Boyd, J. W., Lasser, K. E., McCormick, D., Bor, D. H., & Himmelstein, D. U. (2009). The health and health care of US prisoners: Results of a nationwide survey. *American Journal of Public Health, 99*(4), 666-672. doi: 10.2105/AJPH.2008.144279

Winick, B. J. (1999). Redefining the role of the criminal defense lawyer at plea bargaining and sentencing: A therapeutic jurisprudence/preventive law model. *Psychology, Public Policy, and Law, 5*(4), 1034-1083. doi: 10.1037//1076-8971.5.4.1034

Brock, Sarah

From: Beckert, Jim
Sent: Friday, May 1, 2020 3:12 PM
To: Hervochon Chris; Lawson, Mark
Cc: Brock, Sarah
Subject: Establishing school tax millage

Hi Chris and Mark,

I hope this email finds you well. The reason for the email involves state law 4-9-70 (enclosed below) in which the county shall establish by ordinance the method of establishing the school tax millage. After having Sarah Brock search no ordinance can be found. It appears no ordinance was ever authorized by County Council. This should probably be addressed.

SECTION 4-9-70. Powers of county councils with regard to public school education; establishing school tax millage.

The provisions of this chapter shall not be construed to devolve any additional powers upon county councils with regard to public school education, and all school districts, boards of trustees and county boards of education shall continue to perform their statutory functions in matters related thereto as prescribed in the general law of the State; provided, however, that except as otherwise provided for in this section the county council shall determine by ordinance the method of establishing the school tax millage except in those cases where boards of trustees of the districts or the county board of education established such millage at the time one of the alternate forms of government provided for in this chapter becomes effective. In counties containing more than one school district, where all such districts are located wholly within the boundaries of the county, council may by ordinance establish county-wide school tax millage. Provided, further, that in any county where the General Assembly retained the authority to establish or limit the millage levied by school districts or levy a tax for educational purposes, on January 1, 1974, such authority shall continue in the General Assembly until such time as such authority may be transferred to the school district or the county governing body by act of the General Assembly. Provided, further, in any county where on January 1, 1975 the school district tax millage and budget was established in meetings or referendums of the qualified electors of the district at which meetings or referendums such electors changed, altered, rejected, or amended by voice vote or ballot the school budget and necessary tax millage to implement such budget as proposed by the district board of trustees, such procedures to establish the school tax millage shall continue unaffected or modified by the provisions of this section or any other provision of law in conflict with this proviso.

HISTORY: 1962 Code Section 14-3704; 1975 (59) 692.

Serving as the citizens advocate for transparency in the taxation process one tax bill at a time.

Jim Beckert
Auditor Beaufort County
100 Ribaut Road, Beaufort, SC 29902
(843) 255-2500, **auditor@bcgov.net**
Join us at **Facebook.com/Beaufort County Auditor**
Twitter @Beaufort Auditor

Note: The information in this message and/or attachments may be proprietary and/or confidential from disclosure. If the reader of this message is not the intended recipient, or an employee or agent responsible for delivering this message to the intended recipient, you are hereby notified that any dissemination, distribution, or copying of this communication is strictly prohibited. If you have received this communication in error, please notify the sender immediately, and then delete it from your computer.

BEAUFORT COUNTY COUNCIL

Agenda Item Summary

Item Title:

Greater Beaufort-Port Royal CVB request for A/H-Tax funds.

Council Committee:

County Council

Meeting Date:

May 11, 2020

Committee Presenter (Name and Title):

Christopher Inglese, Deputy Administrator

Issues for Consideration:

Northern Beaufort County DMO has requested $760,000 in Atax funds to quickly re-ignite the tourism industry. Beaufort County Code of Ordinances section 66-44(b): "Authorization to utilize any funds from the "County of Beaufort, South Carolina, Local (3%) Accommodations Tax Account," shall be by ordinance duly adopted by the county council for the County of Beaufort, South Carolina."
The code also provides that a portion of Atax funds be placed in a reserve fund for use in unforeseen events (66-47(c)(1)). The reserve fund has a current available balance of $722,094. There are no available 2% Atax funds.

Points to Consider:

Resolution 2019/31 provides for the policies and procedures for A/H Tax applications. The opportunity for applications is during the 4th quarter of the each calendar year.

Council may vote to open a second application period and make the balance of funds available for applicants seeking use of A/H Tax funds following the procedures of Resolution 2019/31.

Funding & Liability Factors:

Available 3% Local A tax and H Tax funds:
ATAX Operations: $322,051
ATAX Tourism Infrastructure: $708,810
ATAX Reserve: $722,094
HTAX fund is $1,106,312

Council Options:

1. Move to approve opening a timeframe for A/H Tax applications during a specified time period with procedures of Resolution 2019/31 to be followed
2. No action
3. Defer to a time certain or defer for an indefinite time

Recommendation:

Staff is able to review additional requests for A/H Tax funding utilizing the existing review process in Resolution 2019/31 if council votes to open an additional window for applications. Staff can can then bring forward an ordinance with recommendations for funding.

DocuSign Envelope ID: EA7018F3-0FD3-42C6-8CF9-EA5B3A31882C

Beaufort Area Hospitality Association

Jonathan Sullivan
Chairman
The Beaufort Inn &
The Quality Inn

Vimal Desai
Vice-Chairman
Holiday Inn & Suites

Megan Morris
Treasurer
Santa Elena History Center

Ashlee Houck
Executive Director

Beaufort Area
Hospitality Association
Post Office Box 566
Beaufort, SC 29901

BFTHospitality.com

The Beaufort Area Hospitality Association continues to monitor the effects of the COVID-19 and the near shut down of our Hospitality Industry in Northern Beaufort County. These unprecedented times have left our hotels, restaurants, attractions, and merchants at a complete loss.

Our Beaufort, Port Royal and Sea Islands Convention Visitors Bureau has been working tirelessly to formulate a marketing plan post COVID-19. Our priority is to get our Businesses and Community back to work and accelerate our local economy moving towards progress when the time is right. Over 2500 of our friends and neighbors have felt personally the effects of the collapse of their livelihood and they are eager to get back to serving visitors and driving our local economy forward.

South Carolina Parks, Recreation & Tourism is currently working on a recovery campaign for the state and our destination needs to be ready to move forward along with that effort. The immediate situation favors small coastal destinations and we need to be sure to capture our share of the market to get Beaufort, Port Royal and the Sea Islands back to the thriving tourism destination it is.

A solid CVB strategy based on the strengths of a community aligned with local government has made the Beaufort area a valuable example of tourism marketing done right to the benefit of our entire community. BAHA fully supports the Greater Beaufort-Port Royal Convention & Visitors Bureau's post COVID-19 Marketing Recovery Plan to get the Beaufort area back to the healthy economy it once was.

Sincerely,

Ashlee Houck
Executive Director
Beaufort Area Hospitality Association

DocuSigned by:
Ashlee Houck
70C4A488B936473...

(Signature) 4/30/2020
Date

DocuSign Envelope ID: EA7018F3-0FD3-42C6-8CF9-EA5B3A31882C

DocuSigned by:

Jonathan Sullivan

F292A1436274417...

(Signature)

Name: Jonathan Sullivan

Organization: Chairman of the Beaufort Area Hospitality Association

DocuSigned by:

Vimal Desai

0AAE6BCC4084498...

(Signature)

Name: Vimal Desai

Organization: Vice President of the Beaufort Area Hospitality Association

DocuSigned by:

Megan Morris

B5C5DC73FCDD466...

(Signature)

Name: Megan Morris

Organization: Treasurer of the Beaufort Area Hospitality Association

Santa Elena History Center Executive Director

DocuSigned by:
Peach Morrison
28B348DCFF65470...

(Signature)

Name: Peach Morrison

South Carolina Low Country Tourism

DocuSigned by:
536C88127C4C491...

(Signature)

Name: Nick Borreggine

Fat Patties

Number of employees prior to COVID-19 76

DocuSigned by:
John Marshall
F23BA1010BF7474...

(Signature)

Name: John Marshall

Old Bull Tavern

Number of employees prior to COVID-19 22

DocuSigned by:
Donald Lambert
BB8FAD1B53D94DA...

(Signature)

Name: Don Lambert

Beaufort Photography Tours

Number of employees prior to COVID-19 2

DocuSigned by:
Shannon Erickson
E70E943C15FA481...

(Signature)

Name: Representative Shannon Erickson

South Carolina House District 124 – Beaufort

DocuSigned by:
Lisa Kassuba
2E4D9140D4F24B4...

(Signature)

Name: Lisa Kassuba

Best Western Sea Island Inn

Number of employees prior to COVID-19 22

DocuSigned by:
Joanna Vilim
6ABD07B710CB4F7...

Name: Joanna Vilim

Visit Harbor Island SC website Number of employees prior to COVID-19 0

DocuSigned by:
Jennifer Kovacs
6F7840A1913540F...

(Signature

Name: Jennifer Kovacs

Hilton Garden Inn

Number of employees prior to COVID-19 51

DocuSigned by:
Linda Miller
93AEFA567BB944C...

(Signature)

Name: Linda Miller

Friends of Hunting Island

Number of employees prior to COVID-19 0

DocuSigned by:
Kate Hudson
55A21CB5BFD04F0...

(Signature)

Name: Kate Hudson

Friends of Hunting Island

DocuSigned by:
Jody Hayward
A0A311468FD249B...

(Signature)

Name: Jody Hayward

Port Royal Sound Foundation

Number of employees prior to COVID-19 8

DocuSigned by:
Pierre-Edouard Binot
D16EAE8E2FD74F7...

(Signature)

Name: Pierre-Edouard Binot

The Cuthbert House Inn

Number of employees prior to COVID-19 7

DocuSigned by:
287667FCAFAE408...

(Signature)

Name: Stephen Harrison

Rhett House Inn

Number of employees prior to COVID-19 17

DocuSigned by:
Lou Gaudio
83E12D1A465C4BA...

(Signature)

Name: Lou Gaudio

Blackstones & Beaufort Bread Company

Number of employees prior to COVID-19 19

DocuSigned by:

Frank Lesesne

B276AC1F24ED42C...

(Signature)

Name: Frank Lesesne

Anchorage 1770

Number of employees prior to COVID-19 17

DocuSigned by:

Dale Douthat

CADD2BA72800478...

(Signature)

Name: Dale Douthat

United Way of the Lowcountry

DocuSigned by:

Mark D. Lofton

ECC4B1A4F7994C4...

(Signature)

Name: Mark Lofton

Kelly Tours

Number of employees prior to COVID-19 11

DocuSigned by:

Shelley Barratt

1C1912D00FF04F8...

(Signature)

Name: Shelley Barratt

Beaufort Digital Corridor

DocuSigned by:

George Babalis

74CB63143018494

(Signature)

Name: George Babalis

Mezes

Number of employees prior to COVID-19 16

DocuSigned by:
Susan Sauer
B512CA4C80214FC...
____

(Signature)

Name: Susan Sauer

Discover Tours

Number of employees prior to COVID-19 4

DocuSigned by:
Ronald Salley
3EEAAD25475D492...
____

(Signature)

Name: Ronald Salley

SHMarinas

Number of employees prior to COVID-19 8

DocuSigned by:

FDDD0C55F20D43A...

(Signature)

Name: Robin Price

Saltus, Plums, and Hearth

Number of employees prior to COVID-19 145

DocuSigned by:

Nancy Mashburn-Reilley

62E720AB9EF847E...

(Signature)

Name: Nancy Reilley

KC Mike's Smokin

Number of employees prior to COVID-19 14

DocuSigned by:

Dianna Baker

D5DA832ABAED42F...

(Signature)

Name: Dianna Baker

Southern Sweets Beaufort

Number of employees prior to COVID-19 8

DocuSigned by:

Johana Bayter

010124BAFA6C475...

(Signature)

Name: Johana Bayter

ABR Digital Office Solutions

Number of employees prior to COVID-19 30

DocuSigned by:

Brigid Fackrell

E55D3BE30CC342F...

(Signature)

Name: Brigid Fackrell

Rotten Little Bastard Distillery

Number of employees prior to COVID-19 0

DocuSigned by:

9B03F565893E4B8...

(Signature)

Name: Rose White

Southern Rose Carriage Tours

Number of employees prior to COVID-19 11

DocuSigned by:

Ramona Fantini

8EB49A8EC04E4A4...

(Signature)

Name: Ramona Fantini

Common Ground & Beaufort Merchants Association

DocuSigned by:

Jenny Sanborn

E3EF42A85D5F41E...

(Signature)

Name: Jenny Sanborn

303 Associates

DocuSigned by:

Shawn Hill

D54D13907FC7435...

(Signature)

Name: Shawn Hill

SK Signs & Designs

DocuSigned by:

Mary L Carns

9493E40B72CE458...

(Signature)

Name: Mary L Carns

Technical College of the Lowcountry

Number of employees prior to COVID-19 286

DocuSigned by:

NJPatel

A1A551035221482...

(Signature)

Name: Niraj Patel

Home 2 Suites by Hilton

Number of employees prior to COVID-19 36

DocuSigned by:

Chris Johnson

83B321A62993421...

(Signature)

Name: Chris Johnson

Q on Bay

Number of employees prior to COVID-19 40

DocuSigned by:

Craig Reaves

B5F9FB842D4549A...

(Signature)

Name: Craig Reaves

Sea Eagle Market

Number of employees prior to COVID-19 20

DocuSigned by:

Kate Parkerson

232671933A134B3...

(Signature)

Name: Kate Parkerson

The Beaufort Inn

Number of employees prior to COVID-19 19

DocuSigned by:

Marcel Boucher

5F33651A1AD648F...

(Signature)

Name: Marcel Boucher

Hampton Inn

Number of employees prior to COVID-19 24

DocuSigned by:

96827CF441D548F...

(Signature)

Name: Chetan Patel

Country Inn and Suites

Number of employees prior to COVID-19 14

DocuSigned by:

Donna Lang

13523414728D40D...

(Signature)

Name: Donna Lang

Breakwater

Number of employees prior to COVID-19 35

DocuSign Envelope ID: EA7018F3-0FD3-42C6-8CF9-EA5B3A31882C

DocuSigned by:

Allyson Dykeman

9E3F7B140174426...

(Signature)

Name: Allyson Dykeman

Quality Inn

Number of employees prior to COVID-19 27

DocuSigned by:

Brent Hallinan

7C50A8F03DAD436...

____

(Signature)

Name: Brent Hallinan

Madison's

Number of employees prior to COVID-19 21

VISIT
BEAUFORT
PORT ROYAL SEA ISLANDS

May 4, 2020

Beaufort County Council
Ashley Jacobs, Beaufort County Administrator

Re: Economic Recovery and Tourism Marketing Request

COVID-19 is devastating Beaufort County's economy, impacting every facet of our enviable quality of life. The county's tourism industry has suffered the brunt of the damage, but it can also lead the county back to prosperity. As your Designated Marketing Organization ("DMO") for northern Beaufort County, we are ready to help you put our friends and neighbors back to work, reducing budget shortfalls and increasing revenues. We request an investment of $760,000 in this program, knowing that previous investment in tourism advertising has yielded a $7-to-1, same-year return in tax revenues. Tourism advertising also contributes significantly to broader economic and community development.

The Greater Beaufort - Port Royal Convention & Visitors Bureau's mission is marketing our destination to visitors. As your DMO, the CVB operates a visitor center, markets to groups, hosts travel writers and tours and conducts marketing and advertising outreach programs. We separated from the Beaufort Regional Chamber in 2018 so that the CVB could focus exclusively on these responsibilities.

The CVB is happy to provide Beaufort County with full transparency and will work with county administration to fulfill the necessary requirements. The CVB has established a completely separate account in which to hold these funds and will provide monthly financial reports including receipts for expenditures. This also allows us to provide quarterly progress updates to staff about the progress that is being made through the marketing plan.

The plan will target drive markets including Charlotte and Atlanta. National studies indicate that travelers will seek small towns, beachside escapes, and drivable locations this summer and fall. That's great for us. But we know one thing: competition for their travel dollar will be keen, as every destination along the coast will fight to attract the same visitors we desire. We are happy to provide specifics of our plans to any interested member but please note that our plan does not include operational expenses such as payroll or administrative costs. Our goal is to put more money into the marketplace to attract visitors to our destination.

As our nation emerges from the shutdown, we want to work with county staff to re-start this economic engine. And we need fuel to do that. Our working group has labored tirelessly to develop a comprehensive plan to jump-start our local economy and repair the damage done by COVID-19. We need to re-start this all-important engine as soon as the time is right. This is the plan to do just that. Please support our collective efforts, so that we may all prosper in the near future.

Signed:

Frank Lesesne
Frank Lesesne, Board Chair

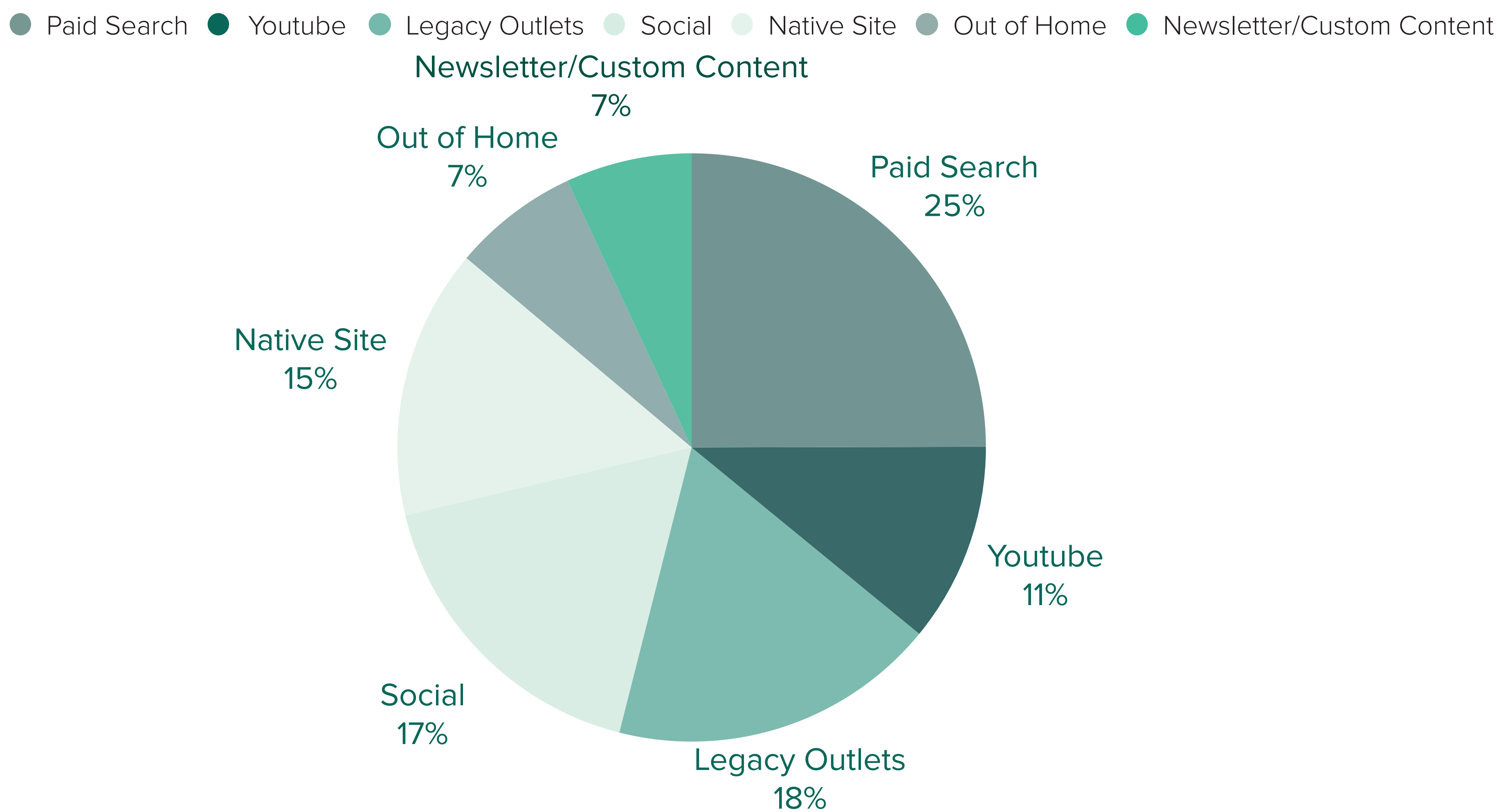
Attachments: Letters of support.

inner coastal

“Every destination is now a start-up.”

E-tourism Frontiers, April 2020

Advertising



BEAUFORT COUNTY COUNCIL

Agenda Item Summary

Item Title:

May River Affordable Housing Impact Fee Waiver

Council Committee:

Finance Committee

Meeting Date:

May 18, 2020

Committee Presenter (Name and Title):

Eric Greenway, Director

Issues for Consideration:

Sec. 82-33. - Imposition, Calculation and Collection of the Beaufort County Code makes a provision for the waiver/reduction of impact fees that comply with certain Annual Median Income criteria (see attached). The May River Apartment Owner is developing a 24-unit multi-family apartment project. No less than 18 of the 24 units will be rental affordable housing units as defined in CDC Section 4.1.350.D.b, so all household income in no less than 18 of the units will be less than or equal to eighty percent (80%) of the area median income (the "Rental Affordable Units"). Therefore, a request has been received for a 60% reduction in the impact fees due as provided in Section 82-83.

Points to Consider:

We collect the impact fees at the time of permits. However, in this case the regulatory program being used by the developer will not allow the necessary affordable housing restrictive covenants to be recorded until after construction has commenced. Therefore, staff is proposing that we use the attached MOU as the basis of conditionally approving the waiver and deferring any payment of required impact fees to prior to the issuance of any certificate of occupancy for any of the units. This will allow the necessary documents to be recorded, in compliance with the regulatory program being used by the developer, to ensure that the designated units remain in compliance with impact fee chart for affordable housing but also allows the County to maintain leverage for the collection of the fees should the necessary documents not be executed prior to requested occupancy.

Funding & Liability Factors:

Transportation Fee will be reduced from $51,622.00 to approximately $20,648.80, Fire Fee will be reduced from $5051.00 to approximately $2020.40, Library Fee will be reduced from $13,272.00 to approximately $5308.80, Parks and Recreation will be reduced from $33,240.00 to approximately $13,296.00. This will require approximately $61,911.00 to be paid from the Affordable Housing Impact Fee allocation approved by the Council in 2019. These fees are estimates only, the Building and Codes Division who will confirm the fees when collected.

Council Options:

Approve the waiver as specified in the MOU
Modify the terms of the MOU

Recommendation:

Staff recommends the conditional approval of the waivers as specified in the MOU.

STATE OF SOUTH CAROLINA)
) MEMORANDUM OF UNDERSTANDING
COUNTY OF BEAUFORT)

THIS MEMORANDUM OF UNDERSTANDING (this "Understanding") is entered into April ____, 2020 by and between **BBR DEVELOPMENT, LLC,** a South Carolina limited liability company having an address of 19 Shelter Cove Lane, Suite 300, Hilton Head Island, SC 29928 (the "Owner") and **BEAUFORT COUNTY,** a body politic, address PO Box 1228, Beaufort, SC 29901-1228 (the "County"), collectively hereinafter referred to as the “Parties”.

WHEREAS, the Owner is the owner of that certain tract of land designated as Beaufort County Tax Parcel R600-039-000-0195-0000 containing approximately 0.8 acres, more or less, as shown on that certain plat of survey prepared by R.D. Trogdon, Jr., R.L.S. dated February 5, 1980 and recorded in the Office of the Register of Deeds for Beaufort County in Deed Book 296 at Page 1102 (the "Property"), located at 55 Bruin Road, Bluffton, SC 29910; and

WHEREAS, the Owner is developing the property as affordable housing pursuant to Section 4.1.350 of the Beaufort County Community Development Code (the "CDC"); and

WHEREAS, the CDC, pursuant to Section 82, establishes the impact fees associated with the development of properties in Beaufort County and as applied to the Property (“Impact Fees”); and

WHEREAS, the Parties have reached an agreement regarding the reduction and/or waiver of Impact Fees and the pursuit of certain funds in connection with the development of the Property as an affordable housing apartment project.

NOW, THEREFORE, for and in consideration of approval by the County of the affordable housing incentives for the Property as set forth below and as provided for under CDC Section 4.1.350, the Owner and the County, intending to be legally bound, agree as follows:

1. **<u>The Property’s Development.</u>** Owner is developing the Property into a 24-unit multi-family apartment project. No less than 18 of the 24 units will be rental affordable housing units as defined in CDC Section 4.1.350.D.b, so all household income in no less than 18 of the units will be less than or equal to eighty percent (80%) of the area median income (the "Rental Affordable Units").

2. **<u>Impact Fees Waiver</u>**. As set forth in CDC Section 4.1.350.F.d, and as set forth in the Beaufort County Code of Ordinances, Section 82-32, and as set forth in the South Carolina State Development Impact Fee Act, the Rental Affordable Units shall be exempted from impact fees. Impact Fees for the development of the Property shall be reduced or waived in proportion to the number of Rental Affordable Units in the Property upon completion of all development. The amount of reduction or waiver of Impact Fees is determined in accordance with the Beaufort County Code of Ordinance and as further described in the table attached hereto and incorporated by reference in Exhibit A.

   a. *Contingency*. Beaufort County agrees to issue all required development permits without the payment of the required impact fees and will reduce and/or waive said fees under the following condition(s). The availability of a reduction and/or waiver of Impact Fees is contingent upon the Owner recording Restrictive Covenants approved by Beaufort County in the Beaufort County Register of Deeds. The aforementioned Restrictive Covenants shall include, but is not limited to, occupancy requirements and rental requirements; similar to those restrictive covenants recorded in the Beaufort County Register of Deeds in Book 3174 at Page 1962 and in Book 3430 at Page 664.

In order to receive a reduction and/or waiver of Impact Fees, the Restrictive Covenants described in this Section must be recorded in the Beaufort County Register of Deeds prior to the Owner being issued a Certificate of Occupancy by Beaufort County. If the Restrictive Covenants are not recorded as stated in this Section, then Beaufort County may issue a Certificate of Occupancy, but the Owner shall not receive a reduction and/or waiver of Impact Fees and any Impact Fees due must be paid prior to the issuance of any Certificate of Occupancy for the building(s).

3. **Affordable Housing Financial Assistance**. The County agrees to cooperate with Owner and provide Owner with support in obtaining financial assistance for the development of the Property and the Rental Affordable Units, but shall not be responsible for finding funding sources or adhering to application requirements for financial assistance. The Parties expect to work with the Coastal Community Foundation, the SC Community Loan Fund, the Beaufort Fund, and any other governmental and nongovernmental entity providing financial assistance for the development of affordable housing.

4. **Miscellaneous**.

a. *Independent Parties.* It is understood and agreed between the Parties hereto that this is an Understanding for the reduction and/or wavier of Impact Fees and to cooperate in obtaining financial assistance for the development of affordable housing, and is in no way to be considered a joint venture between the Parties.

b. *Authority*. Each individual and entity executing this Understanding hereby represents and warrants that he, she or it has the capacity set forth on the signature pages hereof with full power and authority to bind the party on whose behalf he, she or it is executing this Understanding to the terms hereof.

c. *Scope of Understanding*. This Understanding incorporates any and all prior agreements, covenants, and understandings between the Parties hereto concerning the subject matter hereof, and all such covenants, agreements and understandings have been merged into this agreement. No prior agreement or understandings, verbal or otherwise, of the Parties or their agents shall be valid or enforceable unless embodied in this Understanding.

d. *Counterparts*. This Understanding may be executed in counterparts. Each of the counterparts shall be deemed an original instrument, but all of the counterparts shall constitute one and the same instrument.

e. *Severability*. If any portion of this Understanding shall be held to be invalid or unenforceable for any reason, the remaining provisions shall continue to be valid and enforceable. If a court finds that any provision of this Understanding is invalid or unenforceable, then such provision shall be deemed to be written, construed and enforced as so limited.

f. *Amendment.* This Understanding cannot be amended orally or by a single party. No amendment or change to this Understanding shall be valid unless in writing and signed by both Parties.

g. *Binding Nature and Assignment.* This Understanding shall be binding upon, and shall inure to the benefit of, the successors and assigns of the parties, and the parties acknowledge that

Owner's rights and obligations hereunder will be assigned to a limited partnership with the sole purpose of owning and operating the Property. Neither party to this Understanding may assign their rights or obligations arising under this Understanding without the prior written consent of the other party.

h. *Waiver.* No waiver of any provision of this Understanding shall be effective unless in writing and signed by the party waiving its rights. No delay or omission by either party to exercise any right or remedy it has under this Understanding shall impair or be construed as a waiver of such right or remedy. A waiver by either party of any covenant or breach of this Understanding shall not constitute or operate as a waiver of any succeeding breech of the covenant or of any other covenant.

i. *No Third Party Beneficiaries.* This Understanding is solely for the benefit of the Owner and the County and nothing contained in this Understanding shall be deemed to confer upon any person or entity, other than the Owner and the County, the right to enforce or take any action under or with respect to this Understanding.

j. *Applicable Law.* The laws of the State of South Carolina shall govern the interpretation, validity, performance and enforcement of this Understanding.

IN WITNESS WHEREOF, and in acknowledgement that the parties hereto have read and understood each and every provision hereof, the Parties have caused this Agreement to be executed on the date first written above.

WITNESSES: **BBR DEVELOPMENT, LLC**

__________________________ ______________________________________
David G. Bennett
__________________________ *Member*

WITNESSES: **BEAUFORT COUNTY**

__________________________ __________________________________
Ashley M. Jacobs
Beaufort County Administrator

____

EXHIBIT A

A discount for *affordable* housing units is based on the following table for "single-family units" and for "all other types of housing units":

Area Medium Income (AMI)	*Impact Fee* Discount
Under 60%	100%
60% to 80%	60%
Over 80%	0%

BEAUFORT COUNTY COUNCIL

Agenda Item Summary

Item Title:

Project Blueberry, FILOT Agreement

Council Committee:

Finance Committee

Meeting Date:

May 18th, 2020

Committee Presenter (Name and Title):

John O'Toole, Executive Director of Beaufort County Economic Development Corporation

Issues for Consideration:

We have been in contact (since 4/17/2018) with a Charleston based firm that is considering investing $19.5 million into a solar project in Beaufort County. They have identified a tract of land adjacent to the Marine Corps Air Station (MCAS) - Beaufort for this development. This project has been reviewed and approved by the Department of Defense with the caveat that it will be able to spot check equipment on site at anytime for national security purposes.

Points to Consider:

While the BCEDC's position on solar projects has been consistently opposed to these developments. Putting aside the renewable nature of solar – environmental and societal gain, the BCEDC feels that these projects consume precious land and don't create significant ongoing jobs per acre. However, this project might be the exception. Due to the MCAS limitations on what can be constructed in the area. It is recommended that Beaufort County offer this project the same consideration that was provided to the Adger Solar project in July 2018

Funding & Liability Factors:

Limited as this land is virtually undevelopable due to ACIUZ restrictions. This project will deliver $49,194 annually for 30 years. As agricultural land this property would generate less than $2,000 annually

Council Options:

County Council could reject this request for FILOT/SSRC benefits. The benefits offered for this project are on par with those offered to Adger (July of 2018) to this company.

Recommendation:

The BCEDC recommends moving forward with the FILOT/SSRC and maintaining a level payment of $49,194 in revenues. Legal counsel recommends a bond to be in place to make the County whole if project is abandoned at any point.

STATE OF SOUTH CAROLINA)
) RESOLUTION
COUNTY OF BEAUFORT)

INDUCING AND IDENTIFYING A PROPOSED INVESTMENT BY TRASK EAST SOLAR, LLC AND OTHER MATTERS RELATED THERETO

WHEREAS, Beaufort County, South Carolina, a political subdivision of the State of South Carolina (the "***County***"), acting by and through its County Council (the "***County Council***"), is authorized and empowered under and pursuant to the provisions of Title 12, Chapter 44, Code of Laws of South Carolina 1976, as amended (the "***Act***") (i) to enter into agreements with qualifying industry to encourage investment and projects constituting economic development property to which the industrial development of the State of South Carolina will be promoted by inducing new and existing manufacturing and commercial enterprises to locate and remain in the State and thus utilize and employ manpower and other resources of the State; and (ii) to covenant with such industry to accept certain payments in lieu of *ad valorem* taxes ("***FILOT***") with respect to such investment; and

WHEREAS, a limited liability company (the "***Sponsor***"), Trask East Solar, LLC, is considering making an investment (the "***Project***"), on its own or together with one or more Sponsor Affiliates (as the Act defines such term) (each, a "***Sponsor Affiliate***") in order to produce and supply to the public electricity by conversion of solar energy at a site in Beaufort County, South Carolina; and

WHEREAS, the Project consists of an investment of not less than $19,500,000; and

WHEREAS, the Act requires that the County induce and identify the Project in order for the Project to qualify for benefits under the Act.

NOW, THEREFORE, BE IT RESOLVED by the County Council as follows:

Section 1. It is the intention of the County Council that this Resolution shall constitute an official action on the part of the County Council relating to the identification of the Project.

Section 2. The County Council hereby authorizes the County Administrator, County Attorney, and any designees and agents whom they deem necessary and proper to pursue negotiation of (i) FILOT benefits with the Sponsor and any Sponsor Affiliate, including the following parameters: a minimum investment level in the Project as detailed above in economic development property as defined in the Act within the Investment Period (as the Act defines such term), with an assessment ratio of 6% for the new investment and a fixed millage rate for the Project for the term of thirty (30) years, the terms of which shall be further set forth a fee-in-lieu of *ad valorem* taxes agreement between the County and the Sponsor (the "***Fee Agreement***") for the Project, and (ii) Special Source Revenue Credits in the amounts set forth in the Fee Agreement to be applied against those FILOT payments made by the Sponsor or applicable Sponsor Affiliate.

Section 3. This Resolution shall take effect and be in full force from and after its passage by the County Council.

[**REMAINDER OF PAGE INTENTIONALLY LEFT BLANK**]

Done in meeting duly assembled this _____ day of _________, 2020

BEAUFORT COUNTY, SOUTH CAROLINA

By:_______________________________________
Joe Passiment, Chairman
Beaufort County Council

(SEAL)
ATTEST:

____
Sarah W. Brock, Clerk to Council
Beaufort County Council

STATE OF SOUTH CAROLINA)
) ORDINANCE NO._____________
COUNTY OF BEAUFORT)

AUTHORIZING PURSUANT TO TITLE 12, CHAPTER 44 OF THE CODE OF LAWS OF SOUTH CAROLINA 1976, AS AMENDED, THE EXECUTION AND DELIVERY OF A FEE-IN-LIEU OF AD VALOREM TAXES AGREEMENT BY AND BETWEEN BEAUFORT COUNTY, SOUTH CAROLINA AND TRASK EAST SOLAR, LLC TO PROVIDE FOR FEE-IN-LIEU OF AD VALOREM TAXES INCENTIVES AND CERTAIN SPECIAL SOURCE REVENUE CREDITS; AND OTHER RELATED MATTERS

WHEREAS, Beaufort County, South Carolina, a political subdivision of the State of South Carolina (the "***County***"), acting by and through its County Council (the "***County Council***"), is authorized and empowered under and pursuant to the provisions of Title 12, Chapter 44, Code of Laws of South Carolina 1976, as amended (the "***Act***") (i) to enter into agreements with qualifying industry to encourage investment and projects constituting economic development property to which the industrial development of the State of South Carolina will be promoted by inducing new and existing manufacturing and commercial enterprises to locate and remain in the State and thus utilize and employ manpower and other resources of the State; and (ii) to covenant with such industry to accept certain payments in lieu of *ad valorem* taxes ("***FILOT***") with respect to such investment; and

WHEREAS, Trask East Solar, LLC (the "***Sponsor***"), in considering the establishment of a solar power facility on land in Beaufort County, South Carolina, which would result in the creation of jobs and other economic benefits to the County (the "***Project***"), provided that the Sponsor and the County reached an agreement on a FILOT package for the Project; and

WHEREAS, the County adopted an Inducement Resolution on **___________**, 2020, and has determined, pursuant to the Act, to finalize the FILOT incentive package for the Project with the Sponsor according to the terms and conditions of the fee in lieu of tax agreement (the "***Fee Agreement***") further described below; and

WHEREAS, the Sponsor has assured the County that a minimum investment of $19,500,000 in qualifying expenditures will be invested in the Project on or before December 31, 2025.

NOW, THEREFORE, BE IT ORDAINED, by the County Council, as follows:

Section 1. The County hereby finds (i) the Project is anticipated to benefit the general public welfare of the County by providing services, employment, recreation or other public benefits not otherwise adequately provided locally; (ii) the Project gives rise to no pecuniary liability of the County or incorporated municipality or a charge against its general credit or taxing power; (iii) the purposes to be accomplished by the Project are proper governmental and public purposes; and (iv) the benefits of the Project to the public are greater than the costs to the public.

Section 2. The form, terms, and provisions of the Fee Agreement presented to this meeting are hereby approved, and all of the terms, provisions, and conditions thereof are incorporated herein by reference as if the Fee Agreement were set out in this Ordinance in its entirety. The Chairman of the County Council and/or the County Administrator are authorized, empowered, and directed to execute, acknowledge, and deliver the Fee Agreement in the name of and on behalf of the County, and thereupon to cause the Fee Agreement to be delivered to the Company. The Fee Agreement is to be in substantially the form now before this meeting and hereby approved, with such changes therein as shall not be materially adverse to the County and as shall be approved by the officials of the County executing the same, upon the advice of Counsel to the County, such official's execution thereof to constitute conclusive evidence of such official's approval of any and all changes or revisions therein from the form of the Fee Agreement now before this meeting.

Section 3. The Chairman of the County Council and/or the County Administrator, for and on behalf of the County, are hereby authorized and directed to do any and all things necessary to effect the execution and delivery of the Fee Agreement and the performance of all obligations of the County under and pursuant to the Fee Agreement.

Section 4. All ordinances, resolutions and parts thereof in conflict herewith are, to the extent of such conflict, hereby repealed.

[**REMAINDER OF PAGE INTENTIONALLY LEFT BLANK**]

This Ordinance shall take effect and be in full force only after the County Council has approved it after three readings and a public hearing has been duly and timely held.

BEAUFORT COUNTY, SOUTH CAROLINA

By:______________________________________
Joe Passiment, Chairman
Beaufort County Council

(SEAL)
ATTEST:

____
Sarah W. Brock, Clerk to Council
Beaufort County Council

First Reading: ________________, 2020
Second Reading: ________________, 2020
Public Hearing: ________________, 2020
Third Reading: ________________, 2020

FEE-IN-LIEU OF *AD VALOREM* TAXES AGREEMENT

BETWEEN

TRASK EAST SOLAR, LLC, AS SPONSOR

AND

BEAUFORT COUNTY, SOUTH CAROLINA

DATED AS OF [MONTH, DATE], 2020

PREPARED BY:

K&L GATES LLP
134 MEETING STREET SUITE 500
CHARLESTON, SOUTH CAROLINA 29401
(843) 579-5600

TABLE OF CONTENTS

Page

ARTICLE V
MISCELLANEOUS

FEE-IN-LIEU OF *AD VALOREM* TAXES AGREEMENT

THIS FEE-IN-LIEU OF *AD VALOREM* TAXES AGREEMENT (this "***Fee Agreement***") is made and entered into as of [MONTH DATE], 2020, by and between Beaufort County, South Carolina (the "***County***"), a body politic and corporate and a political subdivision of the State of South Carolina (the "***State***"), acting by and through the Beaufort County Council (the "***County Council***") as the governing body of the County, and Trask East Solar, LLC (the "***Sponsor***"), a limited liability company duly organized and existing under the laws of the State of South Carolina.

WITNESSETH:

WHEREAS, the County is authorized and empowered under and pursuant to the provisions of Title 12, Chapter 44 (the "***Act***") of the Code of Laws of South Carolina 1976, as amended (the "***Code***") and Title 4, Chapter of the Code: (i) to enter into agreements with certain entities meeting the requirements of the Act to construct, operate, maintain, and improve certain industrial and commercial properties through which the economic development of the State of South Carolina will be promoted and trade developed by inducing corporate headquarters, manufacturing and commercial enterprises to locate and remain in the State of South Carolina and thus utilize and employ the manpower, agricultural products, and natural resources of the State; (ii) to covenant with such investors to accept certain payments in lieu of *ad valorem* taxes with respect to the project; and (iii) to maintain, create or expand, in conjunction with one or more other counties, a multi-county industrial park in order to afford certain enhanced income tax credits to such investors;

WHEREAS, the Sponsor proposes to develop, install or operate, as applicable solar power generating facilities located at a leased site situated at Tax Map Parcel Number R100-020-000-119A-0000 (the "***Land***") in Beaufort County, South Carolina (the "***Project"***);

WHEREAS, the Project will involve an investment which, but for this Fee Agreement, would have a value for *ad valorem* taxation purposes, of not less than $19,500,000 within the Investment Period ("***Project Commitment***"), meeting the minimum investment requirement under the Act;

WHEREAS, pursuant to the Act, the County has determined that (a) the Project (as defined herein) is anticipated to benefit the general public welfare of the County by providing services, employment, recreation, or other public benefit not otherwise adequately provided locally; (b) the Project gives rise to no pecuniary liability of the County or incorporated municipality and to no charge against its general credit or taxing power; (c) the purposes to be accomplished by the Project are proper governmental and public purposes; and (d) the benefits of the Project to the public are greater than the costs to the public;

WHEREAS, the County Council adopted an Inducement Resolution (Beaufort County Resolution No. [XXX]) on _______________, 2020, (the "***Resolution***"), wherein the County Council, as an inducement to the Sponsor to develop the Project, committed the County to enter into, and authorized the County Administrator, County Attorney and the Executive Director of the Beaufort County Economic Development Partnership to negotiate with the Sponsor the terms of, this Fee Agreement;

WHEREAS, the County Council adopted an ordinance on _______________, 2020, as an inducement to the Sponsor to develop the Project and at the Sponsor's request, the County Council authorized the County to enter into this Fee Agreement as a fee-in-lieu of ad valorem tax agreement with the Sponsor which identifies the property comprising the Project as Economic Development Property under the Act subject to the terms and conditions hereof;

WHEREAS, the Project constitutes Economic Development Property within the meaning of the Act; and

WHEREAS, for the purposes set forth above, the County has determined that it is in the best interests of the County to enter into this Fee Agreement with the Sponsor subject to the terms and conditions herein set forth.

NOW, THEREFORE, AND IN CONSIDERATION of the respective representations and agreements hereinafter contained, the parties hereto agree as follows, with the understanding that no obligation of the County described herein shall create a pecuniary liability or charge upon its general credit or taxing powers, but shall be payable solely out of the sources of payment described herein and shall not under any circumstances be deemed to constitute a general obligation to the County:

ARTICLE I
PROJECT OVERVIEW

Section 1.1. *Agreement to Waive Requirement of Recapitulation*. Pursuant to Section 12-44-55(B) of the Act, the County and the Sponsor agree to waive the requirement of including in this Fee Agreement the recapitulation information as set forth in Section 12-44-55(A) of the Act. If the Sponsor should be required to retroactively comply with the recapitulation requirements of Section 12-44-55 of the Act, then the County agrees, to the extent permitted by law, to waive all penalties of the County for the Sponsor's noncompliance that are within the County's control.

Section 1.2. *Rules of Construction; Defined Terms***.** In addition to the words and terms elsewhere defined in this Fee Agreement, the terms defined in this Article shall have the meaning herein specified, unless the context clearly requires otherwise. The definition of any document shall include any amendments to that document, unless the context clearly indicates otherwise.

"Act" shall mean Title 12, Chapter 44, Code of Laws of South Carolina, 1976, as amended, and all future acts supplemental thereto or amendatory thereof.

"Administrative Expenses" shall mean the reasonable and necessary expenses, including attorneys' fees, incurred by the County with respect to the Project and this Fee Agreement.

"Authorized Sponsor Representative" shall mean any person designated from time to time to act on behalf on the Sponsor as evidenced by a written certificate or certificates furnished to the County containing the specimen signature of each such person, signed on behalf of the Sponsor by its Manager, its President, one of its vice presidents, its general counsel, its secretary or any assistant secretary. Such certificates may designate an alternate or alternates, and may designate different Authorized Sponsor Representatives to act for the Sponsor with respect to different sections of this Fee Agreement.

"Chairman" shall mean the Chairman of the County Council of Beaufort County, South Carolina.

"Closing" or "Closing Date" shall mean the date of the execution and delivery hereof.

"Code" shall mean the South Carolina Code of Laws, 1976, as amended.

"Commencement Date" shall mean the last day of the property tax year during which Economic Development Property is first placed in service, except that this date must not be later than the last day of the property tax year which is three years from the year in which the County and the Sponsor execute this Fee Agreement.

"County" shall mean Beaufort County, South Carolina, a body politic and corporate and political subdivision of the State of South Carolina, its successors and assigns, acting by and through the Beaufort County Council as the governing body of the County.

"County Administrator" shall mean the person appointed by the County Council to act as county administrator of the County at any one time during the term of this Fee Agreement, or in the event that the form of government of the County changes from that which is in place at the time of the execution of this Fee Agreement, the person who is authorized to perform the managerial and/or administrative duties presently assigned to the County Administrator.

"County Council" shall mean the Beaufort County Council, the governing body of the County.

"Diminution of Value" in respect of any Phase of the Project shall mean any reduction in the value based on original fair market value as determined in Step 1 of Section 4.2 of this Fee Agreement, of the items which constitute a part of the Phase which may be caused by (i) the Sponsor's removal of equipment pursuant to Section 4.6 of this Fee Agreement, (ii) a casualty to the Phase of the Project, or any part thereof, described in Section 4.7 of this Fee Agreement or (iii) a condemnation to the Phase of the Project, or any part thereof, described in Section 4.8 of this Fee Agreement.

"Economic Development Property" shall mean all items of real and tangible personal property comprising the Project which are eligible for inclusion as economic development property under the Act, become subject to this Fee Agreement, and which are identified by the Sponsor in connection with its annual filing of a SCDOR PT-100, PT-300 or comparable form with the South Carolina Department of Revenue (as such filing may be amended from time to time) for each year within the Investment Period. Title to all Economic Development Property shall at all times remain vested in the Sponsor, except as may be necessary to take advantage of Section 12-44-160 of the Act.

"Equipment" shall mean all of the equipment and fixtures, together with any and all additions, accessions, replacements and substitutions thereto or therefor to the extent such equipment and fixtures become a part of the Project under this Fee Agreement.

"Event of Default" shall mean any Event of Default specified in Section 4.14 of this Fee Agreement.

"Fee Agreement" shall mean this Fee-In-Lieu of Ad Valorem Taxes Agreement.

"Fee Term" or "Term" shall mean the period from the date of delivery of this Fee Agreement until the last Phase Termination Date unless sooner terminated or extended pursuant to the terms of this Fee Agreement.

"FILOT" shall mean the fee-in-lieu of taxes, which the Sponsor is obligated to pay to the County pursuant to Section 4.2 hereof.

"FILOT Payments" shall mean the payments to be made by the Sponsor pursuant to Section 4.2 hereof.

"FILOT Revenues" shall mean the revenues received by the County from the Sponsor's payment of the FILOT.

"Force Majeure" shall mean any event of Force Majeure as defined in Section 5.10 of this Fee Agreement.

"Investment Period" shall mean the period commencing in 2020 and ending on the last day of the fifth property tax year following the earlier of the property tax year in which Economic Development Property is placed in service or the property tax year in which this Fee Agreement is executed; provided a later date may be agreed to by the Sponsor and County pursuant to Section 12-44-30(13) of the Act.

"Land" shall mean the real estate upon which the Project is to be located, as described on Exhibit A attached hereto, as Exhibit A may be supplemented from time to time in accordance with the provisions hereof.

"Multi-County Park" shall mean a multi-county industrial/business park established pursuant to a qualifying agreement with an adjacent county pursuant to the Multi-County Park Act (the "Multi County Park Agreement").

"Multi-County Park Act" shall mean Title 4, Chapter 1 of the Code, as amended through the date hereof.

"Negotiated FILOT Payments" shall mean the FILOT payments due pursuant to Section 4.2 hereof with respect to that portion of the Project consisting of Economic Development Property.

"Net FILOT Payment" shall mean total annual payments of $49,194 for the first through thirtieth payments due under this Fee Agreement and any subsequent year of this Fee Agreement, for those years for which a FILOT is due. It is anticipated that the first Net FILOT Payment due hereunder shall be the payment for property tax year 2021, due and payable to the County on or before January 15, 2022. Provided, the Net FILOT Payments shall be increased in any year in which the total capital investment in the Project as reflected on the applicable PT-300 filings (or successor forms) exceeds the Project Commitment, in proportion to the excess (provided that such filings must accurately reflect all capital investment in the County within the Investment Period). For example, and by way of example only, if the total capital investment in the Project as of the last day of the 2022 tax year is 125% of the Project Commitment, then the Net FILOT Payment for such year shall be increased by 25%.

"Non-Qualifying Property" shall mean that portion of the Project consisting of: (i) property as to which the Sponsor incurred expenditures prior to the Investment Period or, except as to Replacement Property, after the end of the Investment Period; (ii) Existing Property; and (iii) any released property or other property which fails or ceases to qualify for FILOT Payments, including without limitation property as to which the Sponsor has terminated the FILOT pursuant to Section 4.19(a) hereof. The Sponsor agrees that the real estate improvements on the Real Property as of the date of this Fee Agreement shall constitute Non-Qualifying Property for purposes of this Fee Agreement.

"Phase" or "Phases" in respect of the Project shall mean the Building and Equipment placed in service during each year of the Investment Period.

"Phase Termination Date" shall mean with respect to each Phase of the Project the day thirty (30) years after each such Phase of the Project becomes subject to the terms of this Fee Agreement with an option to extend the term for a further ten (10) years in accordance with the Act. Anything contained herein to the contrary notwithstanding, the last Phase Termination Date shall be no later than the later of: (a) December

31, 2055, unless an extension of time in which to complete the Project is granted by the County pursuant to Section 12-44-30(13) of the Act or (b) December 31 of the year of the expiration of the maximum period of years that the annual fee payment is available to the Sponsor under Section 12-44-30(20) of the Act, as amended.

"Power Purchase Agreement" shall mean any agreement applicable to the Project whereby any third party contracts to purchase electricity generated by the Project for any term.

"Project" shall mean the Structure and the Equipment, together with the acquisition and installation thereof as acquired, in Phases.

"Project Commitment" shall have the meaning set forth in the recitals to this Fee Agreement.

"Qualifying Infrastructure Costs" shall have the meaning set forth in Section 4.1 of this Fee Agreement.

"Real Property" shall mean the Land identified on Exhibit A, together with all and singular rights, members, hereditaments and appurtenances belonging or in any way incident or appertaining thereto to the extent such become a part of the Project under this Fee Agreement, all improvements now or hereafter situated thereon and all fixtures now or hereafter attached thereto, to the extent such improvements and fixtures become part of the Project under this Fee Agreement.

"Replacement Property" shall mean any property which is placed in service as a replacement for any item of Equipment which is scrapped or sold by the Sponsor and treated as a Removed Component under Section 4.6 hereof regardless of whether such property serves the same function as the property it is replacing and regardless of whether more than one piece of property replaces any item of Equipment, but only to the extent that such property may be included in the calculation of the FILOT pursuant to Section 4.2 hereof and Section 12-44-60 of the Code.

"Special Source Revenue Credit" shall mean the Special Source Revenue Credit ("SSRC") described in Section 4.1 hereof.

"Sponsor" shall mean Trask East Solar, LLC, a South Carolina limited liability company duly qualified to transact business in the State of South Carolina and any surviving, resulting, or transferee entity in any merger, consolidation, or transfer of assets; or any assignee hereunder which is designated by the Sponsor and approved or ratified by the County.

"Structure" shall mean the structures and other improvements to be constructed or installed upon the Real Property as part of the implementation of the Project.

Any reference to any agreement or document in this Article I or otherwise in this Fee Agreement shall be deemed to include any and all amendments, supplements, addenda, and modifications to such agreement or document.

ARTICLE II
REPRESENTATIONS AND WARRANTIES

Section 2.1. ***Representations of the County.*** The County hereby represents and warrants to the Sponsor as follows:

(a) The County is a body politic and corporate and a political subdivision of the State which acts through the County Council as its governing body and by the provisions of the Act is authorized and empowered to enter into the transactions contemplated by this Fee Agreement and to carry out its obligations hereunder. The County has duly authorized the execution and delivery of this Fee Agreement and any and all other agreements described herein or therein.

(b) The County, based on representations of the Sponsor, has determined that the Project will serve the purposes of the Act, and has made all other findings of fact required by the Act in order to designate the Project as Economic Development Property.

(c) The Project constitutes a "project" within the meaning of the Act.

(d) By proper action of the County Council, the County has duly authorized the execution and delivery of this Fee Agreement and any and all actions necessary and appropriate to consummate the transactions contemplated hereby.

(e) This Fee Agreement has been duly executed and delivered on behalf of the County.

(f) The County agrees to use its best faith efforts to cause the Land to be located within a Multi-County Park, and the County will diligently take all reasonable acts to ensure that the Project will continuously be included with the boundaries of a Multi-County Park in order that the maximum tax benefits afforded by the laws of the State of South Carolina for projects in the County located within multi-county industrial parks will be available to the Sponsor.

(g) No actions, suits, proceedings, inquiries, or investigations known to the undersigned representatives of the County are pending or threatened against or affecting the County in any court or before any governmental authority or arbitration board or tribunal, which could materially adversely affect the transactions contemplated by this Fee Agreement or which could, in any way, adversely affect the validity or enforceability of this Fee Agreement.

Section 2.2. ***Representations of the Sponsor***. The Sponsor hereby represents and warrants to the County as follows:

(a) The Sponsor is duly organized and in good standing under the laws of the State of South Carolina, has power to enter into this Fee Agreement, and by proper company action has duly authorized the execution and delivery of this Fee Agreement.

(b) The Sponsor's execution and delivery of this Fee Agreement and its compliance with the provisions hereof will not result in a default, not waived or cured, under any company restriction or any agreement or instrument to which the Sponsor is now a party or by which it is bound.

(c) The Sponsor intends to operate the Project as a "project" within the meaning of the Act as in effect on the date hereof. The Sponsor intends to develop, install or operate, as applicable solar power generating facilities, to conduct other legal activities and functions with respect thereto, and for such other purposes permitted under the Act as the Sponsor may deem appropriate.

(d) The availability of the payment in lieu of taxes with regard to the Economic Development Property authorized by the Act has induced the Sponsor to undertake the Project in the County.

(e) The Sponsor plans and commits to achieve its Project Commitment by the end of the Investment Period.

(f) The income tax year of the Sponsor, and accordingly the property tax year, for federal income tax purposes, ends on December 31.

(g) The Sponsor and the Project shall comply with the County's Development Standards Ordinance as applicable to solar energy systems at the time Sponsor has submitted or caused to be submitted an application for any required zoning permits, as well as the decommissioning requirement that appears in the County's Development Standards Ordinance as of the date of this Fee Agreement.[1]

(h) The Sponsor commits that it will not place a conservation easement or other development restrictions on the Project property.

(i) The Sponsor shall comply in all material respects with the Development Agreement entered into by and between the Sponsor and the County dated ________________, 2020.

ARTICLE III
COMMENCEMENT AND COMPLETION OF THE PROJECT

Section 3.1. *The Project.* The Sponsor has acquired and/or installed since the Commencement Date or made plans for the acquisition and/or installation of certain Equipment on the Land which comprises the Project.

Pursuant to the Act, the Sponsor and the County hereby agree that the property comprising the Project shall be Economic Development Property as defined under the Act.

Section 3.2. *Diligent Completion*. The Sponsor agrees to use its reasonable efforts to cause the acquisition, construction and installation of the Project to be completed as soon as practicable.

ARTICLE IV
PAYMENTS IN LIEU OF TAXES

Section 4.1. *Special Source Revenue Credit.* The County hereby grants to the Sponsor, subject to the provisions herein, and the Sponsor hereby accepts from the County, a SSRC, in reimbursement of investment in Qualifying Infrastructure Costs as described below, to be applied to its annual fee-in-lieu of taxes liability equal to an amount equal to the FILOT Payments due under this Fee Agreement, to be calculated as set forth in Section 4.2 (but excluding any FILOT Payments due under Section 4.1(d) or Section 4.2(d) hereof), minus the Net FILOT Payment. Additionally, the County hereby grants to the

---

[1] The Development Standards Ordinance as of the date of this Fee Agreement requires that a solar energy project:

"Submit and maintain an updated facility decommission plan. The latest facility decommission plan shall be recorded in the county's clerk of courts office.

An applicant must include a decommissioning plan that describes the anticipated life of the solar energy system. Following a continuous six (6) month period in which no electricity is generated, the permit holder will have six (6) months to complete decommissioning of the solar energy system. Decommissioning includes removal of solar panels, buildings, cabling, electrical components and any other associated facilities below grade as described in the decommissioning plan. No later than thirty (30) days following the sixth (6th) anniversary of the operation date of the solar energy system, the owner of the solar energy system must provide Beaufort County with a $50,000 surety or performance bond to be maintained by the solar energy system owner or subsequent owner(s) until the solar energy system is decommissioned. Prior to the issuance of any electrical permit, the owner of the solar energy system must submit a notarized affidavit acknowledging the above decommissioning obligations. Decommissioning Plan must be passed by conveyance to successive owner(s)."

Sponsor, and the Sponsor hereby accepts from the county an additional SSRC to be applied to its annual fee-in-lieu of taxes liability equal to an amount equal to any County business license fees in excess of $7,500 per year.

(a) The SSRC shall be effective starting with the first Net FILOT Payment due hereunder and shall remain effective for the entire Fee Term. For purposes of this Fee Agreement, "Qualifying Infrastructure Costs" shall include but not be limited to, the cost of designing, acquiring, constructing, improving, or expanding the infrastructure serving the Project and for improved or unimproved real estate and machinery and equipment in connection with the Project, and any other expenditures authorized by Section 4-29-68 of the Code.

(b) In order to receive the SSRC on the Non-Qualifying Property, the Sponsor agrees to waive the tax exemptions that otherwise may be applicable if the Non-Qualifying Property were subject to ad valorem taxes, including the exemptions allowed pursuant to Section 3(g) of Article X of the Constitution of the State of South Carolina, and the exemptions allowed pursuant to Sections 12-37-220(B)(32) and (34) of the Code.

(c) If for any reason the FILOT Payment to be made with respect to any year is less than the Net FILOT Payment, thus resulting in an SSRC that is a negative number, and if a court of competent jurisdiction holds or determines that a negative SSRC is not permitted under the Park Act, the Company shall not be entitled to receive the SSRC with respect to such year and shall make an additional payment to the County that is equal to the difference between the Net FILOT Payment and the FILOT Payment of that given year (excluding any FILOT Payments due under Section 4.1(d) or Section 4.2(d) hereof, which shall also be due). Any payment made under the foregoing sentence shall be due at the time the corresponding FILOT Payment is due, shall be treated as a FILOT Payment under this Fee Agreement and shall be subject to statutory interest if not paid when due pursuant to Section 12-54-25, Code of Law of South Carolina 1976, as amended, as allowed under the FILOT Act.

(d) In the event (i) the Sponsor willfully terminates this Fee Agreement for any reason except in the event of a Force Majeure as defined in section 5.10 herein, (ii) the County terminates this Fee Agreement due to a default hereunder by the Sponsor, subject to cure rights, or (iii) the Sponsor fails to make the Project Commitment by the end of the Investment Period, then, upon demand by the County in writing, the Sponsor shall pay to the County the difference between the total FILOT Payments actually paid during the term of the Fee Agreement and the amount which would have been due had the property been subject to FILOT Payments determined under Section 4.2 (Steps 1-3 only) less a SSRC of sixty-five percent (65%) for each year in which a FILOT Payment was to be made with statutory interest on such amount calculated pursuant to Section 12-54-25 of the Code of Laws of South Carolina 1976, as amended. Payments made under Section 4.1(e) of this Fee Agreement shall be considered as having been made for purposes of applying this Section 4.1(d), whether that results in a positive or negative increase to the payment due under this Section 4.1(d). In the event that Section 4.1(d)(iii) is triggered but the Fee Agreement remains in effect, all future FILOT Payments due hereunder shall be calculated in accordance with Section 4.2 (Steps 1-3 only) less a SSRC of sixty-five percent (65%), in lieu of the SSRC described in the first paragraph of this Section 4.1.

(e) The Sponsor shall make Net FILOT Payments for each year in which a Power Purchase Agreement is in place. The Sponsor recognizes that the County offered the incentives described herein in reliance on the understanding that the initial Power Purchase Agreement applicable to the Project has a term of no less than 15 years. In the event of a termination of this Fee Agreement during the term of an applicable Power Purchase Agreement, the Sponsor shall be responsible for the remainder of such payments, which shall be due and payable within ninety (90) days of termination of this Fee Agreement.

Section 4.2. ***Negotiated FILOT Payments*.**

(a) Pursuant to Section 12-44-50 of the Act, the Sponsor is required to make payments in lieu of *ad valorem* taxes to the County with respect to the Project. Inasmuch as the Sponsor anticipates the Project will involve an initial investment of sufficient sums to qualify to enter into a fee in lieu of tax arrangement under Section 12-44-50(A)(1) of the Act, the County and the Sponsor have negotiated the amount of the payments in lieu of taxes in accordance therewith. In accordance therewith, the Sponsor shall make payments in lieu of *ad valorem* taxes on all the Equipment, Structures and Real Property which collectively comprise the Project and are placed in service, as follows: the Sponsor shall make payments in lieu of *ad valorem* taxes with respect to each Phase of the Project placed in service on or before each December 31 through December 31, 2023, said payments to be made annually and to be due and payable and subject to penalty assessments on the same dates and in the same manner as prescribed by the County for *ad valorem* taxes, less the SSRC. The amount of such equal annual payments in lieu of taxes shall be determined by the following procedure (subject, in any event, to the required procedures under the Act and to Section 4.4 hereof):

Step 1: Determine the fair market value of the improvements to the Real Property and Equipment in the Phase of the Project placed in service in any given year for such year and for the following 29 years using the original income tax basis for State income tax purposes less depreciation for each year allowable to the Sponsor for any Equipment as determined in accordance with Title 12 of the Code, as amended and in effect on December 31 of the year in which each Phase becomes subject to the Fee Agreement, except that no extraordinary obsolescence shall be allowable but taking into account all applicable property tax exemptions which would be allowed to the Sponsor under State law, if the property were taxable, except those exemptions specifically disallowed under Section 12-44-50(A)(2) of the Act, as amended and in effect on December 31 of the year in which each Phase becomes subject to the Fee Agreement. The County and Sponsor also agree pursuant to Section 12-44-50(A)(1) of the Act that the value of the Real Property included in any Phase of the Project shall be its fair market value as determined by appraisal but the fair market value of the Real Property shall be subject to reappraisal by the South Carolina Department of Revenue not more than once every five (5) years.

Step 2: Apply an assessment ratio of 6% to the fair market value as determined for each year in Step 1 to establish the taxable value of each Phase of the Project in the year it is placed in service and in each of the twenty-nine (29) years thereafter or such longer period of years that the annual fee payment is permitted to be made by the Sponsor under the Act, as amended.

Step 3: Use a millage rate of 273.06 mils, which is the combined millage rate applicable to the Project on June 30, 2019, to determine the amount of the payments in lieu of taxes which would be due in each year of the Fee Term on the payment dates prescribed by the County for such payments or such longer period of years that the annual fee payment is permitted to be made by the Sponsor under the Act, as amended.

Step 4: Increase or decrease the calculated amounts determined in the previous Steps as described in Section 4.1 herein. The increase or decrease under Section 4.1 shall be shown on the bill sent by the County to the Sponsor, or paid by a check from the County Treasurer.

In the event that it is determined by a final order of a court of competent jurisdiction or by agreement of the parties that the payment in lieu of taxes applicable to this transaction is to be calculated differently than described above, the payment shall be reset at the permitted level so determined.

In the event that the Act and/or the above-described payments in lieu of taxes are declared invalid or unenforceable, in whole or in part, for any reason, the parties express their intentions that such payments and this Fee Agreement be reformed so as to most closely effectuate the legal, valid, and enforceable intent thereof and so as to afford the Sponsor with the benefits to be derived hereof, it being the intention of the County to offer the Sponsor an inducement to locate the Project in the County. If the Project is deemed to be subject to *ad valorem* taxation, the payment in lieu of *ad valorem* taxes to be paid to the County by the Sponsor shall become equal to the amount which would result from taxes levied on the Project by the County, municipality or municipalities, school district or school districts, and other political units as if the Project was not and had not been Economic Development Property under the Act. In such event, any amount determined to be due and owing to the County from the Sponsor with respect to a year or years for which payments in lieu of *ad valorem* taxes have been previously remitted by the Sponsor to the County hereunder, shall be reduced by the total amount of payments in lieu of *ad valorem* taxes made by the Sponsor with respect to the Project pursuant to the terms hereof.

(b) The Sponsor agree to waive the benefits of any future legislative enactment that reduces property taxes available to solar farm property. If Sponsor claims any such benefits in addition to the benefits provided in this Fee Agreement, such action shall constitute an early termination of this Fee Agreement by Sponsor.

(c) In the event the Sponsor has not invested at least $19,500,000.00 by the end of the Investment Period, the Sponsor shall owe the County retroactively the difference between *ad valorem* property taxes on the Real Property and the Equipment subject to payments in lieu of taxes under this Fee Agreement computed as if this Fee Agreement had not been in effect for such retroactive period and the payments in lieu of taxes required to be made under this Fee Agreement for that retroactive period, taking into account exemptions and/or abatements from property taxes that would have been available to the Sponsor, including but not limited to any exemption and/or abatement provided pursuant to Section 12-37-220(A)(7) of the Code (hereinafter "***Retroactive Tax Payment"***).

Section 4.3. ***Payments in Lieu of Taxes on Replacement Property.*** If the Sponsor elects to replace any Removed Components (as defined below) and to substitute such Removed Components with Replacement Property as a part of the Project, then, pursuant and subject to Section 12-44-60 of the Act, the Sponsor shall make statutory payments in lieu of *ad valorem* taxes with regard to such Replacement Property as follows (subject in all events to the applicable provisions of the Act):

(a) to the extent that the income tax basis of the Replacement Property (the "***Replacement Value***") is less than or equal to the original income tax basis of the Removed Components (the "***Original Value***") the amount of the payments in lieu of taxes to be made by the Sponsor with respect to such Replacement Property shall be calculated in accordance with Section 4.2 hereof; provided, however, in making such calculations, the original cost to be used in Step 1 of Section 4.2 shall be equal to the lesser of (x) the Replacement Value and (y) the Original Value, and the number of annual payments to be made with respect to the Replacement Property shall be equal to thirty (30) (or, if greater, the maximum number of years for which the annual fee payments are available to the Sponsor for each portion of the Project under the Act, as amended) minus the number of annual payments which have been made with respect to the oldest Removed Components disposed of in the same property tax year as the Replacement Property is placed in service; and

(b) to the extent that the Replacement Value exceeds the Original Value of the Removed Components (the "Excess Value"), the payments in lieu of taxes to be made by the Sponsor with respect to the Excess

Value shall be equal to the payment that would be due if the property were not Economic Development Property.

Section 4.4. ***Reductions in Payments in Lieu of Taxes Upon Removal, Condemnation or Casualty.*** In the event of a Diminution in Value of any Phase of the Project, the payment in lieu of taxes with regard to that Phase of the Project shall be reduced in the same proportion as the amount of such Diminution in Value bears to the original fair market value of that Phase of the Project as determined pursuant to Step 1 of Section 4.2 hereof.

Section 4.5. ***Place and Allocation of Payments in Lieu of Taxes.*** The Sponsor shall make the above-described payments in lieu of taxes directly to the County in accordance with applicable law.

Section 4.6. ***Removal of Equipment.*** The Sponsor shall be entitled to remove the following types of components or Phases of the Project from the Project with the result that said components or Phases (the "***Removed Components***") shall no longer be considered a part of the Project and shall no longer be subject to the terms of this Fee Agreement: (a) components or Phases which become subject to statutory payments in lieu of *ad valorem* taxes; (b) components or Phases of the Project or portions thereof which the Sponsor, in its sole discretion, determines to be inadequate, obsolete, uneconomic, worn-out, damaged, unsuitable, undesirable or unnecessary; or (c) components or Phases of the Project or portions thereof which the Sponsor, in its sole discretion, elect to remove pursuant to Section 4.7(c) or Section 4.8(b)(iii) hereof.

Section 4.7. ***Damage or Destruction of Project.***

(a) *Election to Terminate*. Subject to Section 4.1(d) hereof, in the event the Project is damaged by fire, explosion, or any other casualty, the Sponsor shall be entitled to terminate this Fee Agreement; provided, however, that (i) if there has been only partial damage of the Project due to any of such casualties and the Sponsor elects to terminate this Fee Agreement, and (ii) the Sponsor has not invested at least $19,500,000.00 in the Project at the time of such termination, the Sponsor shall owe the County the Retroactive Tax Payment, but to the extent permitted by law if the Sponsor has invested at least $19,500,000.00 in the Project within the time period required under the Act, it shall owe no Retroactive Tax Payment.

(b) *Election to Rebuild.* In the event the Project is damaged by fire, explosion, or any other casualty, and if the Sponsor does not elect to terminate this Fee Agreement, the Sponsor may in their sole discretion commence to restore the Project with such reductions or enlargements in the scope of the Project, changes, alterations and modifications (including the substitution and addition of other property) as may be desired by the Sponsor. All such restorations and replacements shall be considered, to the extent permitted by law, substitutions of the destroyed portions of the Project and shall be considered part of the Project for all purposes hereof, including, but not limited to any amounts due by the Sponsor to the County under Section 4.2 hereof.

(c) *Election to Remove*. In the event the Sponsor elects not to terminate this Fee Agreement pursuant to subsection (a) and elect not to rebuild pursuant to subsection (b), the damaged portions of the Project shall be treated as Removed Components.

Section 4.8. ***Condemnation.***

(a) *Complete Taking*. If at any time during the Fee Term title to or temporary use of the entire Project should become vested in a public or quasi-public authority by virtue of the exercise of a taking by condemnation, inverse condemnation or the right of eminent domain, or by voluntary transfer under threat of such taking, or in the event that title to a portion of the Project shall be taken rendering continued occupancy of the Project commercially infeasible in the judgment of the Sponsor, the Sponsor shall have the option to terminate this Fee Agreement as of the time of vesting of title by sending written notice to the County within a reasonable period of time following such vesting.

(b) *Partial Taking.* In the event of a partial taking of a significant portion of the Project or transfer in lieu thereof, the Sponsor may elect: (i) to terminate this Fee Agreement; provided, however, that if the Sponsor has not invested at least $19,500,000.00 in the Project at the time of such termination, the Sponsor shall owe the County the Retroactive Tax Payment, but to the extent permitted by law if the Sponsor has invested at least $19,500,000.00 in the Project within the time period required under the Act, it shall owe no Retroactive Tax Payment; (ii) to repair and restore the Project, with such reductions or enlargements in the scope of the Project, changes, alterations and modifications (including the substitution and addition of other property) as may be desired by the Sponsor; or (iii) to treat the portions of the Project so taken as Removed Components.

Section 4.9. ***Merger of Sponsor with Related Party.*** The County agrees that, without again obtaining the approval of the County (to the extent permitted by the Act), the Sponsor may merge with or be acquired by a related party so long as the surviving company has an equal or greater net asset value of the Sponsor.

Section 4.10. ***Indemnification Covenants.*** (a) The Sponsor shall and agrees to indemnify and save the County, its agents, officers, or employees harmless against and from all claims by or on behalf of any person, firm or corporation arising from the conduct or management of, or from any work or thing done on, the Project during the Fee Term, and the Sponsor further, shall indemnify and save the County harmless against and from all claims arising during the term of the Fee Agreement from (i) any condition of the Project, (ii) any breach or default on the part of the Sponsor in the performance of any of its obligations under this Fee Agreement, (iii) any act of negligence of the Sponsor or any of its agents, servants, or employees on or with respect to the Project, (iv) any act of negligence of any assignee or sublessee of the Sponsor with respect to the Project, or of any agents, servants, or employees of any assignee or sublessee of the Sponsor with respect to the Project, or (v) any environmental violation, condition, or effect with respect to the Project. The Sponsor shall indemnify and save the County, its agents, officers, or employees harmless from and against all costs and expenses incurred in or in connection with any such claim arising as aforesaid in connection with the Project or in connection with any action or proceeding brought thereon, and upon notice from the County, the Sponsor shall defend them or either of them in any such action, prosecution or proceeding.

(b) Notwithstanding the fact that it is the intention of the parties that the County, its agents, officers, or employees, shall not incur pecuniary liability by reason of the terms of this Fee Agreement, or the undertakings required of the County hereunder, or by reason of the performance of any act requested of it by the Sponsor, including all claims, liabilities or losses arising in connection with the violation of any statutes or regulations pertaining to the foregoing, nevertheless, if the County, its agents, officers or employers should incur any such pecuniary liability, then in such event the Sponsor shall indemnify and hold them harmless against all claims by or on behalf of any person, firm or corporation, arising out of the same, and all costs and expenses incurred in connection with any such claim or in connection with any action or proceeding brought thereon, and upon notice, the Sponsor shall defend them in any such action or proceeding.

These indemnification covenants shall be considered included in and incorporated by reference in subsequent documents after the Closing which the County is requested to sign, and any other indemnification covenants in any subsequent documents shall not be construed to reduce or limit the above indemnification covenants.

Section 4.11. ***Confidentiality/Limitation on Access to Project.*** The County acknowledges and understands that the Sponsor utilizes confidential and proprietary "state-of-the-art" trade equipment and techniques and that a disclosure of any information relating to such equipment or techniques, including but not limited to disclosures of financial or other information concerning the Sponsor's operations would result in substantial harm to the Sponsor and could thereby have a significant detrimental impact on the Sponsor's employees and also upon the County. Therefore, subject to the provisions of Section 4.12 hereof, the County agrees that, except as required by law and pursuant to the County's police powers and except as deemed reasonably necessary by the County in the performance of its duties as tax assessor and collector, and/or its duties as Auditor, neither the County nor any employee, agent or contractor of the County: (i) shall request or be entitled to receive any such confidential or proprietary information; (ii) shall disclose or otherwise divulge any such confidential or proprietary information to any other person, firm, governmental body or agency, or any other entity unless specifically required to do so by State law. Prior to disclosing any confidential or proprietary information or allowing inspections of the Project or any property associated therewith, the Sponsor may require the execution of reasonable, individual, confidentiality and non-disclosure agreements by any officers, employees or agents of the County or any supporting or cooperating governmental agencies who would gather, receive or review such information or conduct or review the results of any inspections.

Section 4.12. ***Records and Reports***. The Sponsor agrees to maintain or cause to be maintained and will make available to the County for inspection upon request of the County such books and records with respect to the Project as will permit the identification of the Equipment placed in service in each property tax year during the Investment Period, the amount of investment with respect thereto, and its computations of all payments in lieu of taxes made hereunder and to comply with all reporting requirements of the State of South Carolina and the County applicable to property subject to payments in lieu of taxes under the Act, including without limitation the reports required by Section 12-44-90 of the Act (collectively, "***Filings***").

Notwithstanding any other provision of this Section 4.12, the Sponsor may designate with respect to any Filings delivered to the County segments thereof that the Sponsor believes contain proprietary, confidential, or trade secret matters. The County shall conform, to the extent permitted by law, with all reasonable, written requests made by the Sponsor with respect to maintaining confidentiality of such designated segments.

The Sponsor shall make all required annual property tax/FILOT filings on the required PT-300 (or successor) form with the South Carolina Department of Revenue and shall cause copies of all such filings to be made with the County Auditor, Assessor, and Treasurer as required by Section 12-44-90 of the Act. Such filings shall be made on or before the due date for filing with the South Carolina Department of Revenue.

Section 4.13. ***Payment of Administrative Expenses***. The Sponsor will reimburse the County from time to time for its Administrative Expenses promptly upon written request therefor, but in no event later than 60 days after receiving written notice from the County specifying the nature of such expense and requesting the payment of the same.

Section 4.14. ***Collection and Enforcement Rights of County***. The parties acknowledge that the County's right to receive all payments hereunder shall be the same as its rights conferred under Title 12 of the Code relating to the collection and enforcement of *ad valorem* property taxes and, for purposes of this application, all payments due hereunder shall be considered a property tax. Prior to the due date of the first FILOT Payment hereunder, the Sponsor shall provide an irrevocable surety or performance bond or irrevocable letter of credit to secure the performance of its obligations hereunder, including but not limited to any payment obligations that may arise pursuant to Sections 4.1(d), 4.1(e), and 4.19. Coverage under such surety or performance bond or irrevocable letter of credit shall be in at least the amounts set forth in Exhibit B. The surety or performance bond or irrevocable letter of credit shall be for the benefit of the County, and the issuer as well as the form and substance thereof must be agreeable to the County, as determined by the County Administrator, provided that consent may not be unreasonably withheld, conditioned, or delayed.

Section 4.15. ***Assignment and Subletting.*** This Fee Agreement may be assigned, in whole or in part and the Project may be subleased as a whole or in part by the Sponsor so long as such assignment or sublease is made in compliance with Section 12-44-120 of the Act; provided, however, that in connection with any assignment or total subleasing by the Sponsor in which the Sponsor requests the release of the Sponsor from this Fee Agreement, the consent of the County shall be required, which consent shall not be unreasonably withheld. The County hereby consents to transfers not requiring its consent, and to the extent any required or further consent is requested, the County may do so by passage of a Resolution.

Section 4.16. ***County's Estoppel Certificates for Sponsor's Financing Transactions***. The County agrees to deliver, and hereby authorizes the County Administrator to execute and deliver on behalf of the County without further action required on the part of the County Council, all at the expense of the Sponsor, respectively, any estoppel certificates, acknowledgements or other documents certifying the full force and effect of this Fee Agreement and the absence of any default hereunder and acknowledging the continuing validity of this Fee Agreement after its transfer required in any financing related transfers authorized by Section 12-44-120 of the Act, as may be reasonably requested by the Sponsor or any lender of the Sponsor from time to time in connection with any financing arrangement or financing related transfers made by the Sponsor as contemplated under Section 12-44-120 of the Act.

Section 4.17. ***Sponsor's Continuing Obligations After Termination by Sponsor***. In the event the Sponsor terminates this Fee Agreement, the Sponsor shall continue to be obligated to the County for its indemnification covenants under Section 4.10, the payment of outstanding Administrative Expenses under Section 4.13, and any outstanding payments in lieu of taxes under Article IV or retroactive payments required under this Fee Agreement or the Act, and all other payments due hereunder.

Section 4.18. ***Events of Default.*** The following shall be "***Events of Default***" under this Fee Agreement, and the term "***Events of Default***" shall mean, whenever used with reference to this Fee Agreement, any one or more of the following occurrences:

(a) Failure by the Sponsor to make, upon levy, the payments in lieu of taxes described in Section 4.2 hereof; provided, however, that the Sponsor shall be entitled to all redemption rights granted by applicable statutes; or

(b) Failure by the Sponsor to perform any of the other material terms, conditions, obligations or covenants of the Sponsor hereunder, which failure shall continue for a period of sixty (60) days after written notice from the County to the Sponsor specifying such failure and requesting that it be remedied, unless the County shall agree in writing to an extension of such time prior to its expiration.

Section 4.19. ***Remedies on Default.*** Whenever any Event of Default shall have occurred and shall be continuing, the County, after having given written notice to the Sponsor of such default and after the expiration of a thirty (30) cure period the County shall grant to the Sponsor (which cure period shall not be applicable in the case of failure to make the payments in lieu of taxes due under this Fee Agreement), may take any one or more of the following remedial actions:

(a) Terminate the Fee Agreement; or

(b) Take whatever action at law or in equity may appear necessary or desirable to collect the other amounts due and thereafter to become due or to enforce performance and observance of any obligation, agreement or covenant of the Sponsor under this Fee Agreement; or

(c) In the event of an Event of Default hereunder, if the Sponsor has not caused all solar panels on the Land to be removed within one hundred eighty (180) days, the County and its authorized employees, agents, and third party contractors shall have the right to enter upon the Land engage in a removal of all remaining solar panels from the Land.

Section 4.20. ***Remedies Not Exclusive.*** No remedy conferred upon or reserved to the County under this Fee Agreement is intended to be exclusive of any other available remedy or remedies, but each and every remedy shall be cumulative and shall be in addition to every other lawful remedy now or hereafter existing. No delay or omission to exercise any right or power accruing upon any continuing default hereunder shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the County to exercise any remedy reserved to it, it shall not be necessary to give notice, other than such notice as may be herein expressly required and such notice required at law or equity which the Sponsor is not competent to waive.

Section 4.21. ***Decommission Costs*****.** Within six months of the first date upon which the Project produces electricity, Sponsor shall procure and deliver to the County a surety or performance bond or irrevocable letter of credit in the amount of $50,000 or 125% of the estimated decommission costs associated with the Project, whichever is greater. The estimated decommissioning costs shall be determined by an engineer licensed to practice in South Carolina.

ARTICLE V
MISCELLANEOUS

Section 5.1. ***Notices.*** Any notice, election, demand, request or other communication to be provided under this Fee Agreement shall be effective when delivered to the party named below or when deposited with the United States Postal Service, certified mail, return receipt requested, postage prepaid, addressed as follows (or addressed to such other address as any party shall have previously furnished in writing to the other party), except where the terms hereof require receipt rather than sending of any notice, in which case such provision shall control:

AS TO THE COUNTY: Beaufort County, South Carolina
Attn: County Administrator
100 Ribaut Road
Beaufort, SC 29901
FAX: (843) 255-9403

WITH COPIES TO: William R. Johnson
Haynsworth Sinkler Boyd, P.A.
1201 Main Street, Suite 2200
Columbia, SC 29201
FAX: (803) 765-1243

AS TO THE SPONSOR: Trask East Solar, LLC
c/o Southern Current, LLC
1634 Ashley River Road
Charleston, South Carolina 29407
ATTENTION: Greg S. K. Ness, General Counsel
(843) 277-2090

WITH COPIES TO: W. Ford Graham
K&L Gates LLP
134 Meeting Street, Suite 500
Charleston, South Carolina 29401
(843) 579-5600

Section 5.2. ***Binding Effect.*** This Fee Agreement and each document contemplated hereby or related hereto shall be binding upon and inure to the benefit of the Sponsor and the County and their respective successors and assigns. In the event of the dissolution of the County or the consolidation of any party of the County with any other political subdivision or the transfer of any rights of the County to any other such political subdivision, all of the covenants, stipulations, promises and agreements of this Fee Agreement shall bind and inure to the benefit of the successors of the County from time to time and any entity, officer, board, commission, agency or instrumentality to whom or to which any power or duty of the County has been transferred.

Section 5.3. ***Counterparts.*** This Fee Agreement may be executed in any number of counterparts, and all of the counterparts taken together shall be deemed to constitute one and the same instrument.

Section 5.4. ***Governing Law.*** This Fee Agreement and all documents executed in connection herewith shall be construed in accordance with and governed by the laws of the State of South Carolina.

Section 5.5. ***Headings.*** The headings of the articles and sections of this Fee Agreement are inserted for convenience only and shall not be deemed to constitute a part of this Fee Agreement.

Section 5.6. ***Amendments.*** The provisions of this Fee Agreement may only be modified or amended in writing by an agreement or agreements entered into between the parties.

Section 5.7. ***Further Assurance.*** From time to time the County agrees to execute and deliver to the Sponsor such additional instruments as the Sponsor may reasonably request to effectuate the purposes of this Fee Agreement.

Section 5.8. ***Severability.*** If any provision of this Fee Agreement is declared illegal, invalid or unenforceable for any reason, the remaining provisions hereof shall be unimpaired and such illegal, invalid or unenforceable provision shall be reformed so as to most closely effectuate the legal, valid and enforceable intent thereof and so as to afford the Sponsor with the maximum benefits to be derived herefrom, it being the intention of the County to offer the Sponsor the strongest inducement possible to locate the Project in the County.

Section 5.9. ***Limited Obligation.*** ANY OBLIGATION OF THE COUNTY CREATED BY OR ARISING OUT OF THIS FEE AGREEMENT SHALL BE A LIMITED OBLIGATION OF THE COUNTY, PAYABLE BY THE COUNTY SOLELY FROM THE PROCEEDS DERIVED UNDER THIS FEE AGREEMENT AND SHALL NOT UNDER ANY CIRCUMSTANCES BE DEEMED TO

CONSTITUTE A GENERAL OBLIGATION OF THE COUNTY WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY LIMITATION.

Section 5.10. ***Force Majeure*****.** Except for payments in lieu of taxes under this Fee Agreement the due dates of which are statutorily mandated, the Sponsor shall not be responsible for any delays or non-performance caused in whole or in part, directly or indirectly, by strikes, accidents, freight embargoes, fire, floods, inability to obtain materials, conditions arising from government orders, war or national emergency, or acts of God (each a "***Force Majeure***").

Section 5.11. ***Execution Disclaimer.*** Notwithstanding any other provisions, the County is executing this Fee Agreement as a statutory accommodation to assist the Sponsor in achieving the intended benefits and purposes of the Act. The County has made no independent legal or factual investigation regarding the particulars of this transaction and it executes this Fee Agreement in reliance upon representations by the Sponsor that this document complies with all laws and regulations, particularly those pertinent to industrial development projects in South Carolina.

(Remainder of Page Intentionally Left Blank)

IN WITNESS WHEREOF, the County, acting by and through the County Council, has caused this Fee Agreement to be executed in its name and behalf by its Chairman and to be attested by the County Manager; and the Sponsor has caused this Fee Agreement to be executed by its duly authorized officer, all as of the day and year first above written.

BEAUFORT COUNTY, SOUTH CAROLINA

By: ____
Joe Passiment
Chairman of County Council
Beaufort County, South Carolina

ATTEST:

By: ___________________________________
Sarah W. Brock
Clerk of County Council
Beaufort County, South Carolina

SPONSOR:

Trask East Solar, LLC

____
By: Paul Fleury
Its: Manager

Exhibit A

Description of Real Estate

A portion of that certain piece, parcel, or tract of land, with all improvements thereon, situate lying or being in the County of Beaufort, State of South Carolina, bearing Tax Map Parcel Number R100-020-000-119A-0000.

Exhibit B

Minimum Coverage Amounts

Coverage under the irrevocable surety or performance bond or irrevocable letter of credit issued pursuant to Section 4.14 shall be in the following minimum amounts.

Should a payment obligation under Section 4.1(d), 4.1(e) or 4.19 arise in the following year (with "Year 1" meaning the first year in which a FILOT Payment is due hereunder):	The minimum coverage for such year is:

Year	Bond Requirement
1	54,157
2	103,521
3	148,093
4	187,873
5	222,861
6	253,056
7	278,459
8	299,070
9	314,889
10	325,916
11	332,150
12	333,593
13	330,243
14	322,101
15	309,166
16	291,440
17	268,921
18	241,610
19	214,299
20	186,988
21	159,677
22	132,366
23	105,056
24	77,745
25	50,434
26	23,123

Beaufort County/Project Blueberry

M/E **19,500,000**

				(Column E/NPV)					1.27% Discount Rate				
Year	Ad Val	Base FILOT	**Less 60% SSRC**	Annualized Payment	Cumulative Clawback	Ad Val	FILOT	Depr.	**Alternative Option**		Cumulative Savings	Year	Bond Reqt
1	557,084	303,506	121,402	60,379	61,023	0.2864	0.27306	0.95	49,194		72,209	1	54,157
2	533,041	287,532	115,013	60,379	115,657	0.289264	0.27306	0.9	49,194		138,028	2	103,521
3	508,462	271,558	108,623	60,379	163,901	0.2921566	0.27306	0.85	49,194		197,457	3	148,093
4	483,338	255,584	102,234	60,379	205,755	0.2950782	0.27306	0.8	49,194		250,497	4	187,873
5	457,661	239,610	95,844	60,379	241,220	0.298029	0.27306	0.75	49,194		297,147	5	222,861
6	431,422	223,636	89,454	60,379	270,295	0.3010093	0.27306	0.7	49,194		337,408	6	253,056
7	404,612	207,662	83,065	60,379	292,981	0.3040194	0.27306	0.65	49,194		371,279	7	278,459
8	377,223	191,688	76,675	60,379	309,277	0.3070596	0.27306	0.6	49,194		398,761	8	299,070
9	349,245	175,714	70,286	60,379	319,183	0.3101302	0.27306	0.55	49,194		419,852	9	314,889
10	320,671	159,740	63,896	60,379	322,700	0.3132315	0.27306	0.5	49,194		434,555	10	325,916
11	291,490	143,766	57,506	60,379	319,828	0.3163638	0.27306	0.45	49,194		442,867	11	332,150
12	261,693	127,792	51,117	60,379	310,565	0.3195274	0.27306	0.4	49,194		444,790	12	333,593
13	231,271	111,818	44,727	60,379	294,913	0.3227227	0.27306	0.35	49,194		440,324	13	330,243
14	200,215	95,844	38,338	60,379	272,872	0.3259499	0.27306	0.3	49,194		429,468	14	322,101
15	168,514	79,870	31,948	60,379	244,440	0.3292094	0.27306	0.25	49,194		412,222	15	309,166
16	136,159	63,896	25,558	60,379	209,619	0.3325015	0.27306	0.2	49,194		388,586	16	291,440
17	103,141	47,922	19,169	60,379	168,409	0.3358265	0.27306	0.15	49,194		358,562	17	268,921
18	69,448	31,948	12,779	60,379	120,809	0.3391848	0.27306	0.1	49,194		322,147	18	241,610
19	70,143	31,948	12,779	60,379	73,209	0.3425766	0.27306	0.1	49,194		285,732	19	214,299
20	70,844	31,948	12,779	60,379	25,609	0.3460024	0.27306	0.1	49,194		249,318	20	186,988
21	71,552	31,948	12,779	60,379	-21,991	0.3494624	0.27306	0.1	49,194		212,903	21	159,677
22	72,268	31,948	12,779	60,379	-69,591	0.3529571	0.27306	0.1	49,194		176,489	22	132,366
23	72,991	31,948	12,779	60,379	-117,191	0.3564866	0.27306	0.1	49,194		140,074	23	105,056
24	73,721	31,948	12,779	60,379	-164,791	0.3600515	0.27306	0.1	49,194		103,659	24	77,745
25	74,458	31,948	12,779	60,379	-212,391	0.363652	0.27306	0.1	49,194		67,245	25	50,434
26	75,202	31,948	12,779	60,379	-259,991	0.3672885	0.27306	0.1	49,194		30,830	26	23,123
27	75,954	31,948	12,779	60,379	-307,591	0.3709614	0.27306	0.1	49,194		-5,584		
28	76,714	31,948	12,779	60,379	-355,191	0.374671	0.27306	0.1	49,194		-41,999		
29	77,481	31,948	12,779	60,379	-402,791	0.3784177	0.27306	0.1	49,194		-78,413		
30	78,256	31,948	12,779	60,379	-450,391	0.3822019	0.27306	0.1	49,194		-114,828		
Total	**6,774,272**	**3,402,464**	**1,360,986**	**1,811,377**					**1,475,814**	**Total**			
NPV (5%)	**4,524,954**	**2,320,442**	**928,177**	**928,177**					**1,220,863**	**NPV 1.27%**			
		NPV 1.27%	**1,220,863**										

ADD-ONS

The document(s) herein were provided to Council for information and/or discussion after release of the official agenda and backup items.

TOWN OF HILTON HEAD ISLAND

One Town Center Court, Hilton Head Island, S.C. 29928
(843) 341-4600 Fax (843) 842-7728
www.hiltonheadislandsc.gov

John J. McCann
Mayor

William D. Harkins
Mayor ProTem

Council Members

David Ames
Tamara Becker
Marc A. Grant
Thomas W. Lennox
Glenn Stanford

Stephen G. Riley
Town Manager

May 18, 2020

Hon. Joseph Passiment
Chairman, Beaufort County Council
100 Ribaut Road
Beaufort, South Carolina 29902

Re: FY2021 Public Safety Services Budget Allocation

Dear Chairman Passiment:

I appreciate you speaking with me earlier today to discuss ways in which we may go about successfully resolving the outstanding issue of the Town's payment to the County for public safety services. Without rehashing all of the details surrounding this situation, it continues to be the Town's position that paying the County for "additional" or "extra" services that it is not subsequently receiving is not fair to the residents of Hilton Head Island.

In an effort to come to an amicable resolution of this situation, and to take into account the difficult budgetary circumstances that we both find ourselves in, I have suggested that the Town step down its annual contributions in a phased-in approach. This would mean that the Town would reduce its voluntary funding for public safety services in the amount of $1,000,000 per year for the next three years. Thereafter, beginning in Fiscal Year 2024, the Town would only pay for those direct services that are being provided just to Hilton Head Island residents and that are not being provided to all other Beaufort County residents. This would essentially consist of beach patrol activities and enforcement of Town Ordinances. The amounts for these services are typically in an around the $300,000 a year range.

I will be bringing this proposal to Town Council for their consideration in the very near future and would respectfully request that you do the same with your colleagues on County Council. It would be my goal for us to continue to have these conversations going on into the next budget year so that we can further our discussions on the Town assuming certainly public service functions that have historically been provided by the County in an effort to more equitably and efficiently go about providing these services. I would also greatly appreciate the opportunity to have myself and the Town Manager, Steve Riley, appear before Council, either electronically or in-person as the circumstances may dictate, to answer any questions that you or other members of County Council may have regarding this position.

Thank you for your time and consideration of this matter and for your service to all citizens of Beaufort County.

Sincerely,

John J. McCann, Mayor

cc: Hilton Head Island Town Council Members
Stephen G. Riley, ICMA-CM
Ashley Jacobs, Beaufort County Administrator

Beaufort County

Auditor

Jim Beckert

AUDITOR BUDGET FOR FY20-21

STAFFING:

- THERE IS NO REQUEST FOR ADDITIONAL STAFFING
- THE 2ND INSPECTOR POSITION STILL NEEDS TO BE FILLED. HOWEVER THERE IS NO SPACE AVAILABLE IN THE BEAUFORT OFFICE.
- THE 2 INSPECTORS ARE TAX REVENUE GENERATORS TO THE COUNTY
- PERFORMANCE EVALUATIONS HAVE BEEN COMPLETED FOR ALL STAFF

AUDITOR BUDGET FOR FY20-21

OPERATIONS:

POSTAGE AND PRINTING:

- WITH WATERCRAFT, ARE NOW TAXED PROSPECTIVELY AND BE MAILED OUT BY THE AUDITOR IN ACCORDANCE WITH STATE. THE CURRENT COST WILL SHIFT FROM THE TREASURER TO THE AUDITOR THERE WILL BE NO INCREASE TO PRODUCE AND MAIL THOSE TAX NOTICES
- THE CURRENT COST TO PRINT IN HOUSE ANNUAL PROPERTY RETURNS & MAILING BY RECORDS MANAGEMENT WILL BE SHIFTED TO A PRINT VENDOR THAT CAN PROVIDE GREATER EFFICIENCIES & SAVINGS TO THE COUNTY.

AUDITOR BUDGET FOR FY20-21

OPERATIONS:

SUBSCRIPTIONS:

- THE INCREASE IN SUBSCRIPTIONS IS FOR THE PROPERTY VALUATION GUIDES NEEDED TO GENERATE PERSONAL PROPERTY TAX NOTICES. THE BOOK SERVICE IS NO LONGER OFFERED. THE ONLINE GUIDES ARE REQUIRED BY THIS OFFICE TO PRODUCE THE TAX NOTICES THAT GENERATE TAX REVENUE FOR THE COUNTY.

AUDITOR BUDGET FOR FY20-21

OPERATIONS:

OFFICE SUPPLIES:

- THE INCREASE IN OFFICE SUPPLIES IS DUE TO THE INCREASED LETTER COMMUNICATIONS WITH TAXPAYERS THAT ARE MAILED. PRIMARILY DUE TO THE CITIZENS EXPECTATIONS TO COMPLETE REQUIRED PAPER WORK AT THEIR CONVIENANCE AND AT THEIR KITCHEN TABLE.