

**CENTRAL MIDLANDS  
COUNCIL OF GOVERNMENTS**

**FINANCIAL AND  
COMPLIANCE REPORT**

**JUNE 30, 2016**

**CENTRAL MIDLANDS COUNCIL OF GOVERNMENTS  
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## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
Central Midlands Council of Governments  
Columbia, South Carolina

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Central Midlands Council of Governments ("the Council") as of and for the year ended June 30, 2016, and the related notes to the financial statements which collectively comprise the Council'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 audits. 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 of material misstatement.

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

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

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Council as of June 30, 2016, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 - 6, the budgetary comparison information on pages 29 - 32, and information concerning the Council's retirement plan on pages 27 - 28 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 operations, 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 opinions on the financial statements that collectively comprise the Central Midlands Council of Governments' basic financial statements. The schedules, listed in the table of contents as other supplementary information, are presented for the purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated November 16, 2016, on our consideration of the Council's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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 Council's internal control over financial reporting and compliance.

*Derrick, Stubbs & Stith, LLP*

November 16, 2016

## MANAGEMENT'S DISCUSSION AND ANALYSIS CENTRAL MIDLANDS COUNCIL OF GOVERNMENTS

This discussion and analysis of the Central Midlands Council of Governments' ("the Council") financial performance provides an overview of the Council's financial activities for the fiscal year ended June 30, 2016. The MD&A should be read in conjunction with the accompanying basic financial statements and the accompanying notes to those financial statements. The discussion and analysis includes comparative data for the prior year.

### Financial Highlights

The following are key financial highlights for the fiscal year:

- In total, net assets are \$(5,302,559), a decrease of \$121,410 (2%) for FY2016.
- Governmental funds reported an increase of \$25,451 in the total fund balance, which included an increase of \$35,055 in the general fund and a decrease of \$9,604 in the Midlands Workforce local fund. It was the goal of management to end the fiscal year with no reduction to the fund balance. Management continued to closely monitor expenses and reduced expenses where possible. The unassigned fund balance is \$342,826.
- During FY2016, Council staff completed the update to the 2040 Long Range Transportation Plan for the Central Midlands Region; the Columbia Area Transportation Study (COATS) approved Transportation Improvement Program (TIP) Amendments and staff completed and updated various plans; Midlands Workforce Development Board staff have been in the process of implementing the Workforce Investment Opportunity Act (WIOA) regulations; planning staff have provided technical support to many of our member governments, including 208 water quality planning, economic development support as the region's economic development district and strategic planning support by completing an update to the All Natural Risk Assessment and Hazard Mitigation Plan for the Central Midlands Region. The Central Midlands Area Agency on Aging/Aging and Disability Resource Center continues to provide its core functions to seniors including respite programs, information and referral, family caregiver support, I-Care and Long Term Care Ombudsman services. The aging program also has been developing new innovative services such as My Wills for Seniors. All CMCOG staff continue to strive to achieve the mission of strategic goals of the agency every day.

### Overview of the Financial Statements

The financial statements for FY2016 include the Management's Discussion and Analysis (MD&A), government-wide statements, fund financial statements, notes to the financial statements, and supplementary information. The statements are highly condensed and present a government-wide view of the Council's finances. Within this view, all Council operations are categorized as governmental. Governmental activities include aging, community development block grants, transportation, workforce development, and general administration. The Council has a component unit, the Central Midlands Development Corporation. The Central Midlands Development Corporation is a separate entity with a separate governing board. For this overview, the Central Midlands Development Corporation is excluded from the Council's financial statements. These government-wide statements are designed to be more corporate-like in that all activities are consolidated into a total for the Council.

#### *Basic Financial Statements*

- The Statement of Net Position focuses on resources available for future operations. In simple terms, this statement presents a snapshot view of the assets the Council owns, the liabilities it owes and the net difference. The net difference is further separated into amounts restricted for specific purposes and unrestricted amounts.
- The Statement of Activities focuses gross and net costs of the Council's programs. This statement summarizes and simplifies the user's analysis to determine the extent to which programs are self-supporting and/or subsidized by general revenues.
- Governmental fund statements follow the more traditional presentation of financial statements. The Council's major governmental funds are presented in their own columns and the remaining funds are combined into a column title "Non-major Governmental Funds". The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements. A budgetary comparison is presented for the general and major funds with a legally adopted budget.
- The notes to the financial statements provide additional disclosures required by governmental accounting standards and provide information to assist the reader in understanding the Council's financial condition.

The MD&A is intended to explain the significant changes in financial position and differences in operation between the current and prior years.

*Government-wide Financial Statements*

A comparative condensed version of the Statement of Net Position at June 30, 2016, and June 30, 2015, follows:

**Net Assets at Year-End**

<u>Governmental Activities</u>	<u>FY2016</u>	<u>FY2015</u>
Cash and Cash Equivalents	\$ 12,919	\$ 196,403
Other Assets	1,565,993	1,421,615
Capital Assets	<u>468,714</u>	<u>491,279</u>
<b>Total Assets</b>	<b><u>2,047,626</u></b>	<b><u>2,109,297</u></b>
Deferred Outflows Related to Pensions	<u>443,347</u>	<u>518,529</u>
Current Liabilities	1,210,001	1,258,311
Long-Term Liabilities	<u>6,349,643</u>	<u>6,041,335</u>
<b>Total Liabilities</b>	<b><u>7,559,644</u></b>	<b><u>7,299,646</u></b>
Deferred Inflows Related to Pensions	<u>238,888</u>	<u>509,329</u>
Net Assets:		
Invested in capital assets	468,714	491,279
Unrestricted	( 5,771,273)	( 5,672,428)
<b>Total Net Position</b>	<b>\$ ( <u>5,302,559</u> )</b>	<b>\$ ( <u>5,781,149</u> )</b>

A comparative condensed version of the Statement of Activities follows:

**Governmental Activities**

For the Years Ended June 30, 2016 and June 30, 2015

<u>Revenue</u>	<u>FY2016</u>	<u>FY2015</u>
Program Revenue	\$ 8,619,798	\$ 10,874,325
General Revenue		
Membership Dues	543,127	543,127
State Aid	70,407	70,407
Interest Income	71	30
Other Revenue	<u>48,469</u>	<u>37,181</u>
<b>Total Revenue</b>	<b><u>9,281,872</u></b>	<b><u>11,525,070</u></b>
<u>Expenses</u>		
Direct Personnel Costs	3,811,942	4,460,416
Operations and Maintenance	724,544	782,451
Development and Training	43,571	49,773
Travel and Transportation	83,423	93,675
Consulting Services	173,302	286,698
Other Program Expenses	4,543,935	5,960,254
Unallocated Depreciation	<u>22,565</u>	<u>31,455</u>
<b>Total</b>	<b><u>9,403,282</u></b>	<b><u>11,664,722</u></b>
Change in Net Position	( 121,410)	( 139,652)
Beginning in Net Position	( <u>5,181,149</u> )	( <u>5,041,497</u> )
<b>Ending Net Position</b>	<b>\$ ( <u>5,302,559</u> )</b>	<b>\$ ( <u>5,181,149</u> )</b>

## **GASB 68 Implementation**

The new GASB 68 standard creates an accounting liability rather than a legal liability. Although pursuant to accounting standards, the Council must report its proportionate share of the pension liability for the state's defined benefit retirement plans, the Council has no legal requirement to fund or pay our share of the liability. The following is the Council's net position with the GASB 68 implementation.

## **Financial Analysis of the Council Funds**

**Governmental Funds** - The focus of the Council's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Council's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

<u>Governmental Activities</u>	<u>FY2016</u>	<u>FY2015</u>
<b>Total Assets</b>	\$ <b><u>2,250,968</u></b>	\$ <b><u>2,022,813</u></b>
Current Liabilities	<b><u>1,620,610</u></b>	<b><u>1,417,906</u></b>
Fund Balances:		
Nonspendable for prepaid items	<b>23,870</b>	25,259
Nonspendable for deposits	<b>9,644</b>	9,644
Assigned for special purposes	<b>254,018</b>	266,440
Unassigned	<b><u>342,826</u></b>	<b><u>303,564</u></b>
<b>Total Fund Balances</b>	\$ ( <b><u>630,358</u></b> )	\$ ( <b><u>604,907</u></b> )

## **Budgetary Highlights**

The original approved FY2016 budget was balanced. As the year progressed, management realized that the expenses were going to exceed revenues. The budget was reduced once to more accurately reflect the projected financial position. The management team and staff made concerted efforts to reduce costs where possible and charge against grants and programs directly so that the local dollars could be used primarily for matching funds and to cover budgeted expenses.

## **Capital Assets**

At June 30, 2016, the COG had \$491,279 in capital assets.

	<u>FY2016</u>	<u>FY2015</u>
Land	\$ <b>130,848</b>	\$ 130,848
Building	<b>332,735</b>	349,395
Furniture and Equipment	<b><u>5,131</u></b>	<b><u>11,036</u></b>
<b>Net Capital Assets</b>	\$ <b><u>468,714</u></b>	\$ <b><u>491,279</u></b>

For more detailed information on capital asset activity, see Note 5 - Capital Assets.

## **Long-Term Debt**

The Council has an annual leave policy that permits employees to carry forward forty-five days of annual leave on January 1 of each year. At June 30, 2016, the accrued annual leave balance equates to \$261,447. In the audited financial statements, the accrued annual leave balance is classified as current.

## **Economic Factors and Next Year's Budget**

The Transportation Director/Deputy Executive Director continues to re-purpose some of the older FTA grants so that the funding can be used to meet both federal requirements and the needs of the region.

The Council receives an appropriation from the General Assembly each year. These funds are subject to reduction at any time. The Council will continue to request additional funding from the General Assembly to restore funding to previous funding levels. The additional state aid will allow the Council to further expand its services. For example, grant matching requirements in the aging program have been modified in this past fiscal year. When this occurs, the finance and management staff have to carefully review the budget to balance and continue to provide those core services. If other program areas experience budget cuts during the new fiscal year, management will closely monitor the economic status of the Council and make any necessary or required adjustments to expenses so that the Council remains fiscally sound.

The Council is working on its third Joint Land Use implementation project grant through the Office of Economic Advancement. The SCCOGS network will apply for a second phase of the South Carolina Economic Indicators project funded by the Economic Development Administration in the upcoming fiscal year. The Council continues to provide technical assistance to local jurisdictions as requested, including strategic and comprehensive planning. In the upcoming year, staff will also complete an update to the Comprehensive Economic Development Strategies Plan. The Midlands Workforce Development Board will contract out adult, youth and dislocated worker employment and training services during this program year. Several transportation initiatives, including a study to locate a regional transportation center, Kershaw County West Wateree Transportation Study and the Cayce West Columbia Master Bike and Pedestrian Plan will also be underway.

As a 501(c)3, the Central Midlands Development Corporation (CMDC) continues to take a more active role in seeking grant and foundation funding opportunities. The aging department will provide additional services through the CMDC this year. The CMDC will also function as the fiscal agent for the Midlands Food Alliance.

The staff and Board of Directors will continue to seek alternative funding sources so that the Council can remain a viable resource for the member governments and communities that it serves.

**CENTRAL MIDLANDS COUNCIL OF GOVERNMENTS  
STATEMENT OF NET POSITION  
JUNE 30, 2016**

	Governmental Activities	Component Unit
<b>ASSETS</b>		
Current Assets		
Cash and cash equivalents	\$ 12,919	\$ 8,347
Due from Federal government	1,063,562	-
Due from State government	311,020	-
Accounts receivable	146,918	-
Prepaid expenses	34,849	-
Security deposit	9,644	-
<b>Total current assets</b>	<u>1,578,912</u>	<u>8,347</u>
Noncurrent Assets		
Capital Assets		
Non depreciable capital assets	130,848	-
Depreciable assets, net of accumulated depreciation	337,866	-
<b>Total noncurrent assets</b>	<u>468,714</u>	<u>-</u>
<b>Total assets</b>	<u>2,047,626</u>	<u>8,347</u>
Deferred Outflows of Resources		
Deferred outflows related to pensions	<u>443,347</u>	<u>-</u>
<b>LIABILITIES</b>		
Current Liabilities		
Accounts payable	764,089	-
Accrued payroll liabilities	49,903	-
Deferred revenue	134,562	1,107
Accrued annual leave	261,447	-
<b>Total current liabilities</b>	<u>1,210,001</u>	<u>1,107</u>
Non-Current Liabilities		
Net pension liability	<u>6,349,643</u>	<u>-</u>
<b>Total liabilities</b>	<u>7,559,644</u>	<u>1,107</u>
Deferred Inflows of Resources		
Deferred inflows related to pensions	<u>233,888</u>	<u>-</u>
<b>Net Position</b>		
Invested in capital assets	468,714	-
Unrestricted	(5,771,273)	7,240
<b>Total net position</b>	<u>\$ (5,302,559)</u>	<u>\$ 7,240</u>

See notes to the financial statements.

**CENTRAL MIDLANDS COUNCIL OF GOVERNMENTS  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2016**

	Primary Government Functions/Programs				Component Unit
	General Administration	Program Administration	Local Planning Assistance		
Governmental Activities					
Direct personnel costs	\$ 3,811,942	\$ 2,112,410	\$ 12,119	\$ -	
Indirect cost allocations	-	1,544,125	7,348	-	
Support services					
Operations and maintenance	724,544	482,086	25	10,864	
Development and training	43,571	36,945	-	-	
Travel and transportation	83,423	39,242	-	-	
Consulting services	173,302	173,302	-	-	
Payments to contractors	3,359,444	3,359,444	-	-	
Other program expenses	1,184,491	1,184,360	123	-	
Unallocated depreciation	22,565	-	-	-	
<b>Total governmental activities</b>	9,403,282	8,931,914	19,615	10,864	
Program Revenues					
Operating grants and contributions	8,619,798	8,599,423	20,375	16,554	
<b>Net program (expense) revenue</b>	(783,484)	\$ (332,491)	\$ 760	5,690	
General Revenues					
Membership dues	543,127			-	
State aid	70,407			-	
Interest income	71			-	
Other revenue	48,469			-	
<b>Total general revenues</b>	662,074			-	
<b>Change in net position</b>	(121,410)			5,690	
<b>Net Position at July 1, 2015</b>	(5,181,149)			1,550	
<b>Net Position at June 30, 2016</b>	\$ (5,302,559)			\$ 7,240	

See notes to the financial statements.

**CENTRAL MIDLANDS COUNCIL OF GOVERNMENTS  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2016**

	Special Revenue Funds					Total
	General	Aging	Transportation	Workforce Investment Act	Non-Major Governmental Funds	
<b>ASSETS</b>						
Cash and cash equivalents	\$ 12,919	\$ -	\$ -	\$ -	\$ -	\$ 12,919
Due from Federal government	-	207,497	195,878	557,602	102,585	1,063,562
Due from State government	-	311,020	-	-	-	311,020
Due from other funds	672,056	-	-	-	-	672,056
Accounts receivable	110,332	2,717	-	20,969	12,900	146,918
Prepaid expenses	23,870	421	-	10,558	-	34,849
Security deposit	9,644	-	-	-	-	9,644
<b>Total assets</b>	<u>828,821</u>	<u>521,655</u>	<u>195,878</u>	<u>589,129</u>	<u>115,485</u>	<u>2,250,968</u>
<b>LIABILITIES AND FUND BALANCES</b>						
Liabilities						
Accounts payable	130,476	175,561	60,372	360,570	37,110	764,089
Accrued payroll liabilities	49,903	-	-	-	-	49,903
Deferred revenue	18,084	989	97,251	-	18,238	134,562
Due to other funds	-	345,105	38,255	228,559	60,137	672,056
<b>Total liabilities</b>	<u>198,463</u>	<u>521,655</u>	<u>195,878</u>	<u>589,129</u>	<u>115,485</u>	<u>1,620,610</u>
Fund Balances						
Nonspendable for prepaid items	23,870	-	-	-	-	23,870
Nonspendable for security deposit	9,644	-	-	-	-	9,644
Assigned for special purposes	254,018	-	-	-	-	254,018
Unassigned	342,826	-	-	-	-	342,826
<b>Total fund balances</b>	<u>630,358</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>630,358</u>
<b>Total liabilities and fund balances</b>	<u>\$ 828,821</u>	<u>\$ 521,655</u>	<u>\$ 195,878</u>	<u>\$ 589,129</u>	<u>\$ 115,485</u>	<u>\$ 2,250,968</u>

See notes to the financial statements.

**CENTRAL MIDLANDS COUNCIL OF GOVERNMENTS  
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCES TO THE STATEMENT  
OF NET POSITION  
YEAR ENDED JUNE 30, 2016**

Fund Balance of Governmental Funds

Amounts reported for governmental activities in the Statement of Net Position are different because:	\$ 630,358
Capital Assets, net of depreciation, are not current financial resources and are not included in the governmental funds	468,714
Some liabilities, including net pension obligations, are not due and payable in the current period and, therefore, are not reported in the funds: Net Pension Liability	(6,349,643)
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds. Deferred outflows of resources related to pensions	443,347
Deferred inflows of resources related to pensions	(233,888)
Long-term liabilities, including accrued annual leave, are not due and payable in the current period and, therefore, are not reported in the governmental funds	<u>(261,447)</u>
<b>Net Position of Governmental Activities</b>	<b><u><u>\$ (5,302,559)</u></u></b>

See notes to the financial statements.

**CENTRAL MIDLANDS COUNCIL OF GOVERNMENTS  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2016**

	Special Revenue Funds						Total
	General	Aging	Transportation	Workforce Investment Act	Non-major Governmental Funds		
<b>Revenues</b>							
Membership dues	\$ 543,127	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 543,127
State aid	70,407	-	-	-	-	-	70,407
Federal revenue	-	2,043,286	641,638	3,668,819	333,476	-	6,687,219
State revenue	-	1,818,916	-	-	-	-	1,818,916
Local revenue	54,706	12,405	1,529	44,374	649	-	113,663
Interest income	71	-	-	-	-	-	71
Other revenue	16,381	-	-	-	32,088	-	48,469
<b>Total revenues</b>	<b>684,692</b>	<b>3,874,607</b>	<b>643,167</b>	<b>3,713,193</b>	<b>366,213</b>	<b>-</b>	<b>9,281,872</b>
<b>Expenditures</b>							
Direct personnel costs	1,563,117	456,743	286,640	1,161,773	219,373	-	3,687,646
Indirect cost allocations	(1,551,472)	357,869	252,152	760,825	180,626	-	-
Support services							
Operations and maintenance	242,433	26,041	30,109	421,706	4,255	-	724,544
Development and training	6,626	5,494	100	29,963	1,388	-	43,571
Travel and transportation	44,181	10,223	185	28,170	664	-	83,423
Consulting services	-	-	130,302	-	43,000	-	173,302
Payments to contractors	-	2,676,205	-	667,628	15,611	-	3,359,444
Other program expenses	8	469,738	71,494	643,128	123	-	1,184,491
<b>Total expenditures</b>	<b>304,893</b>	<b>4,002,313</b>	<b>770,982</b>	<b>3,713,193</b>	<b>465,040</b>	<b>-</b>	<b>9,256,421</b>
<b>Excess revenues over (under) expenditures</b>	<b>379,799</b>	<b>(127,706)</b>	<b>(127,815)</b>	<b>-</b>	<b>(98,827)</b>	<b>-</b>	<b>25,451</b>
Other Financing Sources (Uses)							
Transfers in	-	127,706	127,815	-	98,827	-	354,348
Transfers out	(354,348)	-	-	-	-	-	(354,348)
<b>Total other financing sources (uses)</b>	<b>(354,348)</b>	<b>127,706</b>	<b>127,815</b>	<b>-</b>	<b>98,827</b>	<b>-</b>	<b>-</b>
<b>Net change in fund balance</b>	<b>25,451</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>25,451</b>
Fund Balances at July 1, 2015	604,907	-	-	-	-	-	604,907
<b>Fund Balances at June 30, 2016</b>	<b>\$ 630,358</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 630,358</b>

See notes to the financial statements.

**CENTRAL MIDLANDS COUNCIL OF GOVERNMENTS  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2016**

Net Change in Fund Balances - Total Governmental Funds \$ 25,451

Amounts reported for governmental activities in the Statement of Activities differ from the amounts in the Statement of Revenues, Expenditures and Changes in Fund Balances because:

Governmental funds report capital outlays as expenditures; however, in the Statement of Activities, the costs of those assets are allocated over their estimated useful lives as depreciation expense, or are allocated to the appropriate functional expense when the cost is below the capitalization threshold. These activities are reconciled as follows:

Depreciation expense (22,565)

Governmental funds report capital outlays as expenditures; however, in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.

Council pension contributions	\$ (390,906)	
Cost of benefits earned net of employee contributions	<u>282,949</u>	(107,957)

Governmental funds report pension contributions as expenditures. However, financial resources and, therefore, are not reported as expenditures in governmental funds. These expenses relate to the amount of increase in the liability for compensated absences.

(16,339)

**Change in Net Position of Governmental Activities \$ (121,410)**

See notes to the financial statements.

**CENTRAL MIDLANDS COUNCIL OF GOVERNMENTS  
YEAR ENDED JUNE 30, 2016**

**Notes to the Financial Statements**

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**Note 1. Summary of Significant Accounting Policies**

The accounting and reporting policies of the Central Midlands Council of Governments (Council) conform to accounting principles generally accepted in the United States of America as applicable to governments. The following is a summary of the more significant accounting policies:

**Reporting entity:** The Central Midlands Regional Planning Council was organized under the provisions of Article 2, Act 487 of the 1967 South Carolina General Assembly, as amended in 1971. On December 12, 1996, the name of the council was renamed, by the approval of the member governments and the governor, to Central Midlands Council of Governments. The Council does not have stockholders or equity holders and is not subject to income taxes. In general, the Council has the power to carry on such planning activities and to develop such studies and programs as it deems to be in the interest of the Central Midlands area, which includes Richland, Lexington, Fairfield and Newberry counties.

The financial reporting entity, as defined by GASB Statement No. 14, *The Financial Reporting Entity*, consists of the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion could cause the financial statements to be misleading or incomplete. Based on the following criteria, the Council has determined it is not a component unit of any other organization. Therefore, the Council reports as a primary entity.

The primary entity is financially accountable if it appoints a voting majority of the organization's governing body including situations in which the voting majority consists of the primary entity's officials serving as required by law and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary entity. The primary entity also may be financially accountable if an organization is fiscally dependent on it even if it does not appoint a voting majority of the board. An organization is fiscally dependent on the primary entity that holds one or more of the following powers: determine its budget without another government's having the authority to approve and modify that budget, levy taxes or set rates or charges without approval by another government, and issue bonded debt without approval by another government.

**Discretely presented component unit:** The Central Midlands Development Corporation is a legally separate entity with a separate board of directors. Central Midlands Development Corporation is considered to be a component unit of the Council and has been included as a discretely presented component unit. The component unit's year-end is June 30.

**Basis of presentation:** The financial statement presentation for the Council meets the requirements of Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*. The accounts of the Council are organized on the basis of governmental funds and proprietary funds types, specifically enterprise funds. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

**Government-wide statements:** The statement of net position and the statement of activities display information about the Council. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the effect of internal activities upon revenues and expenses. Governmental activities generally are financed through intergovernmental revenues, and other non-exchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the Council's governmental activities. Direct expenses are those that are specifically associated with a program or function, and, therefore, are clearly identifiable to a particular function. Program revenues include grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not program revenues are presented as general revenues. The effect of inter-fund activity has been eliminated from the government-wide financial statements.

**CENTRAL MIDLANDS COUNCIL OF GOVERNMENTS  
YEAR ENDED JUNE 30, 2016**

**Notes to the Financial Statements**

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**Note 1. Summary of Significant Accounting Policies (Continued)**

**Basis of presentation (continued):**

**Fund financial statements:** The fund financial statements provide information about the Council's funds. Separate statements for each fund category – governmental and fiduciary – are presented. The emphasis of fund financial statements is on major governmental funds and aggregated non-major funds, each displayed in a separate column. The Council has presented all major funds that met the qualifications of GASB Statement No. 34 as major funds. The fiduciary funds are presented separately.

The Council reports the following major governmental funds:

**General Fund:** The General Fund is the government's primary operating fund. It accounts for all financial resources of the Council, except those required to be accounted for in another fund.

**The Aging Special Revenue Fund:** The Aging Special Revenue fund is used to account for receipts and expenditures of money passed through the Lt. Governor's Office on Aging. These funds are used to promote coordination of aging services in the region.

**The Transportation Special Revenue Fund:** The Transportation Special Revenue Fund is used to account for receipts and expenditures of money passed through from the United States and South Carolina Departments of Transportation. These funds are used to provide region-wide transportation planning technical assistance to local governments and the Central Midlands Regional Transportation Authority.

**The Workforce Investment Act (WIA) Special Revenue Fund:** The Workforce Investment Act (WIA) Special Revenue Fund is used to account for the receipts and expenditures of money passed from the United States Department of Labor to the South Carolina Department of Employment and Workforce to provide workforce investment activities that increase employment, retention, earnings, and skills of participants.

The Council reports the following fiduciary fund type:

**Agency fund – CDBG funds:** The Council's Fiduciary Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Council's fiduciary funds consist of agency funds that are not used to account for funds collected on behalf of other governmental entities. Because these funds are not available for use by the Council, fiduciary funds are not included in the governmental-wide statements. Fiduciary fund financial statements include a Statement of Net Position.

**Measurement focus and basis of accounting:**

**Government-wide and fiduciary fund financial statements:** The government-wide and fiduciary fund financial statements are reported using the economic resource measurement focus and the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the Council gives (or receives) value without directly receiving (or giving) equal value in exchange, include grants and donations. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

**Governmental fund financial statements:** Governmental funds are reported using the current financial resources measurement focus and modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available to finance expenditures of the current period. Accordingly, revenues are recorded when received in cash, except that revenues subject to accrual (generally 60 days after year end) are recognized when due. The primary sources susceptible to accrual are investment income and grant revenue.

Expenditures are recorded when the related fund liability is incurred, except for claims and judgments and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Payments of general long-term debt and acquisitions under capital leases are reported as other financing uses. Funds received but not yet earned are reflected as deferred revenues.

**CENTRAL MIDLANDS COUNCIL OF GOVERNMENTS  
YEAR ENDED JUNE 30, 2016**

**Notes to the Financial Statements**

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**Note 1. Summary of Significant Accounting Policies (Continued)**

**Use of resources:** When both restricted and unrestricted resources are available for use, it is the Council's policy to use restricted resources first, and then unrestricted resources as they are needed.

**Budget:** As required by accounting principles generally accepted in the United States of America, the Council adopted a legal budget for the June 30, 2016, general resources and the related expenditures required to earn those resources. The budget is adopted and amended, as considered necessary, by approval from the Board of Directors and/or Executive Committee.

The Council adopts an annual legal budget, which covers the General fund and certain Special Revenue Funds. The budgets for the General Fund and certain Special Revenue Funds are prepared on the modified accrual basis except for encumbrances which are treated as budgeted expenditures. The statements comparing budgets and actual amounts for these governmental funds include adjustments to those budgetary bases for the differences noted above and for certain other items which are reported in the Council's budget differently than they are reported for accounting principles generally accepted in the United States. Budgetary level of control is exercised at the department level. Any revisions that alter total expenditures of the General Fund and certain Special Revenue Funds must be approved by the Board of Directors. During fiscal year 2016, the Council did approve budgetary expenditure amendments.

The Budgetary Comparison Schedules included in the required supplementary information presents a comparison of budgetary data to actual results of operations for the General fund and major Special Revenue Funds (Aging, Transportation, and Workforce Investment Act), for which an annual operating budget is legally adopted. These funds utilize the same basis of accounting for both budgetary purposes and actual results.

The Aging, Transportation, and Workforce Investment Act Special Revenue Funds have separate legally adopted budgets.

**Indirect cost allocation:** Cost allocations made by the council are in accordance with the guidelines of the Office of Management and Budget's Circular A-87 "*Cost Principles for State and Local Governments*". These guidelines provide that allowable indirect costs are identified and accumulated in an indirect cost pool and distributed to applicable federal, state and local grant activities and programs based upon an appropriate actual indirect cost allocation methodology. Certain employee benefits are accumulated in a fringe benefit cost pool and allocated to grant projects as a percentage of labor costs, referred to as release time. In accordance with office of Management and Budget's Circular A-87, the cost allocations are subject to subsequent federal audit or review.

**Cash and cash equivalents:** The Council maintains cash and pooled investments that are available for use by all funds. Cash includes cash on hand, demand deposits, and short-term investments with an original maturity of three months or less to be cash equivalents.

**Accounts receivable:** Accounts receivable consists of amounts due from the Federal government, state and local governments or private sources, in connection with reimbursement of allowable expenditures made pursuant to the Council's grants and contracts.

**Prepaid items:** Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

**Capital assets:** The Council accounts for capital asset purchases by recording acquisitions at cost or estimated historical cost. Donated assets are recorded at their estimated fair value at the date of donation. The Council capitalizes moveable personal property with a unit value in excess of \$ 1,500 and a useful life in excess of one year. Routine repairs and maintenance are charged to expenses in the year in which the expense was incurred. Capital assets are depreciated over their estimated useful lives using the straight-line method of depreciation. Useful lives of the Council's capital assets generally range from 3 to 40 years. Depreciation expense for the year ended June 30, 2016, totaled \$ 22,565.

**CENTRAL MIDLANDS COUNCIL OF GOVERNMENTS  
YEAR ENDED JUNE 30, 2016**

**Notes to the Financial Statements**

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**Note 1. Summary of Significant Accounting Policies (Continued)**

**Deferred outflows/inflows of resources:** In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The government only has one item that qualifies for reporting in this category for outflows related to pensions. The outflows related to pensions are described in Note 9.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has one type of items, which arise only under a modified accrual basis of accounting that qualifies for reporting in this category for inflows related to pensions. The inflows related to pensions are described in Note 9.

**Unearned revenues:** Deferred revenues in the governmental funds include amounts received from grant and contract sponsors that have not yet been earned.

**Accrued annual leave:** All vested annual leave pay is recorded as an expenditure in the current year to the extent it is paid during the year. Council employees can accumulate annual leave up to forty-five days for subsequent use or for payment upon termination, death or retirement. Any days beyond that limit accrued and not taken by the end of the calendar year are forfeited.

**Deferred compensation agreement:** The Council offers its employees a voluntary deferred compensation plan structured and operated according to provisions of Internal Revenue Code Section 401(k). The plan is administered by an agency of the State of South Carolina and the Council makes no contributions on behalf of the participants. The Council's liability is limited to remitting amounts deferred and withheld from the employee's wages to the Plan administrator.

**Operating transfers:** Operating transfers are distributions of local cash resources to grant projects requiring local cash match in accordance with the terms and conditions of grant contracts and or to absorb any deficit in any grant project. Local funds are derived from Council dues paid by member governments, state aid funds, sale of data and information, internet advertising and internet web hosting.

**Interfund receivables and payables:** During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the governmental funds balance sheet.

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

**Non-exchange transactions:** The Council generally has two types of non-exchange transactions, government-mandated non-exchange transactions (which occur when a government at one level provides resources to a government at another level and requires the recipient to use the resources for a specific purpose) and voluntary non-exchange transactions (which result from legislative or contractual agreements other than exchanges, entered into willingly by the parties to the agreement). The Council recognizes non-exchange transactions when they are both measurable and probable for collection. For government-mandated non-exchange transactions and voluntary non-exchange transactions, the Council recognized assets when all applicable eligibility requirements are met or resources are received, whichever is first, and revenue when all applicable eligibility requirements are met.

**CENTRAL MIDLANDS COUNCIL OF GOVERNMENTS  
YEAR ENDED JUNE 30, 2016**

**Notes to the Financial Statements**

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**Note 1. Summary of Significant Accounting Policies (Continued)**

**Net position/fund balances:** The Council's net position in the government-wide financial statements are classified as follows:

**Invested in capital assets, net of related debt:** This represents the Council's total investment in capital assets, net of accumulated depreciation.

**Restricted:** This category represent resources in which the Council is legally or contractually obligated by external parties such as lenders, grantors, contributors or by laws or regulations to spend in accordance with the restrictions imposed.

**Unrestricted:** Unrestricted net position consist of all other assets not included in the above categories.

The Council's policy for applying expenses that can use both restricted and unrestricted resources is designated to the program administrative level. General practice is to first apply the expense to the restricted resource then to unrestricted resources.

In the governmental fund financial statements, the Council's fund balances are classified as follows:

**Nonspendable fund balance:** Includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, for example, inventories and prepaid amounts.

**Restricted fund balance:** Represents amounts that are (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) are imposed by law through constitutional provisions or enabling legislation.

**Committed fund balance:** Represents amounts that can only be used by for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority.

**Assigned fund balance:** Amounts are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed.

**Unassigned fund balance:** Represents the fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

When expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used, the Council's general practice is to first reduce committed resources, followed by assigned resources, and then unassigned resources.

**Income taxes:** The Council is excluded from Federal income taxes under Section 115(1) of the Internal Revenue Code.

**Use of 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 at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Note 2. Cash and Cash Equivalents**

All cash and investments are stated at fair value. As of June 30, 2016, all of the Council's cash was held in demand deposit accounts covered by federal depository insurance or by collateral held by the Council's agent in the Council's name. The amount shown in the financial statements as cash and cash equivalents represents cash on hand of \$ 40, cash on deposit with local financial institutions of \$ 0, and cash invested in the South Carolina Local Government Investment Pool of \$ 12,879.

**CENTRAL MIDLANDS COUNCIL OF GOVERNMENTS  
YEAR ENDED JUNE 30, 2016**

**Notes to the Financial Statements**

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**Note 2. Cash and Cash Equivalents (Continued)**

At June 30, 2016, the carrying amount of the Council's deposits and investments held by the various funds was as follows:

Fund Types	Deposits
General fund	\$ 12,919
Governmental carrying amount	\$ 12,919

The deposits for the Council at June 30, 2016, at local financial institutions were as follows:

Amount insured by the FDIC	\$ 40
Collateralized by repurchase agreement	-
Collateralized by US Government Securities	12,879
<b>Total</b>	<b>\$ 12,919</b>

The Council's investments are in the State's investment pool and operate as a demand deposit and are classified as deposits. The deposits are held by the State Treasurer.

**Credit risk:** The Council adheres to the State of South Carolina's investment policy, and invests in primarily Certificates of Deposit and U.S. Government-backed obligations. There are no investments in commercial paper or corporate bonds and equities.

The local government investment pool is a 2a7-like pool which is not registered with the Securities and Exchange Commission ("SEC") as an investment company, but has a policy that it will operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. The Pool is included as an investment trust fund in the State of South Carolina Comprehensive Annual Financial Report. At June 30, 2016, the underlying security ratings of the Council's investment in the Local Government Investment Pool (LGIP) is classified in risk category "A" and may be obtained from the LGIP's complete financial statements by writing to the following address:

Office of the State Treasurer  
Local Government Investment Pool  
Post Office Box 11778  
Columbia, South Carolina 29211

**Interest rate risk:** In accordance with its investment policy, the Council manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to less than twelve months.

It is the policy of the State Treasurer's Office that no derivatives of the U.S. Government Securities or Federal Agency Securities or A1/P1 Commercial Paper be purchased by or for the S.C. Local Government Investment Pool. It is the policy of the State Treasurer's Office that the weighted average maturity (WAM) of the LGIP portfolio not exceed 60 days.

**Custodial credit risk:** Custodial credit risk for deposits is that, in the event of the failure of a depository financial institution, the Council will not be able to recover collateral securities that are in possession of an outside party. The Council's policies require that funds held by a bank or saving and loan association must secure deposits by insurance, collateral securities, or letters of credit to protect the Council against loss.

**Foreign currency risk:** Foreign currency risk is the risk that changes in exchange rates and will adversely affect the fair value of an investment. The Council has no foreign currency investments and therefore, is not exposed to this risk.

**Concentration of credit risk:** The Council's investment policy does not allow for an investment in any one issuer that is in excess of 5 percent (5%) of the total investments. Most investments are U.S. governmental obligations.

**CENTRAL MIDLANDS COUNCIL OF GOVERNMENTS  
YEAR ENDED JUNE 30, 2016**

**Notes to the Financial Statements**

**Note 3. Long-Term Liabilities**

A summary of changes in long-term liabilities is as follows:

	Balance July 1, 2015	Additions	Deletions	<b>Balance June 30, 2016</b>	Due Within One Year
Accrued annual leave	<u>\$ 245,200</u>	<u>\$ 133,824</u>	<u>\$ 117,577</u>	<u>\$ 261,447</u>	<u>\$ 261,447</u>

For the governmental activities, compensated absences are generally liquidated by the general fund.

**Note 4. Short-Term Note Payable - Line-of-Credit**

The Council renewed an unsecured line-of-credit for \$ 300,000 on February 4, 2015, with a maturity date of February 4, 2016. The Council received an extension of the line-of-credit with a maturity date of January 25, 2017. It is a variable rate nondisclosable revolving line of credit. The purpose of obtaining the line-of-credit is to meet any current obligations. The interest rate on the line-of-credit is the lender's prime rate plus .75%, with an interest floor of 5.0% and with an interest rate ceiling of 18.0 %. The interest rate at June 30, 2016, was 5%. There is \$ 0 outstanding on the line-of-credit at June 30, 2016.

**Note 5. Capital Assets**

The following is a summary of changes in capital assets for the year ended June 30, 2016:

Governmental Activities:

	Balance July 1, 2015	Additions	Deletions	<b>Balance June 30, 2016</b>
<u>Capital Assets, Not Being Depreciated:</u>				
Land	<u>\$ 130,848</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 130,848</u>
<u>Capital Assets, Being Depreciated:</u>				
Building	691,834	-	-	<b>691,834</b>
Equipment and furniture	257,536	-	-	<b>257,536</b>
Total Capital Assets, Being Depreciated	<u>949,370</u>	<u>-</u>	<u>-</u>	<u><b>949,370</b></u>
<u>Less Accumulated Depreciation For:</u>				
Building	(342,438)	(16,660)	-	<b>(359,098)</b>
Equipment and furniture	(246,501)	(5,905)	-	<b>(252,406)</b>
Total Accumulated Depreciation	<u>(588,939)</u>	<u>(22,565)</u>	<u>-</u>	<u><b>(611,504)</b></u>
Total Capital Assets, Being Depreciated, Net	<u>\$ 360,431</u>	<u>\$ (22,565)</u>	<u>\$ -</u>	<u><b>\$ 337,866</b></u>

Depreciation expense of \$ 22,565 was unallocated in the primary government.

**CENTRAL MIDLANDS COUNCIL OF GOVERNMENTS  
YEAR ENDED JUNE 30, 2016**

**Notes to the Financial Statements**

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**Note 6. Leases**

The Council leases facilities and equipment under several operating leases. Future minimum lease payments are as follows for the years ending June 30:

2017	70,257
2018	29,089
2019	10,691
2020	-
2021	-
<b>Total</b>	<u><u>\$ 110,037</u></u>

During the year ended June 30, 2016, the Council paid \$ 77,383 under operating leases.

**Note 7. Related Party Transactions**

**Member local government dues:** All member governments are required to pay dues to the Council. Dues are determined annually and are recognized as revenues when assessed because they are measurable and are collectible within the current period. Dues for the year were \$ 543,130.

**Central Midlands Development Corporation (CMDC):** The Council had transactions in 2016 with the CMDC.

**Note 8. Contingencies**

The Council is party to various lawsuits arising out of the normal conduct of its operations. In the opinion of the Council's management, the ultimate effect of these legal matters will not have a material adverse effect of the Council's financial position.

The Council participates in certain federal and state grant programs. These programs are subject to financial and compliance audits by the grantor or its representative. Such audits could lead to requests for reimbursement to the grantor agency for expenditures disallowed under terms of the grant. Management believes disallowances, if any, will not be material.

**Note 9. Employee Retirement Plan**

**South Carolina Retirement System**

**Plan description:** The Council participates in retirement plans under authorization of Title 9 of the SC Code of Laws, State of South Carolina which covers a majority of the Council's full-time employees. The South Carolina Retirement System ("SCRS") is a cost-sharing multi-employer defined benefit pension plan that is administered by the South Carolina Retirement System; a division of the South Carolina State Budget and Control Board. Effective July 1, 2012, the South Carolina General Assembly transferred administration of the SCRS to the newly created South Carolina Public Employee Benefit Authority ("PEBA"). The PEBA has the authority to establish and amend benefits and funding policy. A Comprehensive Annual Financial Report containing financial statements and required supplementary information for the South Carolina Retirement System is issued and publicly available and can be obtained at [www.peba.sc.gov](http://www.peba.sc.gov) or by writing to the South Carolina Public Employee Benefit Authority, P.O. Box 11960, Columbia, SC 29211-1960.

**Benefits provided:** SCRS provides service retirement and disability benefits, cost of living adjustments on an ad-hoc basis, group life ("GL") insurance benefits and survivor benefits. Benefit terms are prescribed in Title 9 of the South Carolina Code of Laws. PEBA does not have the authority to establish or amend benefit terms without a legislative change in the code of laws. Key elements of the benefit calculation include the benefit multiplier, years of service, and average final compensation.

**CENTRAL MIDLANDS COUNCIL OF GOVERNMENTS  
YEAR ENDED JUNE 30, 2016**

**Notes to the Financial Statements**

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**Note 9. Employee Retirement Plan (Continued)**

**South Carolina Retirement System (Continued)**

**Benefits provided (continued):** For Class II members, benefits vest after five years of service, and vested members who retire at age sixty-five or with twenty eight years of service at any age, receive an annual benefit, payable monthly for life. The benefit is based on the length of service and on average final compensation, an annualized average of the employee's highest twelve consecutive quarters' compensation. Reduced benefits are payable as early as age sixty.

For Class III members, benefits vest after eight years of service, and vested members who retire must be age sixty-five or meet the rule of 90 requirement (this means that the member's age plus the years of service must add up to a total of at least 90), receive an annual benefit, payable monthly for life. The benefit is based on the length of service and on average final compensation, an annualized average of the employee's highest twelve consecutive quarters' compensation. Reduced benefits are payable as early as age sixty.

Effective January 1, 2001, Section 9-1-2210 of the South Carolina Code of Laws allows employees eligible for service retirement to participate in the Teacher and Employee Retention Incentive (TERI) Program. TERI participants may retire and begin accumulating retirement benefits on a deferred basis without terminating employment for up to five years. Upon termination of employment or at the end of the TERI period, whichever is earlier, participants will begin receiving monthly service retirement benefits which will include any cost of living adjustments granted during the TERI period. Because participants are considered retired during the TERI pension, they do not earn service credit, and are ineligible to receive group life insurance benefits or disability retirement benefits. Effective July 1, 2006, TERI participants who entered the TERI program after July 1, 2005, are required to pay the same pre-tax contribution to SCRS during the TERI period, but do not earn service credit. The TERI program will end effective June 30, 2018.

**Contributions:** Both employers and employees are required to contribute to the Plan under the authority of Title 9 of the S. C. Code of Laws. Council employees are required to contribute 8.00% of their annual covered earnings.

The Council's contractually required contribution rate for the year ended June 30, 2016, was 13.37 % of annual payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. In addition, participating employers also contribute 0.15% of annual covered payroll for group life insurance benefits for their participants. Contributions to SCRS from the Council were \$342,163 for the year ended June 30, 2015 measurement date.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At June 30, 2016, the Council reported a liability of \$ 6,349,643 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014. The Council's proportion of the net pension liability was based on a projection of the Council's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2016, the Council's proportion was 0.033480% percent based on the June 30, 2015 measurement date.

**CENTRAL MIDLANDS COUNCIL OF GOVERNMENTS  
YEAR ENDED JUNE 30, 2016**

**Notes to the Financial Statements**

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**Note 9. Employee Retirement Plan (Continued)**

For the year ended June 30, 2016, the Council recognized pension expense of \$ 390,905. At June 30, 2016, the Council reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 155,312	\$ -
Net difference between projected and actual earnings on pension plan investments	-	233,888
Council contributions subsequent to the measurement date	288,035	-
<b>Total</b>	<u>\$ 443,347</u>	<u>\$ 233,888</u>

Council contributions subsequent to the measurement date of \$ 288,035 are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Year ended June 30:**

2017	\$ (43,149)
2018	(43,149)
2019	(81,898)
2020	89,617
Thereafter	-
<b>Total</b>	<u>\$ (78,575)</u>

**Actuarial assumptions:** The total pension liability as of June 30, 2015, was determined by an actuarial valuation as of June 30, 2014, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Salary increases	levels off at 3.5 percent
Investment rate of return	7.50 percent, including inflation
Benefit adjustments	lesser of 1% or \$500

Mortality rates were based on the RP-2000 Mortality Table for Males and Females and is dependent upon the member's job category and gender. This assumption includes base rates which are automatically adjusted for future improvement in mortality using published Scale AA projected from the year 2000.

The actuarial assumptions used in the June 30, 2014, valuation were based on the results of an actuarial experience study performed on data through June 30, 2010.

**CENTRAL MIDLANDS COUNCIL OF GOVERNMENTS  
YEAR ENDED JUNE 30, 2016**

**Notes to the Financial Statements**

**Note 9. Employee Retirement Plan (Continued)**

**Actuarial assumptions (continued):** The long-term expected rate of return on pension plan investments was determined using the 30 year capital market outlook at the end of the third quarter 2012. The actuarial long-term expected rates of return represent best estimates of arithmetic real rates of return for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return*</u>
Short Term	5%	0.03%
Domestic Fixed income	13%	0.26%
Global Fixed Income	9%	0.27%
Global Public Equity	31%	2.42%
Global Tactical Asset Allocation	10%	0.51%
Alternatives	32%	2.39%
Total	<u>100%</u>	

\* Rates shown are net of the 2.75% assumed rate of inflation

**Discount rate:** The discount rate used to measure the total pension liability was 7.50 %. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made based on the actuarially determined rates based on provisions in the South Carolina State Code of Laws. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity of the Council’s proportionate share of the net pension liability to changes in the discount rate:** The following presents the Council’s proportionate share of the net pension liability calculated using the discount rate of 7.50 %, as well as what the Council’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 %) or 1-percentage-point higher (8.50 %) than the current rate:

	<u>1% Decrease (6.50%)</u>	<u>Current Discount Rate (7.50%)</u>	<u>1% Increase (8.50%)</u>
Council’s proportionate share of the net pension liability	\$ 8,005,086	\$ 6,349,643	\$ 4,962,172

**Pension plan fiduciary net position:** Detailed information about the SCRS pension plan’s fiduciary net position administered by PEBA is available in the separately issued CAFR.

**Deferred compensation plan:** The Council offers its employees a deferred compensation plan created in accordance with IRC Section 457. The plan, available to all regular full-time and part-time employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to the employee or his beneficiaries until termination, retirement, death, or an unforeseeable emergency.

**CENTRAL MIDLANDS COUNCIL OF GOVERNMENTS  
YEAR ENDED JUNE 30, 2016**

**Notes to the Financial Statements**

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**Note 9. Employee Retirement Plan (Continued)**

**Deferred compensation plan (continued):** All amounts of compensation deferred under the plan are held in trust for the contributing employee and are not subject to the claims of the Council's general creditors. The plan is administered by the State of South Carolina.

**Note 10. Interfund Activity**

**Interfund balances:** The Council's General fund and Special Revenue Funds have advanced money between the funds to finance operations and supplement other fund sources. The repayment terms are indefinite and are dependent upon future receipts. The advance is between governmental funds and is, therefore, not reflected in the Statement of Net Position.

	<u>Receivables</u>	<u>Payable</u>
Due to/Due from		
General fund	\$ 672,056	
Aging fund	-	345,105
Transportation fund	-	38,255
Workforce Investment Act fund	-	228,559
Other non-major governmental funds	-	60,137
<b>Total</b>	<u>\$ 672,056</u>	<u>\$ 672,056</u>

**Interfund transfers:** The following summarizes interfund transfers for the fiscal year ending June 30, 2016:

	<u>Transfer In</u>	<u>Transfer Out</u>
General fund	\$ -	\$ 354,348
Aging fund	127,706	-
Transportation fund	127,815	-
Workforce Investment Act fund	-	-
Non-major governmental funds	98,827	-
<b>Total</b>	<u>\$ 354,348</u>	<u>\$ 354,348</u>

The transfers between the General and Special Revenue Funds were made to meet grant matching requirements and or to absorb deficits, if any, in any grant programs.

**Note 11. Fund Equity Reservations and Designations**

The Council uses the following governmental fund balance accounts:

**Nonspendable for prepaid items** – An account used to segregate a portion of fund balance to indicate prepaid items are “not in spendable form” even though it is a component of current assets.

**Nonspendable for security deposit** – An account used to segregate a portion of fund balance to indicate security deposit is “not in spendable form” even though it is a component of current assets.

**Assigned for special purposes general fund** – Amounts assigned were approved by the Board of Directors and are for the following purposes:

Building maintenance	\$ 101,185
Other purposes	<u>152,833</u>
<b>Total</b>	<u>\$ 254,018</u>

**Unassigned:** This represents and includes all spendable amounts of the general fund not contained in the other classifications.

**CENTRAL MIDLANDS COUNCIL OF GOVERNMENTS  
YEAR ENDED JUNE 30, 2016**

**Notes to the Financial Statements**

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**Note 12. Risk Management**

The Council 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 Council pays an annual premium to a private insurer for its insurance coverage.

There were no significant reductions in insurance coverage from the previous year and no settlements have exceeded insurance coverage for the past three years ended June 30, 2016, 2015, and 2014.

**Note 13. Deferred Revenue**

Unearned revenues (those where asset recognition criteria have been met, but for which revenue recognition criteria have not been met) consist of the following:

	General Fund	Aging Fund	Transportation Fund	WIA Fund	Non-Major Governmental Funds
Unexpended Carryover Amounts	\$ 18,084	\$ 989	\$ 97,251	\$ -	\$ 18,238

**Note 14. Post-Employment Benefits Other Than Pensions**

**Plan description:** In accordance with the South Carolina Code of Laws and the annual Appropriations Act, the State provides post-employment health and dental and long-term disability benefits to retired Council employees and their covered dependents. The Council contributes to the Retiree Medical Plan (RMP) and the Long-Term Disability Plan (LTDP), cost-sharing multiple-employer defined benefit postemployment healthcare and long-term disability plans administered by the Employee Insurance Program (EIP), a part of the State Budget and Control Board (SBCB).

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 May 2, 2008 and after, retirees are eligible for benefits if they have established twenty-five years of service for 100% employer funding and fifteen through twenty-four years of service for 50% employer funding. Benefits become effective when the former employee retires under a State retirement system.

Basic long-term disability (BLTD) benefits are provided to active state, public school district and participating local government employees approved for disability.

**Funding policy:** Section 1-11-710 and 1-11-720 of the South Carolina Code of Laws of 1976, as amended, requires these postemployment healthcare and long-term disability benefits be funded through annual appropriations by the General Assembly for active employees to the EIP and participating retirees to the SBCB except the portion funded through the pension surcharge and provided from other applicable sources of the EIP for its active employees who are not funded by State General Fund appropriations. Employers participating in the RMP are mandated by State statute to contribute at a rate assessed each year set by the Office of the State Budget. The EIP sets the employer contribution rate based on a pay-as-you-go basis.

The employer contribution surcharge was 5.33% for 2016, 5.0% for 2015, and 4.92% for 2014 of annual covered payroll. The Council contributed amounts equal to the required contribution to the SCRS for retiree healthcare benefits of approximately \$ 136,358, \$ 156,956 and \$ 150,739 for the years ended June 30, 2016; 2015; and 2014, respectively. BLTD benefits are funded through a per person premium charged to State agencies, public school districts, and other participating local governments. The monthly premium per active employee paid to EIP was \$ 3.22 for the fiscal years ended June 30, 2016 and 2015.

**CENTRAL MIDLANDS COUNCIL OF GOVERNMENTS  
YEAR ENDED JUNE 30, 2016**

**Notes to the Financial Statements**

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**Note 14. Post-Employment Benefits Other Than Pensions (Continued)**

**Funding policy (continued):** Effective May 1, 2008 the State established two trust funds through Act 195 for the purpose of funding and accounting for the employer costs of retiree health and dental insurance benefits and long-term disability insurance benefits. The South Carolina Retiree Health Insurance Trust Fund is primarily funded through the payroll surcharge. Other sources of funding include additional State appropriated dollars, accumulated EIP reserves, and income generated from investments. The Long Term Disability Insurance Trust Fund is primarily funded through investment income and employer contributions. Complete financial statements for the benefit plans and the trust funds may be obtained from PEBA Retirement Benefits and Insurance Benefits, 202 Arbor Lake Drive, Suite 360, Columbia, SC 29223.

**Note 15. Subsequent Events**

Subsequent events have been evaluated through November 16, 2016, the date these financial statements were available to be issued. There were no material events that required recognition or additional disclosure in these financial statements.

**CENTRAL MIDLANDS COUNCIL OF GOVERNMENTS  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF THE COUNCIL'S PROPRTIONATE SHARE OF THE  
 NET PENSION LIABILITY**

SOUTH CAROLINA RETIREMENT SYSTEM PLAN

Last 10 - Fiscal Years (only 2 years shown)

	<u>2016</u>	<u>2015</u>
Council's proportion of the net pension liability	<b>0.033480%</b>	0.035090%
Council's proportionate share of the net pension liability	<b>\$ 6,349,643</b>	\$ 6,041,355
Council's covered-employee payroll	<b>\$ 2,558,308</b>	\$ 3,139,110
Council's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	<b>248.2%</b>	192.5%
Plan fiduciary net position as a percentage of the total pension liability	<b>83.0%</b>	59.9%

The District implemented GASB Statement 68 and GASB Statement 71 with the fiscal year beginning July 1, 2014.

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the government will present information for those years for which information is available.

**CENTRAL MIDLANDS COUNCIL OF GOVERNMENTS  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF THE COUNCIL'S CONTRIBUTIONS**

SOUTH CAROLINA RETIREMENT SYSTEM PLAN

Last 10 - Fiscal Years (only 2 years shown)

	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 342,163	\$ 337,690
Contributions in relation to the contractually required contribution	<u>(342,163)</u>	<u>(337,690)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Council's covered-employee payroll	\$ 2,558,308	\$ 3,139,110
Contributions as a percentage of covered-employee payroll	13.37%	10.76%

The District implemented GASB Statement 68 and GASB Statement 71 with the fiscal year beginning July 1, 2014.

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the government will present information for those years for which information is available.

**CENTRAL MIDLANDS COUNCIL OF GOVERNMENTS  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND  
YEAR ENDED JUNE 30, 2016**

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>				
Membership Dues	\$ 543,127	\$ 543,127	\$ 543,127	\$ -
State Aid	85,407	70,407	70,407	-
Local Revenue	33,000	55,000	54,706	(294)
Interest Income	25	25	71	46
Other Income	-	-	16,381	16,381
<b>Total Revenues</b>	<u>661,559</u>	<u>668,559</u>	<u>684,692</u>	<u>16,133</u>
<b>EXPENDITURES</b>				
Direct Personnel Costs	1,584,320	1,486,928	1,563,117	76,189
Indirect Cost Allocations	(1,745,516)	(1,619,862)	(1,551,472)	68,390
Support Services				
Operations and Maintenance	243,773	244,773	242,433	(2,340)
Development and Training	5,575	5,575	6,626	1,051
Travel and Transportation	50,225	50,225	44,181	(6,044)
Consulting and Services	32,706	-	-	-
Other Program Expenses	-	-	8	8
Capital Outlays	5,000	5,142	-	(5,142)
<b>Total Expenditures</b>	<u>176,083</u>	<u>172,781</u>	<u>304,893</u>	<u>132,112</u>
<b>Excess Revenues Over(Under) Expenditures</b>	485,476	495,778	379,799	(115,979)
Other Financing Sources (Uses)				
Transfers Out	(452,477)	(440,779)	(354,348)	86,431
<b>Net Change In Fund Balance</b>	32,999	54,999	25,451	<u>\$ (29,547)</u>
<b>Fund Balance at July 1, 2015</b>	<u>604,907</u>	<u>604,907</u>	<u>604,907</u>	
<b>Fund Balance at June 30, 2016</b>	<u>\$ 637,906</u>	<u>\$ 659,906</u>	<u>\$ 630,358</u>	

**CENTRAL MIDLANDS COUNCIL OF GOVERNMENTS  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE - AGING SPECIAL REVENUE FUND  
YEAR ENDED JUNE 30, 2016**

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>				
Federal Revenue	\$ 2,574,478	\$ 3,857,513	\$ 2,043,286	\$ (1,814,227)
State Revenue	252,761	314,492	1,818,916	1,504,424
Local Revenue	-	-	12,405	12,405
<b>Total Revenues</b>	<u>2,827,239</u>	<u>4,172,005</u>	<u>3,874,607</u>	<u>(297,398)</u>
<b>EXPENDITURES</b>				
Direct Personnel Costs	496,724	512,837	456,743	(56,094)
Indirect Cost Allocations	395,577	401,562	357,869	(43,693)
Support Services				
Operations and Maintenance	26,556	27,586	26,041	(1,545)
Development and Training	10,500	9,000	5,494	(3,506)
Travel and Transportation	7,155	10,655	10,223	(432)
Consulting and Services	63,740	8,650	-	(8,650)
Payment to Service Providers	1,613,810	2,993,535	2,676,205	(317,330)
Other Program Expenses	345,161	345,161	469,738	124,577
<b>Total Expenditures</b>	<u>2,959,223</u>	<u>4,308,986</u>	<u>4,002,313</u>	<u>(306,673)</u>
<b>Excess Revenues Over(Under) Expenditures</b>	(131,984)	(136,981)	(127,706)	9,275
Other Financing Sources (Uses)				
Transfers In	131,984	136,981	127,706	(9,275)
<b>Net Change In Fund Balance</b>	-	-	-	<u>\$ -</u>
<b>Fund Balance at July 1, 2015</b>	-	-	-	
<b>Fund Balance at June 30, 2016</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	

**CENTRAL MIDLANDS COUNCIL OF GOVERNMENTS  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE - TRANSPORTATION SPECIAL REVENUE FUND  
YEAR ENDED JUNE 30, 2016**

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>				
Federal Revenue	\$ 889,992	\$ 741,769	\$ 641,638	\$ (100,131)
Local Revenue	-	-	1,529	-
<b>Total Revenues</b>	<u>889,992</u>	<u>741,769</u>	<u>643,167</u>	<u>(100,131)</u>
<b>EXPENDITURES</b>				
Direct Personnel Costs	333,073	314,528	286,640	(27,888)
Indirect Cost Allocations	283,241	266,773	252,152	(14,621)
Support Services				
Operations and Maintenance	45,176	45,176	30,109	(15,067)
Development and Training	10,000	10,000	100	(9,900)
Travel and Transportation	8,500	8,500	185	(8,315)
Consulting and Services	425,000	274,735	130,302	(144,433)
Capital Outlays	7,500	7,500	-	(7,500)
Other Program Expenses	-	-	71,494	71,494
<b>Total Expenditures</b>	<u>1,112,490</u>	<u>927,212</u>	<u>770,982</u>	<u>(156,230)</u>
<b>Excess Revenues Over(Under) Expenditures</b>	(222,498)	(185,443)	(127,815)	56,099
Other Financing Sources (Uses)				
Transfers In	222,498	185,443	127,815	(57,628)
<b>Net Change In Fund Balance</b>	-	-	-	<u>\$ (1,529)</u>
<b>Fund Balance at July 1, 2015</b>	-	-	-	
<b>Fund Balance at June 30, 2016</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	

**CENTRAL MIDLANDS COUNCIL OF GOVERNMENTS  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE - WORKFORCE INVESTMENT ACT SPECIAL REVENUE FUND  
YEAR ENDED JUNE 30, 2016**

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>				
Federal Revenue	\$ 3,338,288	\$ 3,423,288	\$ 3,668,818	\$ 245,530
Local Revenue	-	-	44,374	44,374
<b>Total Revenues</b>	<u>3,338,288</u>	<u>3,423,288</u>	<u>3,713,192</u>	<u>289,904</u>
<b>EXPENDITURES</b>				
Direct Personnel Costs	1,350,853	1,207,115	1,161,773	(45,342)
Indirect Cost Allocations	860,192	772,350	760,825	(11,525)
Support Services				
Operations and Maintenance	352,835	350,661	421,706	71,045
Development and Training	12,500	30,000	29,963	(37)
Travel and Transportation	31,362	33,435	28,170	(5,265)
Consulting and Services	9,644	-	-	-
Payment to Service Providers	175,000	350,000	667,628	317,628
Other Program Expenses	578,902	734,727	643,129	(91,598)
<b>Total Expenditures</b>	<u>3,371,288</u>	<u>3,478,288</u>	<u>3,713,194</u>	<u>234,906</u>
<b>Excess Revenues Over(Under) Expenditures</b>	(33,000)	(55,000)	(2)	54,998
Other Financing Sources (Uses)				
Transfers Out	33,000	55,000	2	(54,998)
<b>Net Change In Fund Balance</b>	-	-	-	<u>\$ -</u>
<b>Fund Balance at July 1, 2015</b>	-	-	-	
<b>Fund Balance at June 30, 2016</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	

**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**

**INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
Central Midlands Council of Governments  
Columbia, South Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Central Midlands Council of Governments as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Council's basic financial statements, and have issued our report thereon dated November 16, 2016.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Council'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 opinions of the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control. Accordingly, we do not express an opinion on the effectiveness of the Council'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 reasonable possibility that a material misstatement of the Council'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 Central Midlands Council of Governments' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 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 Central Midlands Council of Governments' internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Central Midlands Council of Governments' internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

November 16, 2016

*Derrick, Stubbs & Stith, LLP*

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**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY the UNIFORM GUIDANCE**

**INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
Central Midlands Council of Governments  
Columbia, South Carolina

**Report on Compliance for Each Major Federal Program**

We have audited Central Midlands Council of Governments' (Council) 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 Council's major federal programs for the year ended June 30, 2016. The Council's major federal programs are identified in the summary of auditor's results section of the accompanying *Schedule of Findings and Questioned Costs*.

***Management's Responsibility***

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

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of Board's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administration 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 Board'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 for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Council's compliance.

**Opinion on Each Major Federal Program**

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

## Report on Internal Control Over Compliance

Management of Central Midlands Council of Governments is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Central Midlands Council of Governments' internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance 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 Central Midlands Council of Governments' internal control over compliance.

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

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.

*Derrick, Stubbs & Stith, LLP*

November 16, 2016

**CENTRAL MIDLANDS COUNCIL OF GOVERNMENTS  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
PERIOD ENDING JUNE 30, 2016**

Federal Grantor/Pass-Through Grantor Program Title	Federal CFDA Number	Pass through Grantor Number	Federal Disbursements/ Expenditures
<b>U.S. Department of Transportation, Federal Transit Administration</b>			
Direct Programs			
Section 5307	20.507	SC-90-X144-00	\$ 30,955
Section 5307	20.507	SC-90-X249-00	2,128
Section 5307	20.507	SC-90-X274-00	3,995
			<u>37,078</u>
JARC	20.516	SC-37-X018-00	59,887
JARC	20.516	SC-37-X011-00	29,412
			<u>89,299</u>
New Freedom	20.521	SC-57-X008-00	6,491
New Freedom	20.521	SC-57-X015-00	25,513
			<u>32,004</u>
Section 5310-1A	20.513	SC-16-X016-00	5,776
			<u>164,157</u>
Total Passed through USDOT, FTA			
Passed through SC Department of Transportation			
FHWA Planning	20.205		375,635
Rural Planning	20.205		85,000
Total Passed through SCDOT			<u>460,635</u>
Passed through SC Dept of Transportation, Office of Public Transit			
Regional Transit Plan	20.515	PT-40304-95	16,846
Total Passed through SCDOT, Office of Public Transit			16,846
Total U.S. Department of Transportation			<u>641,638</u>
<b>U.S. Department of Commerce</b>			
Direct Programs			
EDA Economic Indicators Project	11.303	04-06-07080	6,155
EDA Planning 1/1/2010-12/31/2012	11.302		23,400
EDA Planning 1/1/2013-12/31/2015	11.302	048306725	56,380
Total U.S. Department of Commerce			<u>85,935</u>
<b>U.S. Environmental Protection Agency</b>			
Passed through S.C. Department of Health & Environmental Control			
208 Water Quality Management Planning	66.454	EQ-5-363	26,799
208 Water Quality Management Planning	66.454	EQ-4-492	9,134
Total U.S. Environmental Protection Agency			<u>35,933</u>
<b>U.S. Department of Housing &amp; Urban Development</b>			
Passed through S.C. Department of Commerce			
CDBG Planning	14.228		50,000
CDBG Administration	14.228		75,039
Total U.S. Department of Housing & Urban Development			<u>125,039</u>
<b>US Department of Health &amp; Human Services</b>			
Passed through Lt. Governor's Office on Aging			
Title IIIB Planning & Administration	93.044		46,122
Title IIIC Planning & Administration	93.045		89,535
Title IIIE Planning & Administration	93.052		17,801
Title IIIB Supportive Services	93.044		597,867
Title IIIB Ombudsman	93.044		151,681
Title IIIC Nutrition Services	93.045		651,579
NSIP	93.053		95,482
Title VII Ombudsman	93.042		40,647
Title VII Elder Abuse	93.041		10,779
			<u>1,701,493</u>

**CENTRAL MIDLANDS COUNCIL OF GOVERNMENTS  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
PERIOD ENDING JUNE 30, 2016**

Federal Grantor/Pass-Through Grantor Program Title	Federal CFDA Number	Pass through Grantor Number	Federal Disbursements/ Expenditures
<b>US Department of Health &amp; Human Services (Continued)</b>			
Passed through Lt. Governor's Office on Aging (Continued)			
I-CARE	93.324		\$ 45,442
MIPPA - SHIP	93.071		30,770
MIPPA - ADRC	93.071		23,118
MIPPA - AAA	93.071		10,789
Senior Medicare Patrol	93.048		461
Title IIIIE Caregiver	93.052		192,761
Title IIID Preventative Health/Medication Management	93.043		27,135
ACL Disaster Assistance	93.048		11,317
Total Passes through Lt. Governor's Office on Aging			<u>341,793</u>
Passed through SC Department of Health & Environmental Control			
Preventive Health & Health Services Block Grant	93.758	ML-6-307	<u>15,611</u>
Total U.S. Department of Health & Human Services			<u>2,058,897</u>
<b>US Department of Labor</b>			
Passed through S.C. Department of Employment & Workforce			
WIA - Adult	17.258	*	13A005 14A005 854,955
WIA - Youth	17.259	*	13Y005 14Y005 1,121,892
Incentive	17.259	*	-
WIA - Dislocated Worker	17.278	*	13DW005 14DW005 875,326
Rapid Response/Incumbent Worker Training	17.278	*	15RRIWT03 16,000
Rapid Response/Incumbent Worker Training	17.278	*	14RRIWT12 4,740
Rapid Response/Incumbent Worker Training	17.278	*	14RRIWT14 65,553
Incumbent Worker Training	17.259	*	15IWT05 75,837
Rapid Response	17.278	*	14RRA05 249,661
National Dislocated Worker Grant	17.277	*	15DWG05 389,741
Total Passed through SCDEW			<u>3,653,705</u>
Passed through Midlands Technical College			
GRIT	17.268		<u>13,679</u>
Total U.S. Department of Labor			<u>3,667,384</u>
<b>US Department of Homeland Security</b>			
Passed through S.C. Emergency Management Division			
Pre-Disaster Mitigation	97.047	PDMC-PL-04-SC-2014-003	<u>65,483</u>
<b>US Department of Defense</b>			
Direct Program			
Joint Land Use Study	12.610		<u>6,910</u>
<b>Total Expenditures of Federal Awards</b>			<u>\$ 6,687,219</u>

\* Audited as major program

Summary of Significant Accounting Policies:

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Central Midlands Council of Governments under programs of the federal government for the year ended June 30, 2016. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Because the schedule presents only a selected portion of the operations of Central Midlands Council of Governments, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Central Midlands Council of Governments.

Note 2. Summary of Significant Accounting Principles

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Central Midlands Council of Governments has not elected to use the 10-percent de Minimis indirect cost rate as allowed under the Grant Guidance.

**CENTRAL MIDLANDS COUNCIL OF GOVERNMENTS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2016**

**I. Summary of Auditor's Results:**

***Financial Statements***

Type of report issued on financial statements	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	None Identified
Significant deficiency(ies) identified?	None Identified
Noncompliance material to the financial statements noted?	None Reported

***Federal Awards***

Internal control over major programs:	
Material weakness(es) identified?	None Identified
Significant deficiency(ies) identified?	None Identified

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 section 510(a) of Circular A-133? None Disclosed

<u>U.S. Department of Labor:</u>	<u>CFDA#</u>	<u>Expenditure</u>
WIA – Adult Program	17.258	\$ 854,955
WIA – Youth Activities	17.259	1,197,729
WIA – Dislocated Worker Formula Grants	17.278	<u>1,601,021</u>
	Total	\$ <u>3,653,705</u>

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

Central Midlands Council of Governments qualifies as a low risk auditee Yes

**II. Findings 2016 Financial Statement Audit** None Reported

**III. Findings and Questioned Costs for Federal Awards** None Reported

**CENTRAL MIDLANDS COUNCIL OF GOVERNMENTS  
SCHEDULE OF PRIOR AUDIT FINDINGS  
YEAR ENDED JUNE 30, 2016**

There were no prior audit findings.

**CENTRAL MIDLANDS COUNCIL OF GOVERNMENTS  
SCHEDULE OF CORRECTIVE ACTION PLAN  
JUNE 30, 2016**

No corrective action plan is required for the year ended June 30, 2016.