

**CENTRAL MIDLANDS
COUNCIL OF GOVERNMENTS**

**FINANCIAL AND
COMPLIANCE REPORT**

JUNE 30, 2019

CENTRAL MIDLANDS COUNCIL OF GOVERNMENTS

FOR THE YEAR ENDED JUNE 30, 2019

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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, 2019, 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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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, 2019, and the respective changes in financial position 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 4 - 7, the budgetary comparison information on pages 48 - 51, and information concerning the Council's retirement and OPEB plans on pages 44 - 47 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming 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, and the schedule of expenditures of federal awards 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* (Uniform Guidance), are presented for purposes of additional analysis and are 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information, as listed in the table of contents, and the schedule of expenditures of federal awards are 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 May 26, 2020, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Council's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Council's internal control over financial reporting and compliance.

Mauldin & Jenkins, LLC

Columbia, South Carolina
May 26, 2020

CENTRAL MIDLANDS COUNCIL OF GOVERNMENTS

MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2019. 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:

- The net position of the Council was (\$6,041,873) at the close of the most recent fiscal year.
- As the close of the current fiscal year, the Council's governmental funds reported an increase of \$343,033 in the total fund balance with a combined ending fund balance of \$1,167,257.
- The increase in the fund balance was due to closely monitoring expenditures and reducing expenditures where possible.

Overview of the Financial Statements

The financial statements for FY2019 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.

CENTRAL MIDLANDS COUNCIL OF GOVERNMENTS

MANAGEMENT'S DISCUSSION AND ANALYSIS

Government-wide Financial Statements

A comparative condensed version of the Statement of Net Position at June 30, 2019, and June 30, 2018, follows:

Net Position at Year-End

<u>Governmental Activities</u>	<u>FY2019</u>	<u>FY2018</u>
Cash and Cash Equivalents	\$ 220,834	\$ 331,715
Other Assets	3,650,215	2,173,176
Capital Assets	<u>517,634</u>	<u>493,385</u>
Total Assets	<u>4,388,683</u>	<u>2,998,276</u>
 Deferred Outflows Related to Pensions and OPEB	 <u>565,549</u>	 <u>738,134</u>
 Current Liabilities	 2,377,786	 1,854,843
Long-Term Liabilities	<u>6,446,484</u>	<u>7,385,966</u>
Total Liabilities	<u>8,824,270</u>	<u>9,240,809</u>
 Deferred Inflows Related to Pensions and OPEB	 <u>2,171,835</u>	 <u>1,739,474</u>
 Net Position:		
Invested in capital assets	517,634	493,385
Unrestricted	(6,559,507)	(7,737,258)
Total Net Position (Deficit)	\$ (6,041,873)	\$ (7,243,873)

A comparative condensed version of the Statement of Activities follows:

Governmental Activities

For the Years Ended June 30, 2019 and June 30, 2018

<u>Revenue</u>	<u>FY2019</u>	<u>FY2018</u>
Program Revenue	\$ 12,062,837	\$ 8,946,033
General Revenue		
Membership Dues	554,057	545,302
State Aid	70,407	70,407
Interest Income	326	194
Other Revenue	<u>60,125</u>	<u>50,685</u>
Total Revenue	<u>12,747,752</u>	<u>9,612,621</u>
 <u>Expenses</u>		
Direct Personnel Costs	1,523,079	1,959,014
Operations and Maintenance	799,775	776,169
Development and Training	30,075	32,014
Travel and Transportation	64,859	70,982
Consulting Services	504,584	291,763
Payments to contractors	8,172,300	5,370,627
Other Program Expenses	418,425	518,252
Unallocated Depreciation	<u>32,655</u>	<u>17,936</u>
Total	<u>11,545,752</u>	<u>9,036,757</u>
 Change in Net Position	 1,202,000	 575,864
Beginning in Net Position	(7,243,873)	(7,819,737)
Ending Net Position	\$ (6,041,873)	\$ (7,243,873)

CENTRAL MIDLANDS COUNCIL OF GOVERNMENTS

MANAGEMENT’S DISCUSSION AND ANALYSIS

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 assess 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>FY2019</u>	<u>FY2018</u>
Total Assets	\$ <u>5,062,978</u>	\$ <u>2,899,347</u>
Current Liabilities	<u>3,895,721</u>	<u>2,075,123</u>
Fund Balances:		
Nonspendable for prepaid items	25,499	20,566
Nonspendable for deposits	9,644	9,644
Assigned for special purposes	235,030	243,091
Unassigned	<u>897,084</u>	<u>550,923</u>
Total Fund Balances	\$ <u>1,167,257</u>	\$ <u>824,224</u>

Budgetary Highlights

The Council adopts a balanced budget with budgeted expenditures equaling budgeted revenues. During the fiscal year, the Council revised the budget to adjust the estimates used to prepare the original budget. This is routinely done each year to reflect changes in funding sources, which necessitate changes in expenditures

Capital Assets

At June 30, 2019, the COG had \$517,634 in capital assets.

	<u>FY2019</u>	<u>FY2018</u>
Land	\$ 130,848	\$ 130,848
Building	283,774	299,527
Furniture and Equipment	<u>103,012</u>	<u>63,010</u>
Net Capital Assets	\$ <u>517,634</u>	\$ <u>493,385</u>

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, 2019, the accrued annual leave balance equates to \$161,895. In the audited financial statements, the accrued annual leave balance is classified as current.

Economic Factors and Next Year’s Budget

During the FY2019, economic factors and potential new resources are following:

- Management will continue to monitor all core programs for during the new fiscal year and make any necessary or required adjustments to expenses so that the Council remains fiscally sound.
- Management will use Census 2020 population numbers to adjust membership dues once the official population numbers are released. That adjustment may happen sometime during this fiscal year.

CENTRAL MIDLANDS COUNCIL OF GOVERNMENTS

MANAGEMENT'S DISCUSSION AND ANALYSIS

- The Council receives an appropriation from the General Assembly each year. These funds are subject to reduction at any time. The Council is expecting for additional funding from the General Assembly to restore funding to previous pre-recession funding levels. The additional state aid will allow the Council to further expand its services. Any local dollars (membership dues) the Council receives are used for grant matching requirements. This additional funding would increase from \$70,407 to \$140,815, if restored to pre-recession funding.
- The Council is the Administrative and Fiscal Agent for the Midlands Workforce Development Board in support of the Workforce Innovation Opportunity ACT (WIOA) program for the Central Midlands Region.
- The Council will continue to work with the Office of Economic Adjustment, Department of Defense Community Planning to implement the Joint Land Use Plans.
- The Council operates two centers in the Central Midlands Region (Fairfield, Lexington and Richland counties) and continues to work for unemployed/under employed citizens to receive WIOA program benefits.
- The Council will continue to provide planning and technical assistance to the counties and municipalities within the Central Midlands region.
- The Council is currently working on the Long Range Transportation Plan (LRTP) and various other studies to address transportation issues throughout the region.
- As a 501(c)3, the Central Midlands Development Corporation (CMDC) will continue to take a more active role in seeking grant and foundation funding opportunities. The CMDC will continue to function as the fiscal agent for the Midlands Food Alliance and continue to seek grant funding to support their regional food system planning efforts.
- As always, 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.

Requests for Financial Information

This financial information is designed to provide a general overview of the Council's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Benjamin Mauldin, Executive Director
or Chanell Jackson, Finance Director
Central Midlands Councils of Government
236 Stoneridge Drive
Columbia, SC 29210

CENTRAL MIDLANDS COUNCIL OF GOVERNMENTS
STATEMENT OF NET POSITION
JUNE 30, 2019

	Governmental Activities	Component Unit
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 220,834	\$ 38,470
Due from Federal government	3,054,874	-
Due from State government	411,130	-
Accounts receivable	149,068	-
Prepaid expenses	25,499	-
Security deposit	9,644	-
Total current assets	<u>3,871,049</u>	<u>38,470</u>
Noncurrent Assets		
Capital Assets		
Non depreciable capital assets	130,848	-
Depreciable assets, net of accumulated depreciation	386,786	-
Total noncurrent assets	<u>517,634</u>	<u>-</u>
Total assets	<u>4,388,683</u>	<u>38,470</u>
Deferred Outflows of Resources		
Deferred outflows related to pensions	422,547	-
Deferred outflows related to other postemployment benefits	143,002	-
Total deferred outflows of resources	<u>565,549</u>	<u>-</u>
LIABILITIES		
Current Liabilities		
Accounts payable	2,181,128	-
Accrued payroll liabilities	34,763	-
Accrued annual leave	161,895	-
Total current liabilities	<u>2,377,786</u>	<u>-</u>
Noncurrent Liabilities		
Net pension liability	3,385,630	-
Net other postemployment benefits liability	2,572,953	-
Unearned revenue	487,901	1,107
Total noncurrent liabilities	<u>6,446,484</u>	<u>1,107</u>
Total liabilities	<u>8,824,270</u>	<u>1,107</u>
Deferred Inflows of Resources		
Pensions	1,851,976	-
Other postemployment benefits	319,859	-
Total deferred inflows of resources	<u>2,171,835</u>	<u>-</u>
Net Position (Deficit)		
Invested in capital assets	517,634	-
Unrestricted	(6,559,507)	37,362
Total net position (deficit)	<u>\$ (6,041,873)</u>	<u>\$ 37,362</u>

See notes to the financial statements.

CENTRAL MIDLANDS COUNCIL OF GOVERNMENTS
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2019

	Expenses	Primary Government Functions/Programs			Component Unit
		General Administration	Program Administration	Local Planning Assistance	
Governmental Activities					
Direct personnel costs	\$ 1,523,079	\$ 331,910	\$ 1,186,210	\$ 4,959	\$ -
Indirect cost allocations	-	(1,223,504)	1,220,183	3,321	-
Support services					
Operations and maintenance	799,775	260,207	539,568	-	12,983
Development and training	30,075	5,265	24,810	-	-
Travel and transportation	64,859	27,052	37,807	-	-
Consulting services	504,584	5,592	469,978	29,014	-
Payments to contractors	8,172,300	-	8,172,300	-	-
Other program expenses	418,425	-	418,418	7	-
Unallocated depreciation	32,655	32,655	-	-	-
Total governmental activities	<u>11,545,752</u>	<u>(560,823)</u>	<u>12,069,274</u>	<u>37,301</u>	<u>12,983</u>
Program Revenues					
Operating grants and contributions	12,062,837	-	12,034,266	28,571	5,539
Net program (expense) revenue	<u>517,085</u>	<u>\$ 560,823</u>	<u>\$ (35,008)</u>	<u>\$ (8,730)</u>	<u>(7,444)</u>
General Revenues					
Membership dues	554,057				-
State aid	70,407				-
Interest income	326				-
Other revenue	60,125				-
Total general revenues	<u>684,915</u>				<u>-</u>
Change in net position	1,202,000				(7,444)
Net position (deficit), beginning of year	<u>(7,243,873)</u>				<u>44,806</u>
Net position (deficit), end of year	<u>\$ (6,041,873)</u>				<u>\$ 37,362</u>

See notes to the financial statements.

CENTRAL MIDLANDS COUNCIL OF GOVERNMENTS
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2019

	Special Revenue Funds					Total
	General	Aging	Transportation	Workforce Innovation and Opportunity Act	Non-major Governmental Funds	
ASSETS						
Cash and cash equivalents	\$ 220,834	\$ -	\$ -	\$ -	\$ -	\$ 220,834
Due from Federal government	-	281,845	427,401	2,312,874	32,754	3,054,874
Due from State government	-	411,130	-	-	-	411,130
Due from other funds	841,023	-	-	-	350,906	1,191,929
Accounts receivable	129,133	-	-	15,963	3,972	149,068
Prepaid expenses	25,499	-	-	-	-	25,499
Security deposit	9,644	-	-	-	-	9,644
Total assets	<u>1,226,133</u>	<u>692,975</u>	<u>427,401</u>	<u>2,328,837</u>	<u>387,632</u>	<u>5,062,978</u>
LIABILITIES AND FUND BALANCES						
Liabilities						
Accounts payable	58,876	393,145	166,853	1,584,144	12,873	2,215,891
Unearned revenue	-	86,710	17,431	9,001	374,759	487,901
Due to other funds	-	213,120	243,117	735,692	-	1,191,929
Total liabilities	<u>58,876</u>	<u>692,975</u>	<u>427,401</u>	<u>2,328,837</u>	<u>387,632</u>	<u>3,895,721</u>
Fund Balances						
Nonspendable for prepaid items	25,499	-	-	-	-	25,499
Nonspendable for security deposit	9,644	-	-	-	-	9,644
Assigned for special purposes	235,030	-	-	-	-	235,030
Unassigned	897,084	-	-	-	-	897,084
Total fund balances	<u>1,167,257</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,167,257</u>
Total liabilities and fund balances	<u>\$ 1,226,133</u>	<u>\$ 692,975</u>	<u>\$ 427,401</u>	<u>\$ 2,328,837</u>	<u>\$ 387,632</u>	<u>\$ 5,062,978</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, 2019**

Amounts reported for governmental activities in the Statement of Net Position are different because:

Fund Balance of Governmental Funds	\$	1,167,257
Capital Assets, net of depreciation, are not current financial resources and are not included in the governmental funds		517,634
Net pension and OPEB liability, is not due and payable in the current period and, therefore, is not reported in the funds:		
Net Pension Liability		(3,385,630)
Net Other Postemployment Benefits Liability		(2,572,953)
Deferred outflows and inflows of resources related to pensions and OPEB are applicable to future periods and, therefore, are not reported in the funds.		
Deferred outflows of resources related to pensions		422,547
Deferred outflows related to other postemployment benefits		143,002
Deferred inflows of resources related to pensions		(1,851,976)
Deferred inflows related to other postemployment benefits		(319,859)
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>(161,895)</u>
Net Position of Governmental Activities	\$	<u>(6,041,873)</u>

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, 2019

	Special Revenue Funds					Total
	General	Aging	Transportation	Workforce Innovation And Opportunity Act	Non-major Governmental Funds	
Revenues						
Membership dues	\$ 554,057	\$ -	\$ -	\$ -	\$ -	\$ 554,057
State aid	70,407	-	-	-	-	70,407
Federal revenue	5,000	2,883,326	879,118	6,285,274	164,079	10,216,797
State revenue	-	1,518,711	-	-	-	1,518,711
Local revenue	31,736	20	157,965	37,844	5,172	232,737
Interest income	326	-	-	-	-	326
Other revenue	433	-	-	-	59,692	60,125
Total revenues	<u>661,959</u>	<u>4,402,057</u>	<u>1,037,083</u>	<u>6,323,118</u>	<u>228,943</u>	<u>12,653,160</u>
Expenditures						
Direct personnel costs	1,072,036	466,483	277,970	339,119	107,597	2,263,205
Indirect cost allocations	(1,223,504)	498,242	311,746	300,978	112,538	-
Support services						
Operations and maintenance	260,207	37,717	27,633	524,224	6,898	856,679
Development and training	5,265	15,240	2,027	4,902	2,641	30,075
Travel and transportation	27,052	26,225	24	11,505	53	64,859
Unearned revenue	5,592	1,443	439,420	1,332	56,797	504,584
Payments to contractors	-	2,928,830	-	5,237,902	5,568	8,172,300
Other program expenses	-	387,396	23,935	6,960	134	418,425
Total expenditures	<u>146,648</u>	<u>4,361,576</u>	<u>1,082,755</u>	<u>6,426,922</u>	<u>292,226</u>	<u>12,310,127</u>
Excess revenues over (under) expenditures	<u>515,311</u>	<u>40,481</u>	<u>(45,672)</u>	<u>(103,804)</u>	<u>(63,283)</u>	<u>343,033</u>
Other Financing Sources (Uses)						
Transfers in	-	-	45,672	103,804	63,283	212,759
Transfers out	(172,278)	(40,481)	-	-	-	(212,759)
Total other financing sources (uses)	<u>(172,278)</u>	<u>(40,481)</u>	<u>45,672</u>	<u>103,804</u>	<u>63,283</u>	<u>-</u>
Net change in fund balance	343,033	-	-	-	-	343,033
Fund balances, beginning of year	<u>824,224</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>824,224</u>
Fund balances, end of year	<u>\$ 1,167,257</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,167,257</u>

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, 2019

Net Change in Fund Balances - Total Governmental Funds	\$	343,033
<p>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:</p> <p>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:</p>		
Additions		56,904
Depreciation expense		(32,655)
<p>Governmental funds report pension contributions as expenditures; however, in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.</p>		
Council pension contributions	\$ 228,332	
Pension expense	<u>613,213</u>	841,545
<p>Governmental funds report OPEB contributions as expenditures; however, in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.</p>		
Council OPEB contributions	\$ 94,592	
OPEB expense	<u>(113,700)</u>	(19,108)
<p>Accrued annual leave is measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This year, the amounts used exceeded the amount accrued for annual leave</p>		
		<u>12,281</u>
Change in Net Position of Governmental Activities	\$	<u><u>1,202,000</u></u>

See notes to the financial statements.

CENTRAL MIDLANDS COUNCIL OF GOVERNMENTS

NOTES TO FINANCIAL STATEMENTS

NOTE 1. DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of the Central Midlands Council of Governments (the "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 Governmental Accounting Standards Board (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 (CMDC) is a legally separate entity with a separate board of directors. The CMDC is fiscally dependent on the Council. 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.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation:

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.

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 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.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Financial Statements (Continued):

The Aging Special Revenue Fund:

The Aging Special Revenue fund is used to account for receipts and expenditures of money passed through the South Carolina Department 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 Innovation and Opportunity Act (WIOA) Special Revenue Fund:

The Workforce Innovation and Opportunity Act (WIOA) 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.

Additionally, the Council reports the following fund type:

The Nonmajor Special Revenue Funds:

The Nonmajor Special Revenue Funds are operating funds used to account for the proceeds of specific revenue sources that are legally restricted for specific purposes.

Measurement Focus and Basis of Accounting:

Government-wide 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.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus and Basis of Accounting (Continued):

Governmental Fund Financial Statements (Continued):

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 unearned revenues.

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, 2019, 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. 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 2019, the Council did approve budgetary expenditure amendments.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus and Basis of Accounting (Continued):

Budget (Continued):

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 and Opportunity 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 Executive Director and all program directors and managers receive interim financial reports. Progress reports on the Council's budgetary and fiscal status are submitted to the Board of Directors quarterly. Significant variations are explained. Problem areas and the probable solutions are identified. All actual revenues and expenditures over final budget amounts for the general fund and each special revenue funds are funded by overages of other accounts within the fund. Overages in total in the special revenue funds will be covered by the transfers from the general fund.

When the Executive Director determines that it is necessary to amend the budget, the amended budget is taken to the Executive Committee for approval. Revisions may be considered to reflect: (1) changes made by the addition of new grant awards not anticipated in preparing the initial budget; (2) additional costs incurred as a result of increased work activities; or (3) unanticipated costs which have occurred beyond normal operating control.

The Aging, Transportation, and Workforce Investment and Opportunity 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 Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, Subpart E – *Cost Principles*. 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 Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, Subpart E – *Cost Principles*, the cost allocations are subject to subsequent federal audit or review.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 using the consumption method. An asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year which services are consumed.

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 acquisition 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 are as follows:

Buildings and improvements	15-40 years
Equipment	3-10 years

Deferred Outflows/Inflows of Resources:

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until then. The Council has two items that qualify for reporting in this category for inflows related to pensions and other postemployment benefits (OPEB). The inflows related to pensions are described in Notes 9 and 10.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Outflows/Inflows of Resources (Continued):

Deferred outflows of resources represent consumption of net position that is applicable to a future period. Changes in net pension and net OPEB liabilities not included in expenses are reported as deferred outflows of resources or deferred inflows of resources. Employer contributions subsequent to the measurement date of the net pension and net OPEB liabilities are reported as deferred outflows of resources.

Unearned Revenues:

Unearned revenues in the governmental funds include amounts received from grant and contract sponsors that have not yet been earned due to being in advance of meeting eligibility requirements.

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 457. 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.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Postemployment Benefits Other Than Pensions (OPEB):

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the South Carolina Retiree Health Insurance Trust Fund (SCRHITF) and additions to/deductions from the SCRHITF's fiduciary net position have been determined on the accrual basis of accounting as they are reported by the SCRHITF in accordance with generally accepted accounting principles (GAAP). For this purpose, revenues are recognized when earned and expenses and benefits are recognized when incurred. Claims liabilities are reported when it is probable that a loss has occurred and the amount can be reasonably estimated. 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.

Net Position/Fund Balances:

The Council's net position in the government-wide financial statements are classified as follows:

Investment in Capital Assets:

This represents the Council's total investment in capital assets, net of accumulated depreciation.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position/Fund Balances (Continued):

Restricted:

This category represents 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.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position/Fund Balances (Continued):

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. The Council reports positive unassigned fund balance only in the General Fund. For all other funds, any deficits in Fund balance of year-end will be reported as unassigned.

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 INVESTMENTS

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Observable inputs are developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are developed based on the best information available about the assumptions market participants would use in pricing the asset. The classification of securities within the fair value hierarchy is based upon the activity level in the market for the security type and the inputs used to determine their fair value, as follows:

Level 1 - unadjusted price quotations in active markets/exchanges for identical assets or liabilities that each Fund has the ability to access.

Level 2 - other observable inputs (including, but not limited to, quoted prices for similar assets or liabilities in markets that are active, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the assets and liabilities (such as interest rates, yield curves, volatilities, loss severities, credit risks and default rates) or other market-corroborated inputs).

NOTES TO FINANCIAL STATEMENTS

NOTE 2. CASH AND INVESTMENTS (CONTINUED)

Level 3 - unobservable inputs based on the best information available in the circumstances, to the extent observable inputs are not available (including each Fund's own assumptions used in determining the fair value of investments).

Cash and Investments

The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). Accordingly, the degree of judgment exercised in determining fair value is greatest for instruments categorized in Level 3. The inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the fair value hierarchy classification is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

The Council maintains a cash and cash equivalent investment pool that is available for use by all funds. Each fund portion of this pool is shown on the balance sheet as pooled cash and cash equivalents. Transfers from the Local Government Investment Pool (LGIP) are made at the request of the Council.

Individual funds may maintain cash and cash equivalents separate from the pool for convenience and control. Petty cash and working funds are maintained for nonrecurring incidental purchases. Such holdings are shown on the governmental balance sheet as non-pooled cash and cash equivalents.

Investments with maturities greater than three (3) months are shown on the balance sheet by fund type as investments.

Total cash and investments at June 30, 2019, is as follows:

	Statement of Net Position	Total
Total non-pooled cash and equivalents	\$ 220,834	\$ 220,834

Non-pooled cash and investments at June 30, 2019 consists of the following:

Demand deposits		\$ 207,275
Cash on hand		40
LGIP		13,519
Total non-pooled cash and investments		\$ 220,834

Deposits with financial institutions include bank demand deposits.

NOTES TO FINANCIAL STATEMENTS

NOTE 2. CASH AND INVESTMENTS (CONTINUED)

Credit Risk:

South Carolina statutes authorize investments in certificates of deposit, savings accounts, repurchase agreements, the State Treasurer's Local Government Investment Pool, obligations of the U.S. Government and government agencies unconditionally guaranteed by the U.S. Government. The Council has no investment policy that would further restrict its choices.

At June 30, 2019, the Council's investments were rated as follows:

<u>Investment Type</u>	<u>Classification</u>	<u>Total</u>
SC Local Government Investment Pool	Level 2	<u>\$ 13,519</u>

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, 2019, the underlying security ratings of the Council's investment in the 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 LGIP. 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 is the risk that in the event of a bank failure, the Council's cash equivalents and deposits may not be returned to the Council. At year-end, the Council's net carrying amount of deposits was \$207,275 and the bank balance was \$272,213. Of these deposits, \$250,000 was covered by federal depository insurance.

NOTES TO FINANCIAL STATEMENTS

NOTE 2. CASH AND INVESTMENTS (CONTINUED)

Custodial Credit Risk (Continued):

As of June 30, 2019, the Council held the following investments:

Investment Type	Balance Sheet Classification	Carrying Value	% of Investment Portfolio
SC Local Government Investment Pool	Cash and Equivalents	\$ 13,519	100%

Foreign Currency Risk:

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. The Council does not maintain deposits that are denominated in a currency other than the United States dollar; therefore, the Council 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%) investments, when needed.

NOTE 3. LONG-TERM LIABILITIES

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

	Balance July 1, 2018	Additions	Deletions	Balance July 1, 2019	Due Within One Year
Accrued annual leave	\$ 174,176	\$ 101,764	\$ 114,045	\$ 161,895	\$ 161,895
Net pension liability	\$ 4,810,280	-	\$ 1,424,650	\$ 3,385,630	-
Net OPEB liability	\$ 2,575,686	\$ 209,798	\$ 212,531	\$ 2,572,953	-

For the governmental activities, compensated absences, net pension liability, and net OPEB liability 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 with a maturity date of January 25, 2019. The Council received an extension of the line-of-credit with a maturity date of January 25, 2021. 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 1.25%, with an interest floor of 5.0% and with an interest rate ceiling of 18.0%. The Council did not use the credit line during fiscal year 2019. There is \$0 outstanding on the line-of-credit at June 30, 2019, and no interest was paid during the year ended June 30, 2019.

NOTES TO FINANCIAL STATEMENTS

NOTE 5. CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended June 30, 2019:

Governmental Activities:

	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019
<u>Capital Assets, Not Being Depreciated:</u>				
Land	\$ 130,848	\$ -	\$ -	\$ 130,848
 <u>Capital Assets, Being Depreciated:</u>				
Building	691,834	-	-	691,834
Equipment and furniture	321,936	56,904	-	378,840
Total Capital Assets, Being Depreciated	1,013,770	56,904	-	1,070,674
 <u>Less Accumulated Depreciation For:</u>				
Building	(392,307)	(15,753)	-	(408,060)
Equipment and furniture	(258,926)	(16,902)	-	(275,828)
Total Accumulated Depreciation	(651,233)	(32,655)	-	(683,888)
Total Capital Assets, Being Depreciated, Net	\$ 493,385	\$ 24,249	\$ -	\$ 517,634

Depreciation expense of \$32,655 was unallocated in the primary government.

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:

2020	\$ 176,263
2021	176,470
2022	168,879
2023	118,583
2024	96,910
Total	\$ 737,105

During the year ended June 30, 2019, the Council paid \$188,076 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 \$554,057.

NOTES TO FINANCIAL STATEMENTS

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 the South Carolina Retirement System (SCRS). The South Carolina Public Employee Benefit Authority (PEBA), which was created July 1, 2012, administers the various retirement systems and retirement programs managed by its Retirement Division. PEBA has an 11-member Board of Directors, appointed by the Governor and General Assembly leadership, which serves as co-trustee and co-fiduciary of the systems and the trust funds. By law, the State Fiscal Accountability Authority (SFAA), which consists of five elected officials, also reviews certain PEBA Board decisions regarding the funding of the Systems and serves as a co-trustee of the Systems in conducting that review. PEBA issues a Comprehensive Annual Financial Report (CAFR) containing financial statements and required supplementary information for the South Carolina Retirement Systems' Pension Trust Funds. The CAFR is publicly available on the Retirement Benefits' link on PEBA's website at www.peba.sc.gov, or a copy may be obtained by submitting a request to PEBA, 202 Arbor Lake Drive, Columbia, SC 29223. PEBA is considered a division of the primary government of the state of South Carolina and, therefore, retirement trust fund financial information is also included in the comprehensive annual financial report of the state.

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

Membership

Membership requirements are prescribed in Title 9 of the South Carolina Code of Laws. A brief summary of the requirements under each system is presented on the following page.

NOTES TO FINANCIAL STATEMENTS

NOTE 9. EMPLOYEE RETIREMENT PLAN (CONTINUED)

South Carolina Retirement System (Continued)

SCRS:

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

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 legislative change in the code of laws. Key elements of the benefit calculation include the benefit multiplier, years of service, and average final compensation. A brief summary of benefit terms for each system is presented below.

SCRS:

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

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

NOTES TO FINANCIAL STATEMENTS

NOTE 9. EMPLOYEE RETIREMENT PLAN (CONTINUED)

South Carolina Retirement System (Continued)

Contributions:

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

After June 30, 2027, if the most recent annual actuarial valuation of the Systems for funding purposes shows a ratio of greater than eighty-five percent, then the Board, effective on the following July first, may decrease the then current contribution rates upon making a finding that the decrease will not result in a funded ratio of less than eighty-five percent. If contribution rates are decreased pursuant to this provision, and the most recent annual actuarial valuation of the System shows a funded ratio of less than eighty-five percent, then effective on the following July first, and annually thereafter as necessary, the Board shall increase the then current contribution rates until a subsequent annual actuarial valuation of the System shows a funded ratio that is equal to or greater than eighty-five percent.

The Retirement System Funding and Administration Act establishes a ceiling on employee contribution rates at 9 percent for SCRS. The employer contribution rates will continue to increase annually by 1 percent through July 1, 2022. The legislation's ultimate scheduled employer rates are 18.56 percent for SCRS. The amortization period is scheduled to be reduced one year for each of the next 10 years to a twenty year amortization period.

Required employee contribution rates for fiscal year 2018-2019 are as follows:

SCRS

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

Required employer contribution rates for fiscal year 2018-2019 are as follows:

SCRS

Employer Class Two	14.41% of earnable compensation
Employer Class Three	14.41% of earnable compensation
Employer Incidental Death Benefit	0.15% of earnable compensation

NOTES TO FINANCIAL STATEMENTS

NOTE 9. EMPLOYEE RETIREMENT PLAN (CONTINUED)

Actuarial Assumptions:

Actuarial valuations involve estimates of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and future salary increases. Actuarial assumptions and methods used during the valuation process are subject to periodic revision with an experience study, as actual results are compared with past expectations and new estimates are made about the future. South Carolina state statute requires that an actuarial experience study be completed at least once in each five-year period. An experience report on the Systems was most recently issued as of July 1, 2015.

The following provides a summary of the actuarial assumptions and methods used to calculate the TLP as of June 30, 2018.

Actuarial cost method	Entry age normal
Inflation	2.25 percent
Projected salary increases	3.0% to 12.5% (varies by service)
Investment rate of return	7.25%, including inflation
Benefit adjustments	Lesser of 1% or \$500

The post-retiree mortality assumption is dependent upon the member's job category and gender. This assumption includes base rates which are automatically adjusted for future improvement in mortality using published Scale AA projected from the year 2016. Assumptions used in the determination of the June 30, 2018, TPL are as follows:

Former Job Class	Males	Females
Educators	2016 PRSC Males multiplied by 92%	2016 PRSC Females multiplied by 98%
General Employees and Members of the General Assembly	2016 PRSC Males multiplied by 100%	2016 PRSC Females multiplied by 111%
Public Safety and Firefighters	2016 PRSC Males multiplied by 125%	2016 PRSC Females multiplied by 111%

NOTES TO FINANCIAL STATEMENTS

NOTE 9. EMPLOYEE RETIREMENT PLAN (CONTINUED)

Net Pension Liability:

The net pension liability (NPL) is calculated separately for each system and represents that particular system's total pension liability determined in accordance with GASB No. 67 less that System's fiduciary net position. NPL totals, as of June 30, 2018, for SCRS are presented below:

System	Total Pension Liability	Plan Fiduciary Net Position	Employers' Net Pension Liability	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
SCRS	\$ 7,376,100	\$ 3,990,470	\$ 3,385,630	54.10%

The total pension liability is calculated by the Systems' actuary, and each plan's fiduciary net position is reported in the Systems' financial statements. The net pension liability is disclosed in accordance with the requirements of GASB 67 in the Systems' notes to the financial statements and required supplementary information. Liability calculations performed by the Systems' actuary for the purpose of satisfying the requirements of GASB Nos. 67 and 68 are not applicable for other purposes, such as determining the plans' funding requirements.

At June 30, 2019, the Council reported a liability of \$3,385,630 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018. 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, 2018, the Council's proportion was 0.015110% which was a decrease of 0.006258% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the Council recognized pension expense of (\$613,213).

Long-Term Expected Rate of Return:

The long-term expected rate of return on pension plan investments is based upon 30 year capital market assumptions. The long-term expected rate of returns represent assumptions developed using an arithmetic building block approach primarily based on consensus expectations and market based inputs. Expected returns are net of investment fees.

The expected returns, along with the expected inflation rate, form the basis for the revised target asset allocation adopted at the beginning of the 2018 fiscal year. The long-term expected rate of return is produced by weighting the expected future real rates of return by the target allocation percentage and by adding expected inflation and is summarized in the table on the following page. For actuarial purposes, the 7.25 percent assumed annual investment rate of return used in the calculation of the total pension liability includes a 5.00 percent real rate of return and a 2.25 percent inflation component.

NOTES TO FINANCIAL STATEMENTS

NOTE 9. EMPLOYEE RETIREMENT PLAN (CONTINUED)

Long-Term Expected Rate of Return (Continued):

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

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

Discount Rate:

The discount rate used to measure the total pension liability was 7.25 percent. The projection of cash flows used to determine the discount rate assumed that the funding policy specified in the South Carolina State Code of Laws will remain unchanged in the future years. Based on those assumptions, each System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

NOTES TO FINANCIAL STATEMENTS

NOTE 9. EMPLOYEE RETIREMENT PLAN (CONTINUED)

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 7.25 %, 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 (6.25 %) or 1-percentage-point higher (8.25 %) than the current rate:

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

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Council's proportionate share of the net pension liability	\$ 4,326,206	\$ 3,385,630	\$ 2,713,208

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

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 6,111	\$ 19,923
Changes in assumptions	134,323	-
Net difference between projected and actual earnings on pension plan investments	53,781	-
Changes in proportions and differences between Council contributions and proportionated share of contributions	-	1,832,053
Council contributions subsequent to the measurement date	228,332	-
Total	\$ 422,547	\$ 1,851,976

Council contributions subsequent to the measurement date of \$228,332 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, 2020.

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

Year ending June 30:

2020	\$ (751,586)
2021	(506,035)
2022	(369,405)
2023	(30,735)
Thereafter	-
Total	\$ (1,657,761)

NOTES TO FINANCIAL STATEMENTS

NOTE 9. EMPLOYEE RETIREMENT PLAN (CONTINUED)

Pension Plan Fiduciary Net Position:

Detailed information regarding the fiduciary net position of the plans administered by PEBA is available in the Systems' audited financial statements for the fiscal year ended June 30, 2018 (including the unmodified audit opinion on the financial statements). Additional actuarial information is available in the accounting and financial reporting actuarial valuation as of June 30, 2018.

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.

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. 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 postemployment health and dental benefits to retired State and school district employees and their covered dependents. The South Carolina Retiree Health Insurance Trust Fund (SCRHITF) was created to fund and account for the employer costs of the State's retiree health and dental plans. In accordance with Act 195 of 2008, the SCRHITF is administered by the South Carolina Public Employee Benefit Authority (PEBA), Insurance Benefits, and the State Treasurer is the custodian of the funds held in trust. The Board of Directors of PEBA has been designated as the Trustee. The SCRHITF is a cost-sharing multiple-employer defined benefit plan. Article 5 of the State Code of Laws defines the plan and authorizes the Trustee to at any time adjust the plan, including its benefits and contributions, as necessary, to ensure the fiscal stability of the plan. The State Fiscal Accountability Authority (SFFA), which consists of five elected officials, also reviews certain PEBA Board decisions in administering the SCRHITF.

NOTES TO FINANCIAL STATEMENTS

NOTE 10. POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

Benefits Provided:

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 on 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, including the optional retirement plan. PEBA Insurance Benefits annually sets the employer and retiree premiums, which are the same for active employees and retirees. The amount of premium that a retiree pays depends mainly on the plan and dependent option elected. Supplemental health insurance is provided for Medicare-eligible retirees.

Contributions:

Section 1-11-710 of the South Carolina Code of Laws of 1976, as amended, requires these postemployment and long-term disability benefits to be funded through annual appropriations by the General Assembly for active employees to the PEBA, Insurance Benefits and participating retirees to PEBA, except for the portion funded through the pension surcharge and provided from the other applicable sources of the PEBA, Insurance Benefits. For active employees who are not funded by State General Fund appropriations, participating employers are mandated by State statute to contribute at a rate assessed each year by the Department of Administration Executive Budget Office. The covered payroll surcharge for the fiscal years ended June 30, 2019 and 2018 was 5.33 percent. The South Carolina Retirement System collects the monthly surcharge for all participating employers and remits it directly to the SCRHITF. Other sources of funding for the SCRHITF include mandatory transfers of accumulated PEBA, Insurance Benefits' reserves and income generated from investments. Employer contributions also include the implicit subsidy, or age-related subsidy inherent in the healthcare premiums structure. The implicit subsidy represents a portion of the health care expenditures paid on behalf of the employer's active employees.

For purposes of GASB Statement No. 75, this expenditure on behalf of the active employee is reclassified as a retiree health care expenditure so that the employer's contributions towards the plan reflect the underlying age-adjusted, retiree benefit costs.

Employers participating in the healthcare plan are mandated by State statute to contribute at a rate assessed each year by the Executive Budget Office of the Department of Administration, which was 6.05% of annual covered payroll for 2019. The Council's contributions to the OPEB plan for the year ending June 30, 2019 were \$94,592, applicable to the surcharge included with the employer contribution for retirement benefits.

Other contributions to the SCRHITF include State appropriations and mandatory transfers of cash reserves accumulated in the employee insurance program operating accounts. The Council's portion of contributions in 2019 from these non-employer contributing entities was \$19,419, which is reported by the Council as State operating grants revenue for the year ended June 30, 2019.

NOTES TO FINANCIAL STATEMENTS

NOTE 10. POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS

OPEB Liabilities, OPEB Expenses, and Deferred Outflows Of Resources and Deferred Inflows Of Resources Related to OPEB:

At June 30, 2019, the Council reported a liability of \$2,572,953 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation performed as of June 30, 2017. The total OPEB liability was rolled-forward from the valuation date to the plan's fiscal year end, June 30, 2018, using generally accepted actuarial principles. The Council's proportion of the net OPEB liability was based on the Council's share of contributions to the OPEB plan relative to the contributions of all participating entities. At June 30, 2018, the Council's proportion was 0.018157%, which was a decrease of 0.000859% from June 30, 2017.

For the year ended June 30, 2019, the Council recognized OPEB expense of \$113,700. At June 30, 2019, the Council reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 38,544	\$ 896
Net difference between projected and actual earnings on OPEB plan investments	9,866	-
Changes in proportion and differences between Council contributions and proportionate share of contributions	-	109,447
Changes in plan assumptions	-	209,516
Council contributions subsequent to the measurement date	94,592	-
Total	\$ 143,002	\$ 319,859

The \$94,592 reported as deferred outflows of resources related to OPEB resulting from the Council's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expenses as follows:

Year ending June 30:		
2020	\$	(48,365)
2021		(48,365)
2022		(48,365)
2023		(49,422)
2024		(51,096)
Thereafter		(25,836)
Total	\$	(271,449)

NOTES TO FINANCIAL STATEMENTS

NOTE 10. POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

Actuarial Assumptions and Methods:

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. South Carolina state statute requires that an actuarial experience study be completed at least once in each five-year period. An experience report on the OPEB was most recently issued as of July 1, 2015.

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

The discount rate changed from 3.56% as of June 30, 2017, to 3.62% as of June 30, 2018.

The June 30, 2018, total OPEB liability, net OPEB liability, and sensitivity information were determined by the consulting actuary, Gabriel, Roeder, Smith and Company (GRS) and are based on an actuarial valuation performed as of June 30, 2017. The total OPEB liability was rolled-forward from the valuation date to the plan's fiscal year end, June 30, 2018, using generally accepted actuarial principles.

NOTES TO FINANCIAL STATEMENTS

NOTE 10. POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

Actuarial Assumptions and Methods (Continued):

The following table provides a summary of the actuarial assumptions and methods used to calculate the total OPEB liability as of June 30, 2018.

Methods and Assumptions:

Valuation Date	June 30, 2017
Actuarial Cost Method	Entry Age Normal
Inflation	2.25%
Investment Rate of Return	4.00%, net of OPEB plan investment expense, including inflation
Single Discount Rate	3.62% as of June 30, 2018
Demographic Assumptions	Based on the experience study performed for the South Carolina Retirement Systems for the 5-year period ending June 30, 2015
Mortality Assumptions	For healthy retirees, the 2016 Public Retirees of South Carolina Mortality Table for Males and the 2016 Public Retirees of South Carolina Mortality Table for Females are used with fully generational mortality projections based on Scale AA from the year 2016. Multipliers are applied to the base tables based on gender and employment type.
Health Care Trend Rates	Initial trend starting at 6.75% and gradually decreasing to an ultimate trend rate of 4.15% over a period of 14 years
Participation Assumptions	79% participation for retirees who are eligible for Funded Premiums 59% participation for retirees who are eligible for Partial Funded Premiums 20% participation for retirees who are eligible for Non-Funded Premiums
Aging factors	Based on plan specific experience
Expenses	The investment return assumption is net of the investment expenses; Administrative expenses related to the health care benefits are included in the age-adjusted claims costs

The long-term expected rate of return represents assumptions developed using an arithmetic building block approach primarily based on consensus expectations and market-based inputs. The expected return, along with the expected inflation rate, form the basis for the target asset allocation adopted at the beginning of the 2018 fiscal year. The long-term expected rate of return is produced by weighting the expected future real rate of return by the target allocation percentage and adding expected inflation.

NOTES TO FINANCIAL STATEMENTS

NOTE 10. POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

Methods and Assumptions (Continued):

This information is summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate</u>	<u>Allocation-Weighted Long-term Expected Real Rate of Return</u>
U.S. Domestic Fixed Income	80.00%	2.09%	1.67%
Cash	20.00%	0.84%	0.17%
Total	100.00%		1.84%
Expected Inflation			2.25%
Total Return			4.09%
Investment Return Assumption			4.00%

The annual money-weighted rate of return on the plan investments was 1.36%.

Discount Rate:

The Single Discount Rate of 3.62% was used to measure the total OPEB liability. The accounting policy for this plan is to set the Single Discount Rate equal to the prevailing municipal bond rate. Due to the plan's investment and funding policies, the difference between a blended discount rate and the municipal bond rate would be less than several basis points (several hundredths of one percent). In addition, the plan does not intend to ever use a Single Discount Rate which is less than the municipal bond rate.

Sensitivity of the Council's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate:

The following table presents the Council's proportionate share of the net OPEB liability using the single discount rate of 3.62%, as well as what the Council's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1.00% lower (2.62%) or 1.00% higher (4.62%) than the current rate:

	<u>1% Decrease (2.62%)</u>	<u>Current discount rate (3.62%)</u>	<u>1% Increase (4.62%)</u>
Net OPEB liability	\$ 3,031,186	\$ 2,572,953	\$ 2,203,581

NOTES TO FINANCIAL STATEMENTS

NOTE 10. POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

Sensitivity of the Council’s Proportionate Share of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates:

The following table presents the Council’s proportionate share of the net OPEB liability calculated using the assumed rates, as well as what the Council’s proportionate share of the net OPEB liability would be if it were calculated using a trend rate that is 1.00% lower or 1.00% higher:

	1% Decrease	Current Healthcare Cost Trend Rate Assumption	1% increase
Net OPEB liability	\$ 2,117,125	\$ 2,572,953	\$ 3,162,254

OPEB Plan Fiduciary Net Position:

PEBA issues a Comprehensive Annual Financial Report (CAFR) containing financial statements and required supplementary information for the OPEB Trust Fund. The CAFR is publicly available through the Insurance Benefits’ link on PEBA’s website at www.peba.sc.gov, or a copy may be obtained by submitting a request to:

South Carolina Public Employee Benefit Authority
 Insurance Benefits
 202 Arbor Lake Drive
 Columbia, South Carolina 29223

PEBA is considered a division of the primary government of the state of South Carolina and, therefore, the OPEB trust fund financial information is also included in the comprehensive annual financial report of the state.

NOTE 11. 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 is made as soon as receivables are collected. The advance is between governmental funds and is, therefore, not reflected in the Statement of Net Position.

	Receivables	Payable
Due to/due from		
General fund	\$ 841,023	\$ -
Aging fund	-	213,120
Transportation fund	-	243,117
Workforce Investment and Opportunity Act Fund	-	735,692
Other non-major governmental funds	350,906	-
Total	\$ 1,191,929	\$ 1,191,929

NOTES TO FINANCIAL STATEMENTS

NOTE 11. INTERFUND ACTIVITY (CONTINUED)

Interfund Transfers:

The following summarizes interfund transfers for the fiscal year ending June 30, 2019:

	Transfer In	Transfer Out
General fund	\$ -	\$ 172,278
Aging fund	-	40,481
Transportation fund	45,672	-
Workforce Investment and Opportunity Act Fund	103,804	-
Non-major governmental funds	63,283	-
Total	\$ 212,759	\$ 212,759

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 12. FUND BALANCE 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	133,845
Total	\$ 235,030

Unassigned:

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

NOTE 13. 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.

NOTES TO FINANCIAL STATEMENTS

NOTE 13. RISK MANAGEMENT (CONTINUED)

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, 2019, 2018, and 2017.

NOTE 14. UNEARNED REVENUE

Unearned revenues (those where asset recognition criteria have been met, but for which revenue recognition criteria have not been met due to being in advance of meeting eligibility requirements) consist of the following:

	Aging Fund	Transportation Fund	WIOA Fund	Non-major Governmental Funds
Unexpended Carryover Amounts	\$ 86,710	\$ 17,431	\$ 9,001	\$ 374,759

NOTE 15. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

During fiscal year 2019, a number of budgetary departments exceeded appropriated amounts as shown in the budgetary comparison statement for the General Fund, Aging Fund, Transportation Fund, and Workforce Innovation and Opportunity Act Fund. The Council was able to generate additional income to offset the current fiscal year's excess expenditures. The following departments had expenditures in the General Fund, Aging Fund, Transportation Fund, and Workforce Innovation and Opportunity Act Fund and that exceeded budgeted amounts as indicated in the Council's Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget to Actual on page xx.

	Budget	Actual	Actual (Over) Budget
General Fund:			
Operations and maintenance	\$ 254,925	\$ 260,207	\$ (5,282)
Aging Special Revenue Fund:			
Other program expenses	-	387,396	(387,396)
Transportation Special Revenue Fund:			
Other program expenses	12,280	23,935	(11,655)
Workforce Innovation and Opportunity Act Special Revenue Fund:			
Operations and maintenance	313,926	524,224	(210,298)
Payments to service providers	3,564,934	5,237,902	(1,672,968)
Other program expenses	-	6,960	(6,960)

NOTE 16. SUBSEQUENT EVENTS

Subsequent events have been evaluated through May 26, 2020, the date these financial statements were available to be issued. As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen which are likely to negatively impact net position. Other financial impacts could occur though the extent of such potential impact is unknown at this time.

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

SOUTH CAROLINA RETIREMENT SYSTEM PLAN

Last 10 - Fiscal Years (only 5 years shown)

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Council's proportion of the net pension liability	0.015110%	0.0213680%	0.0264190%	0.033480%	0.035090%
Council's proportionate share of the net pension liability	\$ 3,385,630	\$ 4,810,280	\$ 5,643,059	\$ 6,349,643	\$ 6,041,355
Council's covered payroll	\$ 1,565,797	\$ 1,603,611	\$ 2,155,935	\$ 2,558,308	\$ 3,139,110
Council's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	216.2%	300.0%	261.7%	248.2%	192.5%
Plan fiduciary net position as a percentage of the total pension liability	54.10%	53.30%	52.90%	83.0%	59.9%

The Council 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 PROPORTIONATE SHARE OF NET OTHER POSTEMPLOYMENT BENEFITS LIABILITY

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Council's proportion of the net OPEB liability (%)	0.018157%	0.019016%	0.019016%
Council's proportion of the net OPEB liability (asset) (\$)	\$ 2,572,953	\$ 2,575,686	\$ 2,751,355
Council's covered payroll	1,565,797	1,603,611	2,155,935
Council's proportionate share of the net OPEB liability as a percentage of its covered payroll	164.32%	160.62%	127.62%
Plan fiduciary net position as a percentage of the total OPEB liability	7.91%	7.60%	6.62%

The Council implemented GASB Statement 75 with the fiscal year beginning July 1, 2017.

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 - PENSION**

SOUTH CAROLINA RETIREMENT SYSTEM PLAN

Last 10 - Fiscal Years (only 5 years shown)

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 228,332	\$ 212,322	\$ 282,951	\$ 342,163	\$ 337,690
Contributions in relation to the contractually required contribution	<u>(228,332)</u>	<u>(212,322)</u>	<u>(282,951)</u>	<u>(342,163)</u>	<u>(337,690)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Council's covered payroll	\$ 1,568,217	\$ 1,565,797	\$ 1,603,211	\$ 2,558,308	\$ 3,139,110
Contributions as a percentage of covered payroll	14.56%	13.56%	17.65%	13.37%	10.76%

The Council 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 COUNCIL CONTRIBUTIONS - OTHER POSTEMPLOYMENT BENEFITS
FOR THE YEAR ENDED JUNE 30,**

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ 94,592	\$ 86,118	\$ 85,472
Contributions in relation to the contractually required contribution	<u>94,592</u>	<u>86,118</u>	<u>85,472</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Council's covered payroll	\$ 1,568,217	\$ 1,565,797	\$ 1,603,611
Contributions as a percentage of covered payroll	6.03%	5.50%	5.33%

The Council implemented GASB Statement 75 with the fiscal year beginning July 1, 2017.

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, 2019

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
REVENUES				
Membership Dues	\$ 561,022	\$ 561,022	\$ 554,057	\$ (6,965)
State Aid	70,407	70,407	70,407	-
Federal Revenue	-	-	5,000	5,000
Local Revenue	-	-	31,736	31,736
Interest Income	25	25	326	301
Other Income	-	-	433	433
Total Revenues	<u>631,454</u>	<u>631,454</u>	<u>661,959</u>	<u>30,505</u>
EXPENDITURES				
Direct Personnel Costs	1,120,512	1,120,512	1,072,036	48,476
Indirect Cost Allocations	(1,424,275)	(1,424,275)	(1,223,504)	(200,771)
Support Services				
Operations and Maintenance	254,925	254,925	260,207	(5,282)
Development and Training	20,000	20,000	5,265	14,735
Travel and Transportation	48,250	48,250	27,052	21,198
Consulting and Services	141,811	141,811	5,592	136,219
Capital Outlays	94,000	94,000	-	94,000
Total Expenditures	<u>255,223</u>	<u>255,223</u>	<u>146,648</u>	<u>108,575</u>
Excess Revenues Over (Under) Expenditures	<u>376,231</u>	<u>376,231</u>	<u>515,311</u>	<u>139,080</u>
Other Financing Sources (Uses)				
Transfers Out	(376,231)	(376,231)	(172,278)	203,953
Total Other Financing Sources (Uses)	<u>(376,231)</u>	<u>(376,231)</u>	<u>(172,278)</u>	<u>203,953</u>
Net Change In Fund Balance	-	-	343,033	<u>\$ 343,033</u>
Fund Balance, beginning of year	<u>824,224</u>	<u>824,224</u>	<u>824,224</u>	
Fund Balance, end of year	<u>\$ 824,224</u>	<u>\$ 824,224</u>	<u>\$ 1,167,257</u>	

CENTRAL MIDLANDS COUNCIL OF GOVERNMENTS
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - AGING SPECIAL REVENUE FUND
YEAR ENDED JUNE 30, 2019

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
REVENUES				
Federal Revenue	\$ 3,365,062	\$ 3,365,062	\$ 2,883,326	\$ (481,736)
State Revenue	1,182,042	1,182,042	1,518,711	336,669
Local Revenue	-	-	20	20
Total Revenues	<u>4,547,104</u>	<u>4,547,104</u>	<u>4,402,057</u>	<u>(145,047)</u>
EXPENDITURES				
Direct Personnel Costs	574,038	574,038	466,483	107,555
Indirect Cost Allocations	521,184	521,184	498,242	22,942
Support Services				
Operations and Maintenance	40,480	40,480	37,717	2,763
Development and Training	18,000	18,000	15,240	2,760
Travel and Transportation	26,740	26,740	26,225	515
Consulting and Services	1,600	1,600	1,443	157
Payment to Service Providers	3,365,062	3,365,062	2,928,830	436,232
Other Program Expenses	-	-	387,396	(387,396)
Total Expenditures	<u>4,547,104</u>	<u>4,547,104</u>	<u>4,361,576</u>	<u>185,528</u>
Excess Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>40,481</u>	<u>40,481</u>
Other Financing Sources (Uses)				
Transfers Out	-	-	(40,481)	(40,481)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>(40,481)</u>	<u>(40,481)</u>
Net Change In Fund Balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>\$ -</u>
Fund Balance, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	
Fund Balance, end of year	<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, 2019

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
REVENUES				
Federal Revenue	\$ 1,520,832	\$ 1,520,832	\$ 879,118	\$ (641,714)
Local Revenue	58,000	58,000	157,965	99,965
Total Revenues	<u>1,578,832</u>	<u>1,578,832</u>	<u>1,037,083</u>	<u>(541,749)</u>
EXPENDITURES				
Direct Personnel Costs	416,835	416,835	277,970	138,865
Indirect Cost Allocations	442,887	442,887	311,746	131,141
Support Services				
Operations and Maintenance	52,700	52,700	27,633	25,067
Development and Training	12,000	12,000	2,027	9,973
Travel and Transportation	5,300	5,300	24	5,276
Consulting and Services	912,000	912,000	439,420	472,580
Other Program Expenses	12,280	12,280	23,935	(11,655)
Total Expenditures	<u>1,854,002</u>	<u>1,854,002</u>	<u>1,082,755</u>	<u>771,247</u>
Excess Revenues Over (Under) Expenditures	<u>(275,170)</u>	<u>(275,170)</u>	<u>(45,672)</u>	<u>229,498</u>
Other Financing Sources (Uses)				
Transfers In	275,170	275,170	45,672	(229,498)
Total Other Financing Sources (Uses)	<u>275,170</u>	<u>275,170</u>	<u>45,672</u>	<u>(229,498)</u>
Net Change In Fund Balance	-	-	-	<u>\$ -</u>
Fund Balance, beginning of year	-	-	-	
Fund Balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	

CENTRAL MIDLANDS COUNCIL OF GOVERNMENTS
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - WORKFORCE INNOVATION AND
OPPORTUNITY ACT SPECIAL REVENUE FUND
YEAR ENDED JUNE 30, 2019

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
REVENUES				
Federal Revenue	\$ 4,722,965	\$ 4,722,965	\$ 6,285,274	\$ 1,562,309
Local Revenue	25,000	25,000	37,844	12,844
Total Revenues	<u>4,747,965</u>	<u>4,747,965</u>	<u>6,323,118</u>	<u>1,575,153</u>
EXPENDITURES				
Direct Personnel Costs	422,633	422,633	339,119	83,514
Indirect Cost Allocations	325,197	325,197	300,978	24,219
Support Services				
Operations and Maintenance	313,926	313,926	524,224	(210,298)
Development and Training	16,750	16,750	4,902	11,848
Travel and Transportation	29,525	29,525	11,505	18,020
Consulting and Services	25,000	25,000	1,332	23,668
Capital Outlays	50,000	50,000	-	50,000
Payment to Service Providers	3,564,934	3,564,934	5,237,902	(1,672,968)
Other Program Expenses	-	-	6,960	(6,960)
Total Expenditures	<u>4,747,965</u>	<u>4,747,965</u>	<u>6,426,922</u>	<u>(1,678,957)</u>
Excess Revenues Over(Under) Expenditures	<u>-</u>	<u>-</u>	<u>(103,804)</u>	<u>(103,804)</u>
Other Financing Sources (Uses)				
Transfers (out)	-	-	103,804	103,804
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>103,804</u>	<u>103,804</u>
Net Change In Fund Balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>\$ -</u>
Fund Balance, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	
Fund Balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	



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

To the Board of Directors
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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of **Central Midlands Council of Governments** (the "Council") as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Council's basic financial statements, and have issued our report thereon dated May 26, 2020.

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 on 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 a 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2019-001 and 2019-002 that we consider to be material weaknesses.

Compliance and Other Matters

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

Council's Responses to the Findings

The Council's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs and management's corrective action. The Council's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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.



Columbia, South Carolina
May 26, 2020



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

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

Report on Compliance for Each Major Federal Program

We have audited **Central Midlands Council of Governments'** (the "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, 2019. 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Council'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 Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Council'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, 2019.

Report on Internal Control Over Compliance

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

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

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

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

Mauldin & Jenkins, LLC

Columbia, South Carolina
May 26, 2020

CENTRAL MIDLANDS COUNCIL OF GOVERNMENTS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
PERIOD ENDING JUNE 30, 2019

Federal Grantor/Pass-Through Grantor Program Title	Federal CFDA Number	Pass through Grantor Number	Federal Disbursements/ Expenditures
U.S. Department of Transportation, Federal Transit Administration			
Direct Programs			
Federal Transit Cluster			
Section 5307	20.507	SC--37-X027-00	\$ 68,254
Section 5307	20.507	SC-90-X3339-00	12,189
Section 5307-2	20.507	SC-90-X0292-00	23,491
Total Federal Transit Cluster			<u>103,934</u>
New Freedom	20.521	SC-57-X015-00	<u>23,935</u>
Section 5310-1A	20.513	SC-2018-042-00	<u>5,764</u>
Total Transit Service Programs Passed through USDOT, FTA			<u>133,633</u>
Passed through SC Department of Transportation			
Highway Planning & Construction Cluster			
FHWA Planning	20.205	None	660,463
Rural Planning	20.205	None	85,022
Total Highway Planning & Construction Cluster Passed through SCDOT			<u>745,485</u>
Total U.S. Department of Transportation			<u>879,118</u>
U.S. Department of Commerce			
Direct Programs			
EDA Planning 1/1/2016-12/31/2018	11.302	ED16ATL3020022	63,680
Total U.S. Department of Commerce			<u>63,680</u>
U.S. Department of Housing & Urban Development			
Passed through S.C. Department of Commerce			
CDBG Planning	14.228	None	50,000
Total U.S. Department of Housing & Urban Development			<u>50,000</u>
US Department of Health & Human Services			
Passed through SC Department on Aging			
Aging Cluster			
Title IIIB Planning & Administration	93.044	*	143,751
Title IIIC Planning & Administration	93.045	*	-
Title IIIB Supportive Services	93.044	*	740,665
Title IIIB Ombudsman	93.044	*	278,806
Title IIIC Nutrition Services	93.045	*	1,044,738
NSIP	93.053	*	242,597
Total Aging Cluster			<u>2,450,557</u>
Title VII Ombudsman	93.042	None	-
Title VII Elder Abuse	93.041	None	125
I-CARE	93.324	None	55,920
MIPPA - SHIP	93.071	None	23,250
MIPPA - ADRC	93.071	None	4,630
MIPPA - AAA	93.071	None	10,475
Senior Medicare Patrol	93.048	None	38,138
Title IIIE Caregiver	93.052	None	248,826
Title IIIE Planning & Administration	93.052	None	16,882
Title IIID Preventative Health/Medication Management	93.043	None	34,523
Total Passed through SC Department on Aging			<u>2,883,326</u>
Passed through SC Department of Health & Environmental Control			
Preventive Health & Health Services Block Grant	93.758	ML-9-328	5,568
Preventive Health & Health Services Block Grant	93.758	ML-6-307	14,388
Preventive Health & Health Services Block Grant	93.758	ML-6-555	8,671
Preventive Health & Health Services Block Grant	93.758		8,000
Total Passed through SC Department of Health & Environmental Control			<u>36,627</u>
Total U.S. Department of Health & Human Services			<u>2,919,953</u>

**CENTRAL MIDLANDS COUNCIL OF GOVERNMENTS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
PERIOD ENDING JUNE 30, 2019**

Federal Grantor/Pass-Through Grantor Program Title	Federal CFDA Number	Pass through Grantor Number	Federal Disbursements/ Expenditures
US Department of Labor			
Passed through S.C. Department of Employment & Workforce			
WIOA Cluster			
WIOA - Adult	17.258	17A005 18A005	\$ 2,305,326
WIOA - Youth	17.259	17Y005 18Y005	2,130,274
WIOA - Dislocated Worker	17.278	17DW005 18DW005	1,677,335
Rapid Response/Incumbent Worker Training	17.278	17IWT05	48,829
Incumbent Worker Training	17.278	18IWT05	42,867
Incumbent Worker Training	17.278	18TEC05	80,643
Total WIOA Cluster Passed through SCDEW			<u>6,285,274</u>
Total U.S. Department of Labor			<u>6,285,274</u>
US Department of Defense			
Direct Program			
Joint Land Use Study	12.610	None	<u>13,772</u>
US Department of Energy			
State Energy Program			
Joint Land Use Study	81.041	A-004-19 MG	<u>5,000</u>
Total Expenditures of Federal Awards			<u>\$ 10,216,797</u>

* Audited as major program

CENTRAL MIDLANDS COUNCIL OF GOVERNMENTS

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2019

A. General

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") presents the activity of all federal award programs of Central Midlands Council of Governments (the "Council") for the year ended June 30, 2019. All federal awards received directly from the federal agencies, as well as those passed through other government agencies, are included on the Schedule.

B. Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards includes federal grant activity of the Council under programs of the federal government for the year ended June 30, 2019. The information in this schedule is presented in conformity with the requirements of Title 2 U.S. *Code of Federal Requirements* (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 the Council, it is not intended to and does not present financial position or changes in net position, or cash flows of the Council.

Expenditures reported in 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.

C. Relationship to Basic Financial Statements

Federal award expenditures are reported in the Council's basic financial statements as expenditures in the General Fund and Special Revenue Fund.

D. Relationship to Federal Financial Reports

Amounts reported in the accompanying Schedule agree with the amounts reported in the related federal financial reports except for timing differences relating to expenditures made subsequent to the filing of the federal financial reports.

E. Major Programs

* Denotes Major Programs

CENTRAL MIDLANDS COUNCIL OF GOVERNMENTS

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2019

F. Indirect Cost

The Council has a restricted indirect cost rate that is used for its federal programs and did not use the 10% de Minimis indirect cost rate as allowed under the Uniform Guidance and covered in 2 CFR Part 200.414.

G. Subrecipients

The Council did provide awards to subrecipients for the year ended June 30, 2019.

CENTRAL MIDLANDS COUNCIL OF GOVERNMENTS

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

I. Summary of Auditor's Results:

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP

Unmodified

Internal control over financial reporting:

Material weaknesses identified?

Yes No

Significant deficiency(ies) identified?

Yes None Reported

Noncompliance material to financial statements noted?

Yes No

Federal Awards

Internal control over major federal programs:

Material weaknesses identified?

Yes No

Significant deficiency(ies) identified?

Yes None Reported

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

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

Yes No

Identification of major federal programs:

CFDA#

93.044

93.045

93.053

US Department of HHS – Aging Cluster

HHS-Title III, Part B-Grants

HHS-Title III, Part C-Nutrition Services

HHS-NSIP

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 No

CENTRAL MIDLANDS COUNCIL OF GOVERNMENTS

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

II. FINANCIAL STATEMENTS FINDINGS AND RESPONSES

Finding 2019-001 Financial Closeout and Reporting

Criteria: Internal controls should be in place to ensure the Council can perform timely and accurate financial closeout procedures in order for the Council to produce its monthly and annual financial statements.

Condition: Internal controls were not sufficient to detect certain misstatements in the preparation of year-end adjustments and reconciliations.

Context/Cause: This year's closing process was delayed because some important procedures were not performed on time while others were performed too early in the process.

Effects: The results were delays in producing closing entries, trial balances, schedules, reconciliations, account analyses, and other financial reports needed by management and the auditors.

Recommendation: We believe that the year-end closing could proceed more quickly by developing a closing schedule that indicates who will perform each procedure and when completion of each procedure is due and accomplished. The timing of specific procedures could be coordinated with the timing of management's or the auditor's need for the information. The due dates should be monitored to determine that they are being met.

Auditee's Response: We concur with the findings. We will take necessary steps in the future to ensure all amounts are properly recorded in accordance with GAAP.

Finding 2019-002 Balance Sheet Accounts Reconciliation

Criteria: Internal controls should be in place to ensure that the amounts reported as balance sheet accounts balances, such as accounts receivable, fixed assets, accounts payable and unearned revenue are appropriate and properly valued, in order to make financial reports generated by the accounting system as meaningful as possible. Internal controls should be in place to ensure that the general ledger accounts for accounts receivable, fixed assets, accounts payable and unearned revenue are reconciled to supporting documentation on a monthly basis.

Condition: Internal controls were not sufficient to detect misstatements in the reporting of the Council's balance sheet accounts.

Context/Cause: During the preliminary review of initial trial balance provided for the audit we noted that certain balance sheet accounts appear to be higher or lower than expected. We asked the management to review these accounts and to make necessary adjustments to correct these balances. Ultimately the accounts receivables were understated approximately by \$2,385,000, capital assets understated by \$57,000, accounts payable understated by \$22,200 and unearned revenue overstated by \$70,000.

Effects: Management were required to make adjusting journal entries to properly report balances of accounts receivable, capital assets, accounts payable and unearned revenue as of and for the year ended June 30, 2019.

CENTRAL MIDLANDS COUNCIL OF GOVERNMENTS

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

II. FINANCIAL STATEMENTS FINDINGS AND RESPONSES (CONTINUED)

Finding 2019-002 Balance Sheet Accounts Reconciliation (Continued)

Recommendation: We recommend the Council carefully review its accounts reconciliation procedures to ensure all transactions are reported in the proper period in accordance with GAAP. These reconciliations will ensure meaningful and accurate financial statements. The financial statements can then be used to help in the management decision-making process. A benefit of monthly reconciliations is that errors do not accumulate but can be identified and attributed to a particular period, which makes it easier to perform future reconciliations.

Auditee's Response: We concur with the findings. We will take necessary steps in the future to ensure all amounts are properly recorded in accordance with GAAP.

III. Findings and Questioned Costs for Federal Awards None Reported

CENTRAL MIDLANDS COUNCIL OF GOVERNMENTS

SUMMARY OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2019

There were no prior audit findings.



CENTRAL MIDLANDS COUNCIL OF GOVERNMENTS

MANAGEMENT'S CORRECTIVE ACTION PLAN

JUNE 30, 2019

Finding 2019-001 Reporting of Prior Year Balances

Name of Contact Person Responsible for the Corrective Action Plan:
Chanell Jackson, Director of Finance

Corrective Action Plan: We will implement policies and procedures to ensure that the applicable reporting requirements under generally accepted accounting principles (GAAP) are followed by reviewing carefully that all information and financial data is being properly reported.

Anticipated Completion Date: In place

Finding 2019-002 Reporting of Prior Year Balances

Name of Contact Person Responsible for the Corrective Action Plan:
Chanell Jackson, Director of Finance

Corrective Action Plan: We will implement policies and procedures to ensure that the applicable reporting requirements under generally accepted accounting principles (GAAP) are followed by reviewing carefully that all information and financial data is being properly reported.

Anticipated Completion Date: In place