

**Central Midlands Council
of Governments**

**Report to the
Board of Directors**

June 30, 2017

MAULDIN & JENKINS

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

We are pleased to present this report related to our audit of the financial statements of Central Midlands Council of Governments (Council) for the year ended June 30, 2017. This report summarizes certain matters required by professional standards to be communicated to you in your oversight responsibility for Central Midlands Council of Governments' financial reporting process.

This report is intended solely for the information and use of the Board of Directors and management and is not intended to be and should not be used by anyone other than these specified parties. It will be our pleasure to respond to any questions you have regarding this report. We appreciate the opportunity to continue to be of service to Central Midlands Council of Governments.

Mauldin & Jenkins, LLC

Columbia, South Carolina
December 1, 2017

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Required Communications

Generally accepted auditing standards (AU-C 260, *The Auditor's Communication With Those Charged With Governance*) require the auditor to promote effective two-way communication between the auditor and those charged with governance. Consistent with this requirement, the following summarizes our responsibilities regarding the financial statement audit as well as observations arising from our audit that are significant and relevant to your responsibility to oversee the financial reporting process.

| <u>Area</u> | <u>Comments</u> |
|--|--|
| Our Responsibilities with Regard to the Financial Statement Audit | Our responsibilities under auditing standards generally accepted in the United States of America have been described to you in our arrangement letter dated June 26, 2017. Our audit of the financial statements does not relieve management or those charged with governance of their responsibilities which are also described in that letter. |
| Overview of the Planned Scope and Timing of the Financial Statement Audit | We have verbally discussed the planned scope and timing of our audit and have discussed with you our identification of and planned audit response to significant risks of material misstatement. |
| Accounting Policies and Practices | Preferability of Accounting Policies and Practices Under generally accepted accounting principles, in certain circumstances, management may select among alternative practices. In our view, in such circumstances, management has selected the preferable accounting practice. |
| | Adoption of, or Change in, Accounting Policies Management has the ultimate responsibility for the appropriateness of the accounting policies used by the Council. |
| | The GASB issued Statement 75, <i>Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions</i> in June 2015. This Statement replaces the requirements of Statement 45 and requires governments to report a liability on the face of the financial statements for the OPEB that they provide. Statement 75 requires governments in all types of OPEB plans to present more extensive note disclosures and required supplementary information (RSI) about their OPEB liabilities. Among the new note disclosures is a description of the effect on the reported OPEB liability of using a discount rate and a healthcare cost trend rate that are one percentage point higher and one percentage point lower than assumed by the government. The new RSI includes a schedule showing the causes of increases and decreases in the OPEB liability and a schedule comparing a government's actual OPEB contributions to its contribution requirements. The requirements of this Statement are effective for financial statements for reporting periods beginning after June 15, 2017. |
| | Significant or Unusual Transactions There are no significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus. |
| | Management's Judgments and Accounting Estimates Summary information about the process used by management in formulating particularly sensitive accounting estimates and about our conclusions regarding the reasonableness of those estimates is on the attached "Summary of Accounting Estimates". |
| | Basis of Accounting These financial statements were prepared on the assumption that the District will continue as a going concern. |

| Area | Comments |
|---|---|
| Audit Adjustments | Audit adjustments recorded by the District are shown on the attached "Summary of Recorded Audit Adjustments." |
| Uncorrected Misstatements | There were no uncorrected misstatements. |
| Other Information in Documents Containing Audited Financial Statements | <p>Our responsibility for other information in documents containing the Council's audited financial statements is to read the information and consider whether its content or manner of its presentation is materially inconsistent with the financial information covered by our auditor's report or whether it contains a material misstatement of fact.</p> <p>Our responsibility for other information in documents containing the Council's financial statements and our auditor's report do not extend beyond the financial information referred to in our auditor's report. We are not aware of any other documents that contain the audited financial statements.</p> |
| Disagreements with Management | We encountered no disagreements with management over the application of significant accounting principles, the basis for management's judgments on any significant matters, the scope of the audit or significant disclosures to be included in the financial statements. |
| Consultations with Other Accountants | We are not aware of any consultations management had with other accountants about accounting or auditing matters. |
| Significant Issues Discussed with Management | No significant issues arising from the audit were discussed or were the subject of correspondence with management. |
| Difficulties Encountered Performing the Audit | We did not encounter any difficulties in dealing with management during the audit. |
| Letter Communicating Significant Deficiencies and Material Weaknesses | We have identified no material weaknesses during our audit of the financial statements. This communication is part of the Single Audit section in the June 30, 2017, Financial and Compliance report. |
| Certain Written Communications Between Management and Our Firm | Copies of certain written communications between management and our Firm are on pages 5 - 11 of this document. |

**Central Midlands Council of Governments
Summary of Accounting Estimates
Year Ended June 30, 2017**

Accounting estimates are an integral part of the preparation of financial statements and are based upon management's current judgment. This process used by management encompasses their knowledge and experience about past and current events and assumptions about future events. You may wish to monitor throughout the year the process used to compute and record these accounting estimates. The following describes the significant accounting estimates reflected in the Council's June 30, 2017, financial statements:

| <u>Area</u> | <u>Accounting Policy</u> | <u>Estimation Process</u> | <u>Comments</u> |
|------------------------|--------------------------|---------------------------|--|
| Property and Equipment | Depreciation | Estimated Useful Life | Should be consistent from year to year |

2017 Central Midlands Council of Governments

Year End: 06/30/2017

Trial balance

Date: 07/01/16 To 06/30/17

| Number | Date | Name | Account No | Reference | Debit | Credit | Net Income (Loss) | Amount Chg |
|--------------------------------------|----------|-------------------------------------|-----------------------|-----------|------------------|------------------|--------------------|-----------------|
| Net Income (Loss) Before Adjustments | | | | | | | (26,244.53) | |
| 1 | 06/30/17 | Transfer To/(From) General Fund | 100-100-3120-00 GF01 | | 369.00 | | | |
| 1 | 06/30/17 | Due (To)/From 208 Planning 9/30/201 | 100-305-2015-00 GF01 | | | 369.00 | | |
| 1 | 06/30/17 | Due (To)/From General Fund | 305-100-2015-00 SRF04 | | 369.00 | | | |
| 1 | 06/30/17 | Due From Federal Government | 305-600-1200-00 SRF04 | | | 369.00 | | |
| 1 | 06/30/17 | Transfer To/(From) General Fund | 305-600-3120-00 SRF04 | | | 369.00 | | |
| 1 | 06/30/17 | Federal Revenue | 305-600-3299-00 SRF04 | | 369.00 | | | |
| PBC - To recrod revenue | | | | | | | | |
| | | | | | 1,107.00 | 1,107.00 | (26,613.53) | (369.00) |
| 2 | 06/30/17 | Unearned Local Revenue | 100-100-2480-00 GF01 | | | 8,080.01 | | |
| 2 | 06/30/17 | Due (To)/From FTA SC-90-X249-00 | 100-646-2015-00 GF01 | | 8,080.01 | | | |
| 2 | 06/30/17 | Due (To)/From General Fund | 646-100-2015-00 SRF02 | | | 8,080.01 | | |
| 2 | 06/30/17 | Unearned Local Revenue | 646-800-2480-00 SRF02 | | 8,080.01 | | | |
| To reclass unearned revenue | | | | | | | | |
| | | | | | 16,160.02 | 16,160.02 | (26,613.53) | 0.00 |
| | | | | | 17,267.02 | 17,267.02 | (26,613.53) | (369.00) |



December 1, 2017

Mauldin & Jenkins LLC
Post Office Box 36
Columbia, South Carolina 29202

This representation letter is provided in connection with your audits of the basic financial statements of Central Midlands Council of Governments (Council), which comprise governmental activities, business-type activities, each major fund as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the basic financial statements, for the purpose of expressing an opinion on whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States (U.S. GAAP).

We confirm, to the best of our knowledge and belief, as of December 1, 2017:

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit arrangement letter dated June 26, 2017, for the preparation and fair presentation of the financial statements referred to above in accordance with U.S. GAAP.
2. We acknowledge our responsibility for 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.
3. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
4. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
5. Related-party transactions, including other organizations for which the nature and significance of their relationship with the Council are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete, and interfund transactions, including interfund accounts and advances receivable and payable, sale and purchase transactions, interfund transfers, long-term loans, leasing arrangements, and guarantees, have been recorded in accordance with the economic substance of the transaction and appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.
6. All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.
7. The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with U.S. GAAP.
8. The following have been properly recorded and/or disclosed in the financial statements:
 - a. Net positions and fund balance classifications.
 - b. Guarantees, whether written or oral, under which the Council is contingently liable.
 - c. Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances.
 - d. Lines of credit or similar arrangements.
 - e. Agreements to repurchase assets previously sold.
 - f. Security agreements in effect under the Uniform Commercial Code.
 - g. Any other liens or encumbrances on assets or revenues or any assets or revenues which were pledged as collateral for any liability or which were subordinated in any way.
 - h. The fair value of investments.
 - i. Amounts of contractual obligations for plant construction and/or purchase of real property, equipment, other assets, and intangibles.

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- j. All liabilities that are subordinated to any other actual or possible liabilities of the Council. Debt issue repurchase options or agreements, or sinking fund debt repurchase ordinance requirements.
 - k. Debt issue provisions.
 - l. All leases and material amounts of rental obligations under long-term leases.
 - m. All significant estimates and material concentrations known to management which are required to be disclosed.
 - n. Authorized but unissued bonds and/or notes.
 - o. Risk financing activities.
 - p. Derivative financial instruments.
 - q. Assets and liabilities measured at fair value in accordance with the Fair Value Measurements and Disclosures Topic of the FASB Accounting Standards Codification.
 - r. Special and extraordinary items.
 - s. Deposits and investment securities categories of risk.
 - t. Arbitrage rebate liabilities.
 - u. Impairment of capital assets.
9. We have no plans or intentions that may materially affect the carrying value or classification of assets. In that regard:
- a. The Council has no significant amounts of idle property and equipment.
 - b. The Council has no plans or intentions to discontinue the operations of any subsidiary or division or to discontinue any significant product lines.
 - c. Provision has been made to reduce all assets that have permanently declined in value to their realizable values.
 - d. We have reviewed long-lived assets and certain identifiable intangibles to be held and used for impairment whenever events or changes in circumstances have indicated that the carrying amount of the assets might not be recoverable and have appropriately recorded the adjustment.
10. We are responsible for making the accounting estimates included in the financial statements. Those estimates reflect our judgment based on our knowledge and experience about past and current events and our assumptions about conditions we expect to exist and courses of action we expect to take. In that regard, adequate provisions have been made.
- a. To reduce receivables to their estimated net collectable amounts.
 - b. To reduce investments, intangibles, and other assets which have permanently declined in value to their realizable values.
 - c. For risk retention, including uninsured losses or loss retentions (deductibles) attributable to events occurring through June 30, 2017, and/or for expected retroactive insurance premium adjustments applicable to periods through June 30, 2017.
 - d. For pension obligations, postretirement benefits other than pensions, and deferred compensation agreements attributable to employee services rendered through June 30, 2017.
 - e. For any material loss to be sustained in the fulfillment of or from the inability to fulfill any sales commitments, including promises to give.
 - f. For any material loss to be sustained as a result of purchase commitments for inventory quantities in excess of normal requirements or at prices in excess of the prevailing market prices.
 - g. For environmental clean-up obligations.
 - h. For amounts held for others under agency and/or split interest agreements.
11. There are no:
- a. Material transactions that have not been properly recorded in the accounting records underlying the financial statements.
 - b. Violations or possible violations of laws or regulations whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency. In that regard, we specifically represent that we have not been designated as, or alleged to be, a "potentially responsible party" by the Environmental Protection Agency in connection with any environmental contamination.
 - c. Other material liabilities or gain or loss contingencies that are required to be accrued or disclosed by the Contingencies Topic of the FASB Accounting Standards Codification.

12. There are no unasserted claims or assessments that our lawyer has advised us are probable of assertion and must be disclosed in accordance with Statement of Financial Accounting Standards No.5 and/or GASB Statement No. 10.
13. We have no direct or indirect, legal or moral obligation for any debt of any organization, public or private that is not disclosed in the financial statement.
14. The Council has satisfactory title to all owned assets.
15. Net positions and fund balances are properly classified and, when applicable, approved.
16. Expenses or expenditures have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
17. Revenues are appropriately classified in the statements of activities within program revenues and general revenues.
18. Capital assets, including infrastructure assets, are properly capitalized, reported, and depreciated.
19. We have no knowledge of any uncorrected misstatements in the financial statements.
20. We have elected to use the June 30, 2016, amounts provided South Carolina Public Employee Benefit Authority (PEBA) to implement GASB Statement No. 68.

Information Provided

21. We have provided you with:
 - a. Access to all information, of which we are aware that is relevant to the preparation and fair presentation of the financial statements such as records, documentation, and other matters;
 - b. Additional information that you have requested from us for the purpose of the audit;
 - c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
 - d. Minutes of the meetings of the governing board and committees, or summaries of actions of recent meetings for which minutes have not yet been prepared.
22. All transactions have been recorded in the accounting records and are reflected in the financial statements.
23. We have disclosed to you the results of our assessment of risk that the financial statements may be materially misstated as a result of fraud.
24. We have no knowledge of allegations of fraud or suspected fraud, affecting the entity's financial statements involving:
 - a. Management,
 - b. Employees who have significant roles in the internal control, or
 - c. Others where the fraud could have a material effect on the financial statements.
25. We have no knowledge of any allegations of fraud or suspected fraud affecting the Council's financial statements received in communications from employees, former employees, analysts, regulators, short sellers, or others.
26. We have no knowledge of noncompliance or suspected noncompliance with laws and regulations whose effects should be considered when preparing financial statements.
27. We have disclosed to you all known actual or possible litigation and claims whose effects were considered when preparing the financial statements.
28. We have disclosed to you the identity of the entity's related parties and all the related-party relationships and transactions of which we are aware.

29. We are aware of no significant deficiencies, including material weaknesses, in the design or operation of internal controls that could adversely affect the entity's ability to record, process, summarize, and report financial data.
30. We are aware of no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.

Supplementary Information

31. With respect to supplementary information presented in relation to the financial statements as a whole:
 - a. We acknowledge our responsibility for the presentation of such information.
 - b. We believe such information, including its form and content, is fairly presented in accordance with accounting principles generally accepted in the United States of America
 - c. The methods of measurement or presentation have not changed from those used in the prior period.
 - d. There are no underlying significant assumptions or interpretations regarding the measurement or presentation of such information.
 - e. When supplementary information is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the supplementary information no later than the date of issuance of the supplementary information and the auditor's report thereon.
32. With respect to Management's Discussion and Analysis and required supplementary information presented as required by Governmental Accounting Standards Board to supplement the basic financial statements:
 - a. We acknowledge our responsibility for the presentation of such required supplementary information.
 - b. We believe such required supplementary information is measured and presented in accordance with guidelines prescribed by accounting principles generally accepted in the United States of America.
 - c. The methods of measurement or presentation have not changed from those used in the prior period.
 - d. There are no underlying significant assumptions or interpretations regarding the measurement or presentation of such information.
33. During the course of your audit, you may have accumulated records containing data that should be reflected in our books and records. All such data have been so reflected. Accordingly, copies of such records in your possession are no longer needed by us.

Compliance Considerations

In connection with your audit conducted in accordance with *Government Auditing Standards*, we confirm that management:

34. Is responsible for the preparation and fair presentation of the financial statements in accordance with the applicable financial reporting framework.
35. Is responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to the auditee.
36. Has identified and disclosed to the auditor all instances that have occurred, or are likely to have occurred, of fraud and noncompliance with provisions of laws and regulations that have a material effect on the financial statements or other financial data significant to the audit objectives, and any other instances that warrant the attention of those charged with governance.
37. Has identified and disclosed to the auditor all instances that have occurred, or are likely to have occurred, of noncompliance with provisions of contracts and grant agreements that have a material effect on the determination of financial statement amounts.

38. Has identified and disclosed to the auditor all instances that have occurred, or are likely to have occurred, of abuse that could be quantitatively or qualitatively material to the financial statements.
39. Is responsible for 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.
40. Acknowledges its responsibility for the design, implementation and maintenance of internal controls to prevent and detect fraud.
41. Has taken timely and appropriate steps to remedy fraud; noncompliance with provisions of laws, regulations, contracts and grant agreements; or abuse that the auditor reports.
42. Has a process to track the status of audit findings and recommendations.
43. Has identified for the auditor previous audits, attestation engagements and other studies related to the audit objectives and whether related recommendations have been implemented.
44. Has provided views on the auditor's reported findings, conclusions and recommendations, as well as management's planned corrective actions, for the report.
45. Acknowledges its responsibilities as it relates to non-audit services performed by the auditor, including a statement that it assumes all management responsibilities; that it oversees the services by designating an individual, preferably within senior management, who possesses suitable skill, knowledge or experience; that it evaluates the adequacy and results of the services performed; and that it accepts responsibility for the results of the services.

In connection with your audit of federal awards conducted in accordance with Subpart F 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), we confirm:

46. Management is responsible for complying, and has complied, with the requirements of Uniform Guidance.
47. Management is responsible for understanding and complying with the requirements of laws, regulations, and the provisions of contracts and grant agreements related to each of its federal programs.
48. Management is responsible for establishing and maintaining, and has established and maintained, effective internal control over compliance for federal programs that provides reasonable assurance that the auditee is managing federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on its federal programs.
49. Management has prepared the schedule of expenditures of federal awards in accordance with Uniform Guidance and has included expenditures made during the period being audited for all awards provided by federal agencies in the form of grants, federal cost reimbursement contracts, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations and other assistance.
50. Management has identified and disclosed all of its government programs and related activities subject to the Uniform Guidance compliance audit.
51. Management has identified and disclosed to the auditor the requirements of laws, regulations, and the provisions of contracts and grant agreements that are considered to have a direct and material effect on each major program.
52. Management has made available all federal awards (including amendments, if any) and any other correspondence relevant to federal programs and related activities that have taken place with federal agencies or pass-through entities.
53. Management has identified and disclosed to the auditor all amounts questioned and all known noncompliance with the direct and material compliance requirements of federal awards.

54. Management believes that the auditee has complied with the direct and material compliance requirements.
55. Management has made available all documentation related to compliance with the direct and material compliance requirements, including information related to federal program financial reports and claims for advances and reimbursements.
56. Management has provided to the auditor its interpretations of any compliance requirements that are subject to varying interpretations.
57. Management has disclosed to the auditor any communications from grantors and pass-through entities concerning possible noncompliance with the direct and material compliance requirements, including communications received from the end of the period covered by the compliance audit to the date of the auditor's report.
58. Management has disclosed to the auditor the findings received and related corrective actions taken for previous audits, attestation engagements, and internal or external monitoring that directly relate to the objectives of the compliance audit, including findings received and corrective actions taken from the end of the period covered by the compliance audit to the date of the auditor's report.
59. Management is responsible for taking corrective action on audit findings of the compliance audit.
60. Management has provided the auditor with all information on the status of the follow-up on prior audit findings by federal awarding agencies and pass-through entities, including all management decisions.
61. Management has disclosed the nature of any subsequent events that provide additional evidence with respect to conditions that existed at the end of the reporting period that affect noncompliance during the reporting period.
62. Management has disclosed all known noncompliance with direct and material compliance requirements occurring subsequent to the period covered by the auditor's report or stating that there were no such known instances.
63. Management has disclosed whether any changes in internal control over compliance or other factors that might significantly affect internal control, including any corrective action taken by management with regard to significant deficiencies and material weaknesses in internal control over compliance, have occurred subsequent to the period covered by the auditor's report.
64. Federal program financial reports and claims for advances and reimbursements are supported by the books and records from which the basic financial statements have been prepared.
65. The copies of federal program financial reports provided to the auditor are true copies of the reports submitted, or electronically transmitted, to the federal agency or pass-through entity, as applicable.
66. If applicable, management has monitored subrecipients to determine that they have expended pass-through assistance in accordance with applicable laws and regulations and the terms and conditions of the subaward and have met the other pass-through entity requirements of the Uniform Guidance.
67. If applicable, management has issued management decisions for audit findings that relate to federal awards it makes to subrecipients and that such management decisions are issued within six months of acceptance of the audit report by the FAC. Additionally, management has followed up to ensure that the subrecipient takes timely and appropriate action on all deficiencies detected through audits, on-site reviews and other means that pertain to the federal award provided to the subrecipient from the pass-through entity.
68. If applicable, management has considered the results of subrecipient monitoring and audits, and has made any necessary adjustments to the auditee's own books and records.
69. Management has charged costs to federal awards in accordance with applicable cost principles and the Uniform Guidance.

- 70. Management is responsible for, and has accurately prepared, the summary schedule of prior audit findings to include all findings required to be included by Uniform Guidance.
- 71. The reporting package does not contain protected personally identifiable information.
- 72. Management has accurately completed the appropriate sections of the data collection form.
- 73. If applicable, management has disclosed all contracts or other agreements with service organizations.
- 74. If applicable, management has disclosed to the auditor all communications from service organizations relating to noncompliance at those organizations.

CENTRAL MIDLANDS COUNCIL OF GOVERNMENTS

Benjamin J. Mauldin

Ben Mauldin
Executive Director
Date Signed

12/7/2017

Malia Ropel

Malia Ropel
Finance Director
Date Signed

12/7/2017