

Report on Audit of Financial Statements
Central Midlands Council of Governments
As of and for the year ended June 30, 2021

SCOTT  COMPANY

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Independent Auditor's Report

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

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, 2021, 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, 2021, 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 - 8, information concerning the Council's retirement and OPEB plans on pages 45 – 48, and the budgetary comparison information on pages 49 - 53 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 Council's basic financial statements. 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) is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 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 schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 4, 2022, 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.

Scott and Company LLC

Columbia, South Carolina

January 4, 2022

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, 2021. 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.

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. In general, the Council has the power to carry on such planning activities and to develop such studies and programs related to aging, transportation, workforce innovations and other areas as it deems to be in the interest of the Central Midlands area, which includes Richland, Lexington, Fairfield and Newberry counties.

Financial Highlights

The following are key financial highlights for the fiscal year:

- The net position of the Council was \$(4,656,477) at the close of the most recent fiscal year.
- As of the close of the current fiscal year, the Council's governmental funds reported an increase of \$185,504 in the total fund balance with a combined ending fund balance of \$1,538,252.
- The increase in the fund balance was due to closely monitoring expenses and reducing expenses where possible.

Overview of the Financial Statements

The financial statements for FY2021 include the Management's Discussion and Analysis (MD&A), government-wide statements, fund financial statements, notes to the financial statements, and required 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, environmental contracts, 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 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 on 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 government 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.

CENTRAL MIDLANDS COUNCIL OF GOVERNMENTS

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

Government-wide Financial Statements

A comparative condensed version of the Statement of Net Position at June 30, 2021, and June 30, 2020, follows:

Net Position at Year-End

| <u>Governmental Activities</u> | <u>FY2021</u> | <u>FY2020</u> |
|--|------------------------------|------------------------------|
| Cash and Cash Equivalents | \$ 1,017,418 | \$ 1,009,467 |
| Other Assets | 1,846,685 | 2,354,646 |
| Capital Assets | <u>516,339</u> | <u>514,525</u> |
| Total Assets | <u>3,380,442</u> | <u>3,878,637</u> |
| | | |
| Deferred Outflows Related to Pensions and OPEB | <u>1,520,958</u> | <u>688,418</u> |
| | | |
| Current Liabilities | 981,078 | 1,659,879 |
| Long-Term Liabilities | <u>7,854,987</u> | <u>6,638,018</u> |
| Total Liabilities | <u>8,836,065</u> | <u>8,297,897</u> |
| | | |
| Deferred Inflows Related to Pensions and OPEB | <u>721,812</u> | <u>1,391,083</u> |
| | | |
| Net Position: | | |
| Invested in capital assets | 516,339 | 514,525 |
| Unrestricted | <u>(5,172,816)</u> | <u>(5,636,449)</u> |
| Total Net Deficit | \$ <u>(4,656,477)</u> | \$ <u>(5,121,924)</u> |

Other assets decreased by approximately \$507,000 as a result of reconciliation of outstanding balances and the decrease in COVID program activity as the COVID funds ended. Deferred outflows related to pensions and OPEB increased approximately \$833,000 due to unfavorable projected versus actual investment experience on the state-wide pension plan and changes in actuarial assumptions on the state-wide OPEB plan. Deferred inflows related to pensions and OPEB decreased approximately \$669,000 as the Council's proportionate share of the state-wide pension plan decreased significantly in prior years and the Council's proportionate share remained relatively unchanged between FY21 and FY20. Primarily as a result of overall changes in pensions and OPEB, long-term liabilities also increased approximately \$1.2 million. Additionally, current liabilities decreased by approximately \$679,000 due to a decrease in payables related to the Aging and Transportation programs.

A comparative condensed version of the Statement of Activities follows:

For the Years Ended June 30, 2021 and June 30, 2020

| <u>Revenue</u> | <u>FY2021</u> | <u>FY2020</u> |
|----------------------|--------------------------|--------------------------|
| Program Revenue | \$ 10,249,352 | \$ 12,892,679 |
| General Revenue | | |
| Membership Dues | 594,466 | 578,218 |
| State Aid | 70,407 | 70,407 |
| Interest Income | 30 | 239 |
| Other Revenue | <u>28,003</u> | <u>88,612</u> |
| Total Revenue | <u>10,942,258</u> | <u>13,630,155</u> |

CENTRAL MIDLANDS COUNCIL OF GOVERNMENTS

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Years Ended June 30, 2021 and June 30, 2020 (continued)

| <u>Expenses</u> | <u>FY2021</u> | <u>FY2020</u> |
|----------------------------|------------------------------|------------------------------|
| Direct Personnel Costs | 2,286,175 | 1,859,117 |
| Operations and Maintenance | 799,833 | 794,532 |
| Development and Training | 3,587 | 27,281 |
| Travel and Transportation | 32,403 | 61,685 |
| Consulting Services | 849,395 | 1,786,990 |
| Payments to contractors | 5,909,423 | 7,443,304 |
| Other Program Expenses | 555,900 | 699,998 |
| Unallocated Depreciation | <u>40,095</u> | <u>37,299</u> |
| Total | <u>10,476,811</u> | <u>12,710,206</u> |
| | | |
| Change in Net Position | 465,447 | 919,949 |
| Beginning in Net Position | <u>(5,121,924)</u> | <u>(6,041,873)</u> |
| Ending Net Position | \$ <u>(4,656,477)</u> | \$ <u>(5,121,924)</u> |

Program revenue decreased approximately \$2.6 million as a result of less program activity due to COVID-19, and therefore less revenue reimbursable by grants. The increase in direct personnel cost can be attributed to pay upgrades and cost-of-living adjustment increases. Additionally, development/training, travel/transportation, consulting services, payments to contractors and other programs expenses collectively experienced an overall decrease of approximately \$2.6 million as a result of decrease in all programs activity due to the COVID-19 pandemic.

Financial Analysis of the Council Funds

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

| <u>Governmental Funds</u> | <u>FY2021</u> | <u>FY2020</u> |
|--------------------------------|----------------------------|----------------------------|
| Total Assets | \$ <u>3,748,335</u> | \$ <u>3,916,202</u> |
| | | |
| Total Liabilities | <u>2,210,083</u> | <u>2,563,454</u> |
| | | |
| Fund Balances: | | |
| Nonspendable for prepaid items | 5,127 | 35,122 |
| Nonspendable for deposits | 9,644 | 9,644 |
| Assigned for special purposes | 235,030 | 235,030 |
| Unassigned | <u>1,288,451</u> | <u>1,072,952</u> |
| Total Fund Balances | \$ <u>1,538,252</u> | \$ <u>1,352,748</u> |

As previously referenced on page 5, total assets decreased approximately \$168,000 primarily as a result of decreases in COVID program activity and total liabilities decreased approximately \$353,000 primarily due to decreases in payables related to the Aging and Transportation programs. Nonspendable for prepaid items decreased approximately \$30,000 as a result of less prepaid expenses recorded in FY2021.

CENTRAL MIDLANDS COUNCIL OF GOVERNMENTS

MANAGEMENT'S DISCUSSION AND ANALYSIS

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. The budgets are not legally adopted, however, the Council still elects to include budget to actual schedules in the supplementary information section of this report.

Capital Assets

At June 30, 2021, the Council had \$516,339 in capital assets.

| | <u>FY2021</u> | <u>FY2020</u> |
|---------------------------|--------------------------|--------------------------|
| Land | \$ 130,848 | \$ 130,848 |
| Building | 284,614 | 299,761 |
| Furniture and Equipment | <u>100,877</u> | <u>83,916</u> |
| Net Capital Assets | \$ <u>516,339</u> | \$ <u>514,525</u> |

For more detailed information on capital asset activity, see Note 3 - Capital Assets.

Long-Term Debt and Financing Arrangements

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, 2021, the accrued annual leave balance equates to \$189,496. In the audited financial statements, \$105,433 of the accrued annual leave balance is classified as current.

The Council also has an unsecured line of credit with a local financial institution with a credit limit of \$300,000. The balance of the line of credit was \$0 at June 30, 2021, and the Council did not access the line of credit during FY2021.

Economic Factors and Next Year's Budget

During the FY2021, economic factors and potential new resources are as follows:

- Management will continue to apply the appropriate policies and procedures to ensure financials are being accurately reported during the new fiscal year and make any necessary or required adjustments monthly for proper reporting.
- The Council receives an appropriation from the General Assembly each year. These funds are subject to reduction at any time. The Council will continue to request additional funding from the General Assembly to restore funding to previous 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.
- Management will continue to monitor all core programs during the new fiscal year and make any necessary or required adjustments to expenses so that the Council remains fiscally sound.
- Management plans to update the membership dues of CMCOG in FY 2022-23 using the official Census 2020 population numbers. This adjustment happens once every 10 years.
- 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.

CENTRAL MIDLANDS COUNCIL OF GOVERNMENTS

MANAGEMENT'S DISCUSSION AND ANALYSIS

- 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 act as the fiscal agent on the Regional Gateway Project for CMCOG member governments.
- 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,
Petula Hendley, Director of Financial Management and Support Services
Central Midlands Council of Governments
236 Stoneridge Drive
Columbia, SC 29210

CENTRAL MIDLANDS COUNCIL OF GOVERNMENTS
STATEMENT OF NET POSITION
AS OF JUNE 30, 2021

| | Governmental Activities | Component Unit |
|--|------------------------------------|---------------------------|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 1,017,418 | \$ 581,783 |
| Due from Federal government | 1,671,407 | - |
| Due from State government | 128,336 | - |
| Accounts receivable | 32,171 | - |
| Prepaid expenses | 5,127 | - |
| Security deposit | 9,644 | - |
| Total current assets | 2,864,103 | 581,783 |
| Noncurrent assets: | | |
| Capital assets: | | |
| Nondepreciable capital assets | 130,848 | - |
| Depreciable assets, net of accumulated depreciation | 385,491 | - |
| Total noncurrent assets | 516,339 | - |
| Total assets | 3,380,442 | 581,783 |
| Deferred outflows of resources: | | |
| Deferred outflows related to pensions | 709,351 | - |
| Deferred outflows related to other postemployment benefits | 811,607 | - |
| Total deferred outflows of resources | 1,520,958 | - |
| LIABILITIES | | |
| Current liabilities: | | |
| Accounts payable | 875,645 | 1,700 |
| Accrued annual leave | 105,433 | - |
| Total current liabilities | 981,078 | 1,700 |
| Noncurrent liabilities: | | |
| Accrued annual leave | 84,063 | - |
| Net pension liability | 3,946,361 | - |
| Net other postemployment benefits liability | 3,374,357 | - |
| Unearned revenue | 450,206 | 1,107 |
| Total noncurrent liabilities | 7,854,987 | 1,107 |
| Total liabilities | 8,836,065 | 2,807 |
| Deferred inflows of resources: | | |
| Deferred inflows related to pensions | 399,502 | - |
| Deferred inflows related to other postemployment benefits | 322,310 | - |
| Total deferred inflows of resources | 721,812 | - |
| Net Position: | | |
| Invested in capital assets | 516,339 | - |
| Restricted | - | 543,500 |
| Unrestricted | (5,172,816) | 35,476 |
| Total net position | \$ (4,656,477) | \$ 578,976 |

The accompanying notes to the financial statements are an integral part of this statement.

CENTRAL MIDLANDS COUNCIL OF GOVERNMENTS
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2021

| Functions/Programs | Expenses | Program Revenues | Net Revenue (Expense) and Changes in Net Position | |
|--|----------------------|------------------------------------|---|-------------------|
| | | Operating Grants and Contributions | Governmental Activities | Component Unit |
| Governmental activities: | | | | |
| General administration | \$ 2,031 | \$ 1,411 | \$ (620) | \$ - |
| Program administration | 10,339,467 | 10,137,032 | (202,435) | - |
| Local planning assistance | 135,313 | 110,909 | (24,404) | - |
| Total governmental activities | <u>\$ 10,476,811</u> | <u>\$ 10,249,352</u> | <u>(227,459)</u> | <u>-</u> |
| | | | | |
| Component unit | <u>\$ 20,939</u> | <u>\$ 565,351</u> | | <u>544,412</u> |
| | | | | |
| General revenues: | | | | |
| Membership dues | | | 594,466 | - |
| State aid | | | 70,407 | - |
| Interest income | | | 30 | 6 |
| Other revenue | | | 28,003 | - |
| Total general revenue | | | <u>692,906</u> | <u>6</u> |
| | | | | |
| Change in net position | | | 465,447 | 544,418 |
| | | | | |
| Net position, beginning of year | | | <u>(5,121,924)</u> | <u>34,558</u> |
| | | | | |
| Net position, end of year | | | <u>\$ (4,656,477)</u> | <u>\$ 578,976</u> |

The accompanying notes to the financial statements are an integral part of this statement.

**CENTRAL MIDLANDS COUNCIL OF GOVERNMENTS
BALANCE SHEET
GOVERNMENTAL FUNDS
AS OF JUNE 30, 2021**

| | Special Revenue Funds | | | | | Total | |
|--|-----------------------|-------------------|-------------------|--|----------------------------|-------------------|------------------------------------|
| | General | Aging | Transportation | Workforce Innovation and Opportunity Act | Environmental Contracts | | Non-major Governmental Funds |
| ASSETS | | | | | | | |
| Cash and cash equivalents | \$ 1,017,418 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 1,017,418 |
| Due from Federal government | - | 385,402 | 185,401 | 1,010,326 | - | 90,278 | 1,671,407 |
| Due from State government | - | 128,336 | - | - | - | - | 128,336 |
| Due from other funds | 519,469 | - | - | - | 364,763 | - | 884,232 |
| Accounts receivable | 4,730 | - | - | 6,497 | - | 20,944 | 32,171 |
| Prepaid expenses | 1,612 | - | - | 3,515 | - | - | 5,127 |
| Security deposit | 9,644 | - | - | - | - | - | 9,644 |
| Total assets | <u>\$ 1,552,873</u> | <u>\$ 513,738</u> | <u>\$ 185,401</u> | <u>\$ 1,020,338</u> | <u>\$ 364,763</u> | <u>\$ 111,222</u> | <u>\$ 3,748,335</u> |
| LIABILITIES AND FUND BALANCES | | | | | | | |
| Liabilities | | | | | | | |
| Accounts payable | \$ 14,621 | \$ 322,782 | \$ 50 | \$ 489,323 | \$ 6,035 | \$ 42,834 | \$ 875,645 |
| Unearned revenue | - | 42,957 | - | 39,036 | 358,728 | 9,485 | 450,206 |
| Due to other funds | - | 147,999 | 185,351 | 491,979 | - | 58,903 | 884,232 |
| Total liabilities | <u>14,621</u> | <u>513,738</u> | <u>185,401</u> | <u>1,020,338</u> | <u>364,763</u> | <u>111,222</u> | <u>2,210,083</u> |
| Fund Balances | | | | | | | |
| Nonspendable for prepaid items | 1,612 | - | - | 3,515 | - | - | 5,127 |
| Nonspendable for security deposit | 9,644 | - | - | - | - | - | 9,644 |
| Assigned for special purposes | 235,030 | - | - | - | - | - | 235,030 |
| Unassigned | 1,291,966 | - | - | (3,515) | - | - | 1,288,451 |
| Total fund balances | <u>1,538,252</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>1,538,252</u> |
| Total liabilities and fund balances | <u>\$ 1,552,873</u> | <u>\$ 513,738</u> | <u>\$ 185,401</u> | <u>\$ 1,020,338</u> | <u>\$ 364,763</u> | <u>\$ 111,222</u> | <u>\$ 3,748,335</u> |

The accompanying notes to the financial statements are an integral part of this statement.

**CENTRAL MIDLANDS COUNCIL OF GOVERNMENTS
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCES TO THE
STATEMENT OF NET POSITION
AS OF JUNE 30, 2021**

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

| | |
|---|-------------------------------------|
| Fund balance of governmental funds | \$ 1,538,252 |
| Capital assets, net of depreciation, are not current financial resources and are not included in the governmental funds | 516,339 |
| Net pension and OPEB liabilities are not due and payable in the current period and, therefore, are not reported in the funds: | |
| Net pension liability | (3,946,361) |
| Net other postemployment benefits liability | (3,374,357) |
| 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 | 709,351 |
| Deferred outflows of resources related to other postemployment benefits | 811,607 |
| Deferred inflows of resources related to pensions | (399,502) |
| Deferred inflows of resources related to other postemployment benefits | (322,310) |
| 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>(189,496)</u> |
| Net Position of Governmental Activities | <u><u>\$ (4,656,477)</u></u> |

The accompanying notes to the financial statements are an integral part of this statement.

CENTRAL MIDLANDS COUNCIL OF GOVERNMENTS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2021

| | Special Revenue Funds | | | | | | Total |
|--|-----------------------|------------------|------------------|--|----------------------------|------------------------------------|---------------------|
| | General | Aging | Transportation | Workforce Innovation and Opportunity Act | Environmental Contracts | Non-major Governmental Funds | |
| Revenues: | | | | | | | |
| Membership dues | \$ 594,466 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 594,466 |
| State aid | 70,407 | - | - | - | - | - | 70,407 |
| Federal revenue | - | 4,109,087 | 1,116,351 | 3,988,428 | 3,858 | 262,490 | 9,480,214 |
| State revenue | - | 557,028 | - | - | - | - | 557,028 |
| Local revenue | 1,411 | - | 37,132 | 110,635 | 8,330 | 29,672 | 187,180 |
| Interest income | 30 | - | - | - | - | - | 30 |
| Other revenue | - | - | - | - | 11,553 | 16,450 | 28,003 |
| Total revenues | <u>666,314</u> | <u>4,666,115</u> | <u>1,153,483</u> | <u>4,099,063</u> | <u>23,741</u> | <u>308,612</u> | <u>10,917,328</u> |
| Expenditures: | | | | | | | |
| Direct personnel costs | 1,234,177 | 480,091 | 255,692 | 422,422 | 2,455 | 144,538 | 2,539,375 |
| Indirect cost allocations | (1,328,808) | 450,096 | 306,063 | 413,747 | 3,991 | 154,911 | - |
| Support services | | | | | | | |
| Operations and maintenance | 244,628 | 44,262 | 18,809 | 485,483 | 1,020 | 5,631 | 799,833 |
| Development and training | - | 3,216 | 50 | 321 | - | - | 3,587 |
| Travel and transportation | 12,041 | 18,753 | 47 | 1,562 | - | - | 32,403 |
| Consulting services | - | 2,450 | 748,542 | - | 16,275 | 82,128 | 849,395 |
| Capital outlay | 41,909 | - | - | - | - | - | 41,909 |
| Payments to contractors | - | 3,130,452 | - | 2,774,042 | - | 4,929 | 5,909,423 |
| Other program expenses | 11,189 | 543,016 | - | 1,145 | - | 549 | 555,899 |
| Total expenditures | <u>215,136</u> | <u>4,672,336</u> | <u>1,329,203</u> | <u>4,098,722</u> | <u>23,741</u> | <u>392,686</u> | <u>10,731,824</u> |
| Excess revenues over (under) expenditures | <u>451,178</u> | <u>(6,221)</u> | <u>(175,720)</u> | <u>341</u> | <u>-</u> | <u>(84,074)</u> | <u>185,504</u> |
| Other financing sources (uses): | | | | | | | |
| Transfers in | - | 6,221 | 175,720 | - | - | 84,074 | 266,015 |
| Transfers out | (265,674) | - | - | (341) | - | - | (266,015) |
| Total other financing sources (uses) | <u>(265,674)</u> | <u>6,221</u> | <u>175,720</u> | <u>(341)</u> | <u>-</u> | <u>84,074</u> | <u>-</u> |
| Net change in fund balance | 185,504 | - | - | - | - | - | 185,504 |
| Fund balance, beginning of year | 1,352,748 | - | - | - | - | - | 1,352,748 |
| Fund balance, end of year | <u>\$ 1,538,252</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 1,538,252</u> |

The accompanying notes to the financial statements are an integral part of this statement.

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, 2021

Net change in fund balances - total governmental funds \$ 185,504

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

Governmental funds report capital outlays as expenditures; however, in the Statement of Activities, the costs of those assets are allocated over the 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 below:

| | |
|----------------------|----------|
| Additions | 41,909 |
| Depreciation expense | (40,095) |

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.

| | | |
|-------------------------------|----------------|------------|
| Council pension contributions | \$ 269,509 | |
| Pension benefit | <u>132,793</u> | \$ 402,302 |

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

| | | |
|----------------------------|------------------|--------------|
| Council OPEB contributions | \$ 133,183 | |
| OPEB expense | <u>(251,869)</u> | \$ (118,686) |

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.

(5,487)

Change in Net Position of Governmental Activities

\$ 465,447

The accompanying notes to the financial statements are an integral part of this statement.

Central Midlands Council of Governments
Notes to Financial Statements

Note 1. 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 related to aging, transportation, workforce innovations, environmental contracts, and other areas 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) 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.

Central Midlands Council of Governments
Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (continued)

Basis of Accounting

The accounts of the Council are organized on the basis of governmental 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.

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.

Central Midlands Council of Governments
Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (continued)

Basis of Accounting (continued)

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.

The Environmental Contracts Special Revenue Fund – The Environmental Contracts Special Revenue Fund is used to account for receipts and expenditures passed from the United States Environmental Protection Agency to the South Carolina Department of Health and Environmental Control to provide support for environmental planning activities and to examine regional environmental issues such as air and water quality, open space preservation, sustainable energy, and environmental justice.

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.

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.

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.

Component Unit – The Central Midlands Development Corporation financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred regardless of the timing of related cash flows.

Central Midlands Council of Governments
Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (continued)

Basis of Accounting (continued):

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

Budget - As required by accounting principles generally accepted in the United States of America, the Council adopted a legal budget for the year ended June 30, 2021, 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 2021, the Council did approve budgetary expenditure amendments.

The Budgetary Comparison Schedules included in the required supplementary information presents a comparison of budgetary data to actual results of operations for the General Fund and major Special Revenue Funds (Aging, Transportation, Workforce Investment and Opportunity Act, and Environmental Contracts), 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 fund 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 General, Aging, Transportation, Workforce Investment and Opportunity Act, and Environmental Contracts Special Revenue Funds have separate legally adopted budgets.

Central Midlands Council of Governments
Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (continued)

Basis of Accounting (continued):

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.

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 |

Note 1. Summary of Significant Accounting Policies (continued)

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 and OPEB are described in Notes 9 and 10.

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 webhosting.

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

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

Note 1. Summary of Significant Accounting Policies (continued)

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

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

Restricted net position: 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 net position: Unrestricted net position consists 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.

Central Midlands Council of Governments
Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (continued)

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

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

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

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

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

Unassigned fund balance - Represents the fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The Council reports positive unassigned fund balance only in the General Fund. For all other funds, deficits in Fund balance at year-end are 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. The most significant estimates affecting these financial statements are the estimates for the net pension and OPEB liabilities.

Central Midlands Council of Governments
Notes to Financial Statements

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).

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).

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.

Central Midlands Council of Governments
Notes to Financial Statements

Note 2. Cash and Investments (continued)

Total cash and investments at June 30, 2021, consisted of the following:

| | |
|----------------------------|--------------|
| Demand deposits | \$ 781,948 |
| Money market accounts | 221,643 |
| Cash on hand | 40 |
| LGIP | 13,787 |
| Total cash and investments | \$ 1,017,418 |

Deposits with financial institutions include bank demand deposits.

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, 2021, the Council’s investments were rated as follows:

| Investment Type | Classification | Total |
|-------------------------------------|----------------|-----------|
| SC Local Government Investment Pool | Level 2 | \$ 13,787 |

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, 2021, 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 at treasurer.sc.gov or 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.

Central Midlands Council of Governments
Notes to Financial Statements

Note 2. Cash and Investments (continued)

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 \$1,017,418 and the bank balance was \$1,127,242. Cash on deposit in excess of FDIC insured limits totaled \$863,455 at June 30, 2021.

As of June 30, 2021, the Council held the following investments:

| Investment Type | Balance Sheet Classification | Carrying Value | % of Investment Portfolio |
|-------------------------------------|------------------------------|----------------|---------------------------|
| SC Local Government Investment Pool | Cash and Equivalents | \$ 13,787 | 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. Capital Assets

The following is a summary of changes in capital assets for the year ended June 30, 2021:

| | Beginning Balance July 1, 2020 | Increases | Decreases | Ending Balance June 30, 2021 |
|--|-----------------------------------|-----------|-----------|---------------------------------|
| <i>Governmental Activities:</i> | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | \$ 130,848 | \$ - | \$ - | \$ 130,848 |
| Capital assets, being depreciated: | | | | |
| Building | 726,024 | 4,500 | - | 730,524 |
| Equipment and furniture | 378,840 | 37,409 | - | 416,249 |
| Total capital assets being depreciated | 1,104,864 | 41,909 | - | 1,146,773 |
| Less accumulated depreciation for: | | | | |
| Building | (426,263) | (19,647) | - | (445,910) |
| Equipment and furniture | (294,924) | (20,448) | - | (315,372) |
| Total accumulated depreciation | (721,187) | (40,095) | - | (761,282) |
| Total capital assets, net | \$ 514,525 | \$ 1,814 | \$ - | \$ 516,339 |

Depreciation expense of \$40,095 was unallocated in the primary government.

Central Midlands Council of Governments
Notes to Financial Statements

Note 4. Long-Term Liabilities

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

| | June 30, 2020 | Additions | Reductions | June 30, 2021 | Due within one year |
|-----------------------|---------------------|---------------------|---------------------|---------------------|------------------------|
| Accrued annual leave | \$ 184,009 | \$ 110,920 | \$ (105,433) | \$ 189,496 | \$ 105,433 |
| Net pension liability | 3,391,082 | 555,279 | - | 3,946,361 | - |
| Net OPEB liability | 2,711,441 | 662,916 | - | 3,374,357 | - |
| Total | <u>\$ 6,286,532</u> | <u>\$ 1,329,115</u> | <u>\$ (105,433)</u> | <u>\$ 7,510,214</u> | <u>\$ 105,433</u> |

For the governmental activities, compensated absences, net pension liability, and net OPEB liability are generally liquidated by the General Fund.

Note 5. Short-Term Note Payable – Line-of-Credit

The Council has an unsecured line-of-credit for \$300,000 with a maturity date of April 25, 2022. The line-of-credit 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 2021. There is \$0 outstanding on the line-of-credit at June 30, 2021, and no interest was paid during the year ended June 30, 2021.

Note 6. Leases

The Council leases facilities and equipment under several operating leases maturing between August, 2021 and July, 2025. Future minimum lease payments are as follows for the year ending June 30, 2021:

| | |
|-------|-------------------|
| 2022 | \$ 221,222 |
| 2023 | 157,416 |
| 2024 | 118,120 |
| 2025 | 26,388 |
| Total | <u>\$ 523,146</u> |

During the year ended June 30, 2021, the Council paid \$203,174 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 \$594,466.

Central Midlands Council of Governments
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

The South Carolina Public Employee Benefit Authority ("PEBA"), created July 1, 2012, is the state agency responsible for the administration and management of the various Retirement Systems and retirement programs of the state of South Carolina, including the State Optional Retirement Program and the S.C. Deferred Compensation Program, as well as the state's employee insurance programs. As such, PEBA is responsible for administering the South Carolina Retirement Systems' five defined benefit pension plans. PEBA has an 11-member Board of Directors, appointed by the Governor and General Assembly leadership, which serves as custodian, co-trustee and co-fiduciary of the Systems and the assets of the retirement trust funds. The Retirement System Investment Commission ("Commission" as the governing body, "RSIC" as the agency), created by the General Assembly in 2005, has exclusive authority to invest and manage the retirement trust funds' assets. The Commission, an eight-member board, serves as co-trustee and co-fiduciary for the assets of the retirement trust funds. By law, the State Fiscal Accountability Authority ("SFAA"), which consists of five elected officials, also reviews certain PEBA Board decisions regarding the actuary of the Systems.

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

PEBA issues a CAFR containing financial statements and required supplementary information for the Systems' Pension Trust Funds. The CAFR is publicly available through the Retirement Benefits' link on PEBA's website at www.peba.sc.gov, or a copy may be obtained by submitting a request to PEBA, 202 Arbor Lake Drive, Columbia, 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.

Note 9. Employee Retirement Plan (continued)

Plan Descriptions

- 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 teachers and employees of the state and its political subdivisions. SCRS covers employees of state agencies, public school districts, higher education institutions, other participating local subdivisions of government and individuals newly elected to the South Carolina General Assembly at or after the 2012 general election.
- The State Optional Retirement Program (State ORP) is a defined contribution plan that is offered as an alternative to SCRS to certain newly hired employees of state agencies, institutions of higher education, public school districts and individuals first elected to the S.C. General Assembly at or after the general election in November 2012. State ORP participants direct the investment of their funds into an account administered by one of four third party service providers. PEBA assumes no liability for State ORP benefits. Rather, the benefits are the liability of the four third party service providers. For this reason, State ORP assets are not part of the retirement systems’ trust funds for financial statement purposes.
- The Council does not have employees that participate in the Police Officers Retirement System (“PORS”).

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 below.

- 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, 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.
- State ORP - As an alternative to membership in SCRS, newly hired state, public school, and higher education employees and individuals newly elected to the S.C. General Assembly at or after the November 2012 general election have the option to participate in the State ORP. Contributions to the State ORP are at the same rates as SCRS. A direct remittance is required from the employer to the member’s account with the ORP vendor for the employee contribution and a portion of the employer contribution (5 percent). A direct remittance is also required to SCRS for the remaining portion of the employer contribution and an incidental death benefit contribution, if applicable, which is retained by SCRS.

Note 9. Employee Retirement Plan (continued)

Benefits

Benefit terms are prescribed in Title 9 of the South Carolina Code of Laws. PEBA does not have the authority to establish or amend benefit terms without a legislative change in the code of laws. Key elements of the benefit calculation include the benefit multiplier, years of service, and average final compensation/current annual salary. A brief summary of the 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 at least 90 years. Both Class Two and Class Three members are eligible to receive a reduced deferred annuity at age 60 if they satisfy the five- or eight-year earned service requirement, respectively. An incidental death benefit is also available to beneficiaries of active and retired members of employers who participate in the death benefit program.

The annual retirement allowance of eligible retirees or their surviving annuitants is increased by the lesser of 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.

Contributions

Actuarial valuations are performed annually by an external consulting actuary to ensure applicable contribution rates satisfy the funding parameters specified in Title 9 of the South Carolina Code of Laws. Under these provisions, SCRS and PORS contribution requirements must be sufficient to maintain an amortization period for the financing of the unfunded actuarial accrued liability ("UAAL") over a period that does not exceed the number of years scheduled in state statute. Legislation in 2017 increased, but also established a ceiling for SCRS and PORS employee contribution rates. Effective July 1, 2017, employee rates were increased to a capped rate of 9.00 percent for SCRS and 9.75 percent for PORS. The legislation also increased employer contribution rates beginning July 1, 2017 for both SCRS and PORS by two percentage points and further scheduled employer contribution rates to increase by a minimum of one percentage point each year in accordance with state statute. However, the General Assembly postponed the one percent increase in the SCRS and PORS employer contribution rates that was scheduled to go into effect beginning July 1, 2020. If the scheduled contributions are not sufficient to meet the funding periods set in state statute, the board shall increase the employer contribution rates as necessary to meet the funding periods set for the applicable year. The maximum funding period of SCRS and PORS is scheduled to be reduced over a ten-year schedule from 30 years beginning fiscal year 2018 to 20 years by fiscal year 2028.

Central Midlands Council of Governments
Notes to Financial Statements

Note 9. Employee Retirement Plan (continued)

Additionally, the Board is prohibited from decreasing the SCRS and PORS contribution rates until the funded ratio is at least 85 percent. If the most recent annual actuarial valuation of the Systems for funding purposes shows a ratio of the actuarial value of system assets to the actuarial accrued liability of the system (the funded ratio) that is equal to or greater than 85 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 85 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 85 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 85 percent.

| Required <u>employee</u> contribution rates ¹ are as follows: | <u>Fiscal Year 2021</u> | Fiscal Year 2020 |
|---|-------------------------|------------------|
| SCRS | | |
| Employee Class Two | 9.00% | 9.00% |
| Employee Class Three | 9.00% | 9.00% |
| State ORP | 9.00% | 9.00% |
| Required <u>employer</u> contribution rates ¹ are as follows: | | |
| SCRS | | |
| Employer Class Two | 15.41% | 15.41% |
| Employer Class Three | 15.41% | 15.41% |
| Employer Incidental Death Benefit | 0.15% | 0.15% |
| State ORP | | |
| Employer Contribution ² | 15.41% | 15.41% |
| Employer Incidental Death Benefit | 0.15% | 0.15% |
| ¹ Calculated on earnable compensation as defined in Title 9 of the South Carolina Code of Laws. ² Of this employer contribution, 5% of earnable compensation must be remitted by the employer directly to the ORP vendor to be allocated to the member's account with the remainder of the employer contribution remitted to SCRS. | | |

Actuarial Assumptions and Methods

Actuarial valuations of the plan involve estimates of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and future salary increases. Amounts determined regarding the net pension liability are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. South Carolina state statute requires that an actuarial experience study be completed at least once in each five-year period. An experience report on the Systems was most recently issued for the period ending June 30, 2019 for first use in the July 1, 2021 actuarial valuation.

Central Midlands Council of Governments
Notes to Financial Statements

Note 9. Employee Retirement Plan (continued)

The June 30, 2020, total pension liability (“TPL”), net pension liability (“NPL”), and sensitivity information shown in this report were determined by a consulting actuary, Gabriel, Roeder, Smith and Company (“GRS”) and are based on an actuarial valuation performed as of July 1, 2019. The total pension liability was rolled-forward from the valuation date to the plans’ fiscal year end, June 30, 2020, using generally accepted actuarial principles.

The following provides a summary of the actuarial assumptions and methods used to calculate the TPL as of June 30, 2020:

| | SCRS |
|--|---|
| Actuarial cost method | Entry age normal |
| Actuarial assumptions: | |
| Investment rate of return ¹ | 7.25% |
| Projected salary increases | 3.0% to 12.5% (varies by service) ¹ |
| Benefit adjustments | lesser of 1% or \$500 annually |

¹ Includes inflation at 2.25%

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

Assumptions used in the determination of the June 30, 2020 TPL are as follows:

| Former Job Class | Males | Females |
|--|---------------------------------------|---|
| Educators and Judges | 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% |

Net Pension Liability

The NPL is calculated separately for each system and represents that particular system’s TPL determined in accordance with GASB No. 67 less that System’s fiduciary net position. NPL totals, as of June 30, 2020, 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 Total Pension Liability |
|--------|----------------------------|--------------------------------|-------------------------------------|---|
| SCRS | \$51,844,187,763 | \$26,292,418,682 | \$ 25,551,769,081 | 50.7% |

Central Midlands Council of Governments
Notes to Financial Statements

Note 9. Employee Retirement Plan (continued)

The TPL is calculated by the Systems' actuary, and each plan's fiduciary net position is reported in the Systems' financial statements. The NPL is disclosed in accordance with the requirements of GASB No. 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. The Council's net pension liability at June 30, 2021 was \$3,946,361.

The Council's proportionate share of the net pension liability for SCRS is as follows for the years ended June 30, 2021 and 2020:

| System | June 30, 2021 | June 30, 2020 | Change |
|---------------|----------------------|----------------------|---------------|
| SCRS | 0.015445% | 0.014851% | 0.000594% |

The Council's change in proportionate share of the net pension liability and related deferred inflows and outflows of the resources will be amortized into pension expense over the respective average remaining service lives of the system.

Long-term Expected Rate of Return

The long-term expected rate of return on pension plan investments is based upon 20 year capital market assumptions. The long-term expected rate of returns represent assumptions developed using an arithmetic building block approach primarily based on consensus expectations and market based inputs. Expected returns are net of investment fees.

The expected returns, along with the expected inflation rate, form the basis for the target asset allocation adopted at the beginning of the 2020 fiscal year. The long-term expected rate of return is produced by weighting the expected future real rates of return by the target allocation percentage and adding expected inflation and is summarized in the table below. For actuarial purposes, the 7.25 percent assumed annual investment rate of return used in the calculation of the TPL includes a 5.00 percent real rate of return and a 2.25 percent inflation component.

Central Midlands Council of Governments
Notes to Financial Statements

Note 9. Employee Retirement Plan (continued)

| Asset Class | Target Asset Allocation | Expected Arithmetic Real Rate of Return | Long Term Expected Portfolio Real Rate of Return |
|---|-------------------------|---|--|
| Global Equity | 51.0% | | |
| Global Public Equity ^{1,2} | 35.0 | 7.81% | 2.73% |
| Private Equity ^{2,3} | 9.0 | 8.91 | 0.80 |
| Equity Options Strategies ¹ | 7.0 | 5.09 | 0.36 |
| Real Assets | 12.0 | | |
| Real Estate (Private) ^{2,3} | 8.0 | 5.55 | 0.44 |
| Real Estate (REITs) ² | 1.0 | 7.78 | 0.08 |
| Infrastructure (Private) ^{2,3} | 2.0 | 4.88 | 0.10 |
| Infrastructure (Public) ² | 1.0 | 7.05 | 0.07 |
| Opportunistic | 8.0 | | |
| Global Tactical Asset Allocation ¹ | 7.0 | 3.56 | 0.25 |
| Other Opportunistic Strategies | 1.0 | 4.41 | 0.04 |
| Credit | 15.0 | | |
| High Yield Bonds/Bank Loans ^{1,2} | 4.0 | 4.21 | 0.17 |
| Emerging Markets Debt | 4.0 | 3.44 | 0.14 |
| Private Debt ^{2,3} | 7.0 | 5.79 | 0.40 |
| Rate Sensitive | 14.0 | | |
| Core Fixed Income ¹ | 13.0 | 1.60 | 0.21 |
| Cash and Short Duration (Net) | 1.0 | 0.56 | 0.01 |
| Total Expected Return ⁴ | <u>100.0%</u> | | <u>5.80</u> |
| Inflation for Actuarial Purposes | | | <u>2.25</u> |
| Total Expected Nominal Return | | | <u>8.05%</u> |

¹ Portable Alpha Strategies will be capped at 12% of total assets; Hedge funds (including all hedge funds used in portable alpha implementation) capped at 20% of total assets.

² The target weights to Private Equity, Private Debt, Private Infrastructure and Private Real Estate will be equal to their actual weights as of prior month end. Private Equity and Public Equity combine for 44 percent of entire portfolio. Private Debt and High Yield/Bank Loans combine for 11 percent of the entire portfolio. Private Infrastructure and Public Infrastructure combine for 3 percent of the entire portfolio. Private Real Estate and Real Estate (REITs) combine for 9 percent of entire portfolio.

³ RSIC staff and Consultant will notify the Commission if Private Markets assets exceed 25% of total assets.

⁴ The expected return for each of the Portable Alpha asset classes includes the expected return attributed to the Overlay Program. For benchmarking purposes there is a 10% weight assigned to Portable Alpha Hedge Funds in the Policy Benchmark.

Central Midlands Council of Governments
Notes to Financial Statements

Note 9. Employee Retirement Plan (continued)

Discount Rate

The discount rate used to measure the TPL was 7.25 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers in SCRS will be made based on the actuarially determined rates based on provisions in the South Carolina Code of Laws. Based on those assumptions, the System's fiduciary net position was projected to be available to make all the 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 TPL.

Sensitivity Analysis

The following table presents the Council's proportional share of the collective NPL of the participating employers calculated using the discount rate of 7.25 percent, as well as what the Council's proportional share of the employers' NPL would be if it were calculated using a discount rate that is 1.00 percent lower (6.25 percent) or 1.00 percent higher (8.25 percent) than the current rate.

| Sensitivity of the Proportional Share of Net Pension Liability to Changes in the Discount Rate | | | |
|---|-----------------------------------|--|-----------------------------------|
| System | 1.00% Decrease (6.25%) | Current Discount Rate (7.25%) | 1.00% Increase (8.25%) |
| SCRS | \$ 4,891,030 | \$ 3,946,361 | \$ 3,157,550 |

Deferred Outflows (Inflows) of Resources

For the year ended June 30, 2021, the Council recognized a pension benefit of \$132,793 which is included in direct personnel costs in the accompanying statement of revenues, expenditures and changes in fund balance. At June 30, 2021, the Council reported deferred outflows (inflows) of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|--------------------------------------|----------------------------------|
| Pension contributions subsequent to measurement date | \$ 269,509 | \$ - |
| Differences in actual and expected retirement plan experience | 45,536 | (14,923) |
| Net differences between projected and actual earnings on plan investments | 290,288 | - |
| Change in actuarial assumptions | 4,835 | - |
| Change in proportionate share of net pension liability and differences between actual contributions and the Council's proportionate share of contributions | 99,183 | (384,579) |
| | <u>\$ 709,351</u> | <u>\$ (399,502)</u> |

Central Midlands Council of Governments
Notes to Financial Statements

Note 9. Employee Retirement Plan (continued)

The Council reported \$269,509 as deferred outflows of resources related to contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred outflows (inflows) of resources will be recognized in pension expense in future years. The following schedule reflects the amortization of the Council’s proportional share of the net balance of remaining deferred outflows (inflows) of resources at June 30, 2021. Average remaining services lives of all employees provided with pensions through the pension plans at June 30, 2020 was 3.984 years for SCRS.

| Measurement Period Ending June 30, | Fiscal Year Ending June 30, | SCRS |
|---------------------------------------|--------------------------------|--------------|
| 2021 | 2022 | \$ (253,245) |
| 2022 | 2023 | 86,136 |
| 2023 | 2024 | 133,373 |
| 2024 | 2025 | 74,076 |
| | | \$ 40,340 |

The Council’s contributions to SCRS and ORP for the fiscal years ended June 30, 2021, 2020, and 2019 were \$269,509, \$265,522, and \$228,332, respectively.

Note 10. Post-Employment Benefits Other than Pensions

PEBA is a state agency responsible for the administration and management of South Carolina’s employee insurance programs and other post-employment benefits trusts. By law, the SFAA, which consists of five elected officials, also reviews certain PEBA Board decisions in administering the State Health Plan and other post-employment benefits (“OPEB”).

Plan Descriptions

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

In accordance with Act 195, the OPEB Trusts are administered by the PEBA - Insurance Benefits Division (“IBD”), a part of PEBA. 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 OPEB Trust is a cost-sharing multiple-employer defined benefit plan. Article 5 of the State Code of Laws defines the two plans and authorizes the Trustee to at any time adjust the plan, including its benefits and contributions, as necessary to insure the fiscal stability of the plan. In accordance with the South Carolina Code of Laws and the annual Appropriations Act, the State provides post-employment health and dental and long-term disability benefits to retired State and school district employees and their covered dependents.

Note 10. Post-Employment Benefits Other than Pensions (continued)

Benefits

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

Contributions and Funding Policies

Section 1-11-710 of the South Carolina Code of Laws of 1976, as amended, requires these postemployment benefits to be funded through non-employer and employer contributions for active employees and retirees to the IBD. Non-employer contributions consist of an annual appropriation by the General Assembly and the statutorily required transfer from IBD reserves.

The SCRHITF is funded through participating employers that are mandated by State statute to contribute at a rate assessed each year by the Department of Administration Executive Budget Office on active employee covered payroll. The covered payroll surcharge for the years ended June 30, 2021, 2020, and 2019 was 6.25%, 6.25%, and 6.05%, respectively. The Council paid \$108,254, \$107,691, and \$94,592 applicable to the surcharge included with the employer contribution for retirement benefits for the fiscal years ended June 30, 2021, 2020, and 2019, respectively. The South Carolina Retirement System collects the monthly covered payroll surcharge for all participating employers and remits it directly to the SCRHITF. Other sources of funding for the SCRHITF 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. Non-employer contributions include the mandatory transfer of accumulated IBD reserves and the annual appropriation budgeted by the General Assembly. It is also funded through investment income.

For the SCRHITF, the allocation percentage is based on the covered payroll surcharge contribution for each employer. In accordance with part (b) of paragraph 69 of GASB Statement No. 75, participating employers should recognize revenue in an amount equal to the employer's proportionate share of the change in the collective net OPEB liability arising from contributions to the OPEB plan during the measurement period from non-employer contributing entities for purposes other than the separate financing of specific liabilities to the OPEB plan. Therefore, employers should classify this revenue in the same manner as it classifies grants from other entities.

Note 10. Post-Employment Benefits Other than Pensions (continued)

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

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

Actuarial Assumptions and Methods

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

Projections of benefits for financial reporting purposes are based on the substantive plans (as understood by the employer and plan participants) and include the types of benefits provided at the time of 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 following provides a summary of the actuarial assumptions and methods used in the June 30, 2019 valuations for SCRHITF:

Central Midlands Council of Governments
Notes to Financial Statements

Note 10. Post-Employment Benefits Other than Pensions (continued)

| | |
|----------------------------|--|
| Actuarial Cost Method: | Entry Age Normal |
| Inflation: | 2.25% |
| Investment Rate of Return: | 2.75%, net of OPEB Plan investment expense; including inflation |
| Single Discount Rate: | 2.45% as of June 30, 2020 |
| Demographic Assumptions: | Based on the experience study performed for the South Carolina Retirement Systems for the 5-year period ending June 30, 2015 |
| Mortality: | For healthy retirees, the 2016 Public Retirees of South Carolina Mortality Table for Males and the 2016 Public Retirees of South Carolina Mortality Table for Females are used with fully generational mortality projections based on Scale AA from the year 2016. Multipliers are applied to the base tables based on gender and employment type. |
| Health Care Trend Rate: | Initial trend starting at 6.40% and gradually decreasing to an ultimate trend rate of 4.00% over a period of 14 years |
| Retiree Participation: | 79% 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 |
| Notes: | The discount rate changed from 3.13% as of June 30, 2019 to 2.45% as of June 30, 2020; updates were also made to the healthcare trend rate assumption, including an adjustment to reflect to repeal of the “Cadillac Tax”. |

Roll Forward Disclosures

The actuarial valuations were performed as of June 30, 2019. Update procedures were used to roll forward the total OPEB liabilities to June 30, 2020.

Net OPEB Liability

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

Central Midlands Council of Governments
Notes to Financial Statements

Note 10. Post-Employment Benefits Other than Pensions (continued)

The following table represents the components of the net OPEB liability as of June 30, 2020:

| OPEB Trust Fund | Total OPEB Liability | Plan Fiduciary Net Position | Net OPEB Liability | Plan Fiduciary Net Position as a Percentage of Total OPEB Liability |
|--------------------------------|---------------------------------|--|-------------------------------|--|
| SCRHITF | \$19,703,745,672 | \$1,652,299,185 | \$ 18,051,446,487 | 8.39% |

The Council's proportionate share of the net OPEB liability for SCRHITF is as follows for the years ended June 30, 2021 and 2020:

| OPEB Trust Fund | June 30, 2021 | June 30, 2020 | Change |
|------------------------|----------------------|----------------------|---------------|
| SCRHITF | 0.018693% | 0.017931% | 0.000762% |

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

At June 30, 2021, the Council reported a liability of \$3,374,357 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2019 and rolled forward to June 30, 2020. The Council's proportion of the net OPEB liability was based on a projection of the Council's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2021, the Council's proportion was 0.018693%.

Single Discount Rate

The Single Discount Rate of 2.45% was used to measure the total OPEB liability for the SCRHITF. The accounting policy for this plan is to set the Single Discount Rate equal to the prevailing municipal bond rate. Due to the plan's investment and funding policies, the difference between a blended discount rate and the municipal bond rate would be less than several basis points (several hundredths of one percent).

Long-term Expected Rate of Return

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 returns, along with the expected inflation rate, form the basis for the target asset allocation adopted at the beginning of the 2018 fiscal year. The long-term expected rate of return is produced by weighting the expected future real rates of return by the target allocation percentage and adding expected inflation. This information is summarized in the following table:

Central Midlands Council of Governments
Notes to Financial Statements

Note 10. Post-Employment Benefits Other than Pensions (continued)

| Asset Class | Target Asset Allocation | Expected Arithmetic Real Rate of Return | Long Term Expected Portfolio Real Rate of Return |
|------------------------------|--------------------------------|--|---|
| U.S. Domestic Fixed Income | 80.00% | 0.60% | 0.48% |
| Cash equivalents | 20.00 | 0.35 | 0.07 |
| Total Expected Real Return | <u>100.00%</u> | | 0.55 |
| Expected Inflation | | | 2.25 |
| Total Return | | | <u>2.80%</u> |
| Investment Return Assumption | | | <u>2.75%</u> |

Sensitivity Analysis

The following table presents the Council's proportional share of the SCRHITF's net OPEB liability calculated using a Single Discount Rate of 2.45%, as well as what the Council's proportional share of the plan's net OPEB liability would be if it were calculated using a Single Discount Rate that is one percent lower or one percent higher:

| | 1.00% Decrease (1.45%) | Current Discount Rate (2.45%) | 1.00% Increase (3.45%) |
|----------------------------|-----------------------------------|--|-----------------------------------|
| SCRHITF Net OPEB Liability | \$ 4,026,285 | \$ 3,374,357 | \$ 2,853,417 |

Regarding the sensitivity of the SCRHITF's net OPEB liability to changes in the healthcare cost trend rates, the following table presents the Council's proportional share of the plan's net OPEB liability, calculated using the assumed trend rates as well as what the Council's proportional share of the plan's net OPEB liability would be if were calculated using a trend rate that is one percent lower or one percent higher:

| | 1.00% Decrease | Current Healthcare Cost Trend Rate | 1.00% Increase |
|----------------------------|-----------------------|---|-----------------------|
| SCRHITF Net OPEB Liability | \$ 2,731,218 | \$ 3,374,357 | \$ 4,218,983 |

Deferred Outflows (Inflows) of Resources

For the year ended June 30, 2021, the Council recognized OPEB expense of \$251,869 which is included in direct personnel costs in the accompanying statement of revenues, expenditures and changes in fund balance. At June 30, 2021, the Council reported deferred outflows (inflows) of resources related to OPEB from the following sources:

Central Midlands Council of Governments
Notes to Financial Statements

Note 10. Post-Employment Benefits Other than Pensions (continued)

| SCRHITF | | |
|--|--------------------------------------|----------------------------------|
| | Deferred Outflows of Resources | Deferred Inflows of Resources |
| OPEB contributions subsequent to measurement date | \$ 108,254 | \$ - |
| Differences in actual and expected investment experience | 96,510 | (76,846) |
| Net differences between projected and actual earnings on OPEB plan investments | 4,535 | (12,405) |
| Change in actuarial assumptions | 502,146 | (134,384) |
| Change in proportionate share | 100,162 | (98,675) |
| | \$ 811,607 | \$ (322,310) |

Contributions subsequent to the measurement date of \$108,254 were reported as deferred outflows of resources related to OPEB and will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2021. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows. Average remaining services lives of all employees provided with OPEB through the June 30, 2020 measurement date were 7.1390 years for SCRHITF:

| Measurement Period Ending June 30, | Fiscal Year Ending June 30, | SCRHITF |
|---------------------------------------|--------------------------------|------------|
| 2021 | 2022 | \$ 42,188 |
| 2022 | 2023 | 41,101 |
| 2023 | 2024 | 39,377 |
| 2024 | 2025 | 69,286 |
| 2025 | 2026 | 92,025 |
| Thereafter | | 97,066 |
| | | \$ 381,043 |

Central Midlands Council of Governments
Notes to Financial Statements

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. The following summarizes interfund receivables and payables at June 30, 2021:

| Due to/due from | Receivables | Payable |
|--|-------------|------------|
| General fund | \$ 519,469 | \$ - |
| Aging fund | - | 147,999 |
| Transportation fund | - | 185,351 |
| Workforce investment and Opportunity Act fund | - | 491,979 |
| Environmental contracts fund | 364,763 | - |
| Other non-major governmental funds | - | 58,903 |
| Total | \$ 884,232 | \$ 884,232 |

Interfund Transfers - The following summarizes interfund transfers for the fiscal year ending June 30, 2021:

| | Transfer In | Transfer Out |
|--|-------------|--------------|
| General fund | \$ - | \$ 265,674 |
| Aging fund | 6,221 | - |
| Transportation fund | 175,720 | - |
| Workforce investment and Opportunity Act fund | - | 341 |
| Environmental contracts fund | - | - |
| Non-major governmental funds | 84,074 | - |
| Total | \$ 266,015 | \$ 266,015 |

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.

Central Midlands Council of Governments
Notes to Financial Statements

Note 12. Fund Balance Reservations and Designations (continued)

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.

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, 2021, 2020, and 2019.

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 | WIOA Fund | Environmental Contracts Fund | Non-Major Governmental Funds |
|------------------------------|-------------------|----------------------|---|---|
| Unexpended carryover amounts | \$ 42,957 | \$ 39,036 | \$ 358,728 | \$ 9,485 |

Note 15. Excess of Expenditures over Appropriations

During fiscal year 2021, a number of budgetary departments exceeded appropriated amounts as shown in the budgetary comparison statement for the General Fund, Aging Fund, Transportation Fund, Workforce Innovation and Opportunity Act Fund, and Environmental Contracts 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, Workforce Innovation and Opportunity Act Fund, and Environmental Contracts Fund that exceeded budgeted amounts as indicated in the Council's Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget to Actual on pages 49-53.

Central Midlands Council of Governments
Notes to Financial Statements

Note 15. Excess of Expenditures over Appropriations (continued)

| | <u>Budget</u> | <u>Actual</u> | <u>Actual (Over) Budget</u> |
|---|---------------|---------------|---------------------------------|
| General Fund: | | | |
| Capital outlay | 40,000 | 41,909 | (1,909) |
| Aging Special Revenue Fund: | | | |
| Operations and maintenance | 33,300 | 44,262 | (10,962) |
| Consulting services | 1,400 | 2,450 | (1,050) |
| Other program expenses | 5,000 | 543,016 | (538,016) |
| Workforce Innovation and Opportunity Special Revenue Fund: | | | |
| Operations and maintenance | 310,054 | 485,483 | (175,429) |

Note 16. Subsequent Events

The Council has evaluated events and transactions occurring subsequent to the balance sheet date of June 30, 2021 for items that should potentially be recognized or disclosed in the financial statements. The evaluation was conducted through January 4, 2022, the date these financial statements were available for issuance.

Subsequent to year end, the Delta variant of COVID-19 has significantly increased positive cases and hospitalizations due to COVID-19; thus, the pandemic is still ongoing. These conditions could adversely affect the Council's business, financial condition, and results of operations. Further, COVID-19 may result in health or other governmental authorities requiring the closure of the Council's operations or other businesses of the Council's grantors, which could significantly disrupt the Council's operations. Management believes the Council is taking appropriate actions to address the potential negative financial and operational impact of the pandemic. However, the full impact is unknown and cannot be reasonably estimated as events continue to develop.

**Central Midlands Council of Governments
Schedule of the Council's
Proportionate Share of the Net Pension Liability
South Carolina Retirement System
As of June 30,
Last Seven Fiscal Years**

| | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> |
|---|--------------|--------------|--------------|--------------|--------------|
| Council's proportion of the net pension liability | 0.0154450 % | 0.0148510 % | 0.015110 % | 0.021368 % | 0.026419 % |
| Council's proportionate share of the net pension liability | \$ 3,946,361 | \$ 3,391,082 | \$ 3,385,630 | \$ 4,810,280 | \$ 5,643,059 |
| Council's covered payroll | \$ 1,706,440 | \$ 1,568,217 | \$ 1,565,797 | \$ 1,603,611 | \$ 2,155,935 |
| Council's proportionate share of the net pension liability as percentage of covered payroll | 231.26 % | 216.24 % | 216.22 % | 299.97 % | 261.75 % |
| Plan fiduciary net position as a percentage of the total pension liability | 50.71 % | 54.40 % | 54.10 % | 53.30 % | 52.90 % |
| | <u>2016</u> | <u>2015</u> | | | |
| Council's proportion of the net pension liability | 0.033480 % | 0.035090 % | | | |
| Council's proportionate share of the net pension liability | \$ 6,349,643 | \$ 6,041,355 | | | |
| Council's covered payroll | \$ 2,558,308 | \$ 3,139,110 | | | |
| Council's proportionate share of the net pension liability as percentage of covered payroll | 248.20 % | 192.45 % | | | |
| Plan fiduciary net position as a percentage of the total pension liability | 83.00 % | 59.90 % | | | |

Note: The amounts presented above were determined as of June 30th of the preceding year.

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.

See accompanying Independent Auditor's Report

**Central Midlands Council of Governments
Schedule of the Council's
Pension Contributions
South Carolina Retirement System
As of June 30,
Last Seven Fiscal Years**

| | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> |
|--|--------------|--------------|--------------|--------------|--------------|
| Contractually required contribution | \$ 269,509 | \$ 265,522 | \$ 228,332 | \$ 212,322 | \$ 282,951 |
| Contributions in relation to the contractually required contribution | 269,509 | 265,522 | 228,332 | 212,322 | 282,951 |
| Contribution deficiency (excess) | <u>\$ -</u> |
| | | | | | |
| Council's covered payroll | \$ 1,732,063 | \$ 1,706,440 | \$ 1,568,217 | \$ 1,565,797 | \$ 1,603,211 |
| Contributions as a percentage of the covered payroll | 15.56% | 15.56% | 14.56% | 13.56% | 17.65% |
| | | | | | |
| | <u>2016</u> | <u>2015</u> | | | |
| Contractually required contribution | \$ 342,163 | \$ 337,690 | | | |
| Contributions in relation to the contractually required contribution | 342,163 | 337,690 | | | |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | | | |
| | | | | | |
| Council's covered payroll | \$ 2,155,935 | \$ 2,558,308 | | | |
| Contributions as a percentage of the covered payroll | 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.

See accompanying Independent Auditor's Report

**Central Midlands Council of Governments
Schedule of the Council's
Proportionate Share of the Collective Net OPEB Liability
South Carolina Retiree Health Insurance Trust Fund
As of June 30,
Last Five Fiscal Years**

| | 2021 | 2020 | 2019 | 2018 | 2017 |
|---|--------------|--------------|--------------|--------------|--------------|
| Council's proportion of the collective net OPEB liability | 0.000187 % | 0.017931 % | 0.018157 % | 0.019016 % | 0.019016 % |
| Council's proportionate share of the collective net OPEB liability | \$ 3,374,357 | \$ 2,711,441 | \$ 2,572,953 | \$ 2,575,686 | \$ 2,751,355 |
| Council's covered payroll | \$ 1,706,440 | \$ 1,568,217 | \$ 1,565,797 | \$ 1,603,611 | \$ 2,155,935 |
| Council's proportionate share of the collective net OPEB liability as percentage of covered payroll | 197.74 % | 172.90 % | 164.32 % | 160.62 % | 127.62 % |
| Plan fiduciary net position as a percentage of the total OPEB liability | 8.39 % | 8.44 % | 7.91 % | 7.60 % | 6.62 % |

Note: The amounts presented above were determined as of June 30th of the preceding year.

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.

See accompanying Independent Auditor's Report

**Central Midlands Council of Governments
Schedule of the Council's
Other Postemployment Benefits Contributions
South Carolina Retiree Health Insurance Trust Fund
As of June 30,
Last Five Fiscal Years**

| | 2021 | 2020 | 2019 | 2018 | 2017 |
|--|--------------|--------------|--------------|--------------|--------------|
| Contractually required contribution | \$ 108,254 | \$ 107,691 | \$ 94,592 | \$ 86,118 | \$ 85,472 |
| Contributions in relation to the contractually required contribution | 108,254 | 107,691 | 94,592 | 86,118 | 85,472 |
| Contribution deficiency (excess) | \$ - | \$ - | \$ - | \$ - | \$ - |
| Council's covered payroll | \$ 1,732,063 | \$ 1,706,440 | \$ 1,568,217 | \$ 1,565,797 | \$ 1,603,611 |
| Contributions as a percentage of the covered payroll | 6.25% | 6.31% | 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.

See accompanying Independent Auditor's Report

CENTRAL MIDLANDS COUNCIL OF GOVERNMENTS
 REQUIRED SUPPLEMENTARY INFORMATION
 BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
 YEAR ENDED JUNE 30, 2021

| | Original Budget | Final Budget | Actual | Variance Positive (Negative) |
|--|---------------------|---------------------|---------------------|------------------------------------|
| REVENUES | | | | |
| Membership dues | \$ 594,466 | \$ 594,466 | \$ 594,466 | \$ - |
| State aid | 140,814 | 140,814 | 70,407 | (70,407) |
| Local revenue | - | - | 1,411 | 1,411 |
| Interest income | 25 | 25 | 30 | 5 |
| Other revenue | - | - | - | - |
| Total revenues | <u>735,305</u> | <u>735,305</u> | <u>666,314</u> | <u>(68,991)</u> |
| EXPENDITURES | | | | |
| Direct personnel costs | 1,334,159 | 1,334,159 | 1,234,177 | 99,982 |
| Indirect cost allocations | (1,645,493) | (1,645,493) | (1,328,808) | (316,685) |
| Support services: | | | | |
| Operations and maintenance | 357,530 | 357,530 | 244,628 | 112,902 |
| Travel and transportation | 35,600 | 35,600 | 12,041 | 23,559 |
| Consulting services | 97,838 | 97,838 | - | 97,838 |
| Capital outlay | 40,000 | 40,000 | 41,909 | (1,909) |
| Other program expenses | 44,501 | 44,501 | 11,189 | 33,312 |
| Total expenditures | <u>264,135</u> | <u>264,135</u> | <u>215,136</u> | <u>48,999</u> |
| Excess revenues over (under) expenditures | <u>471,170</u> | <u>471,170</u> | <u>451,178</u> | <u>(19,992)</u> |
| Other financing sources (uses) | | | | |
| Transfers out | (433,615) | (433,615) | (265,674) | 167,941 |
| Total other financing sources (uses) | <u>(433,615)</u> | <u>(433,615)</u> | <u>(265,674)</u> | <u>167,941</u> |
| Net change in fund balance | 37,555 | 37,555 | 185,504 | <u>\$ 147,949</u> |
| Fund balance, beginning of year | <u>1,352,748</u> | <u>1,352,748</u> | <u>1,352,748</u> | |
| Fund balance, end of year | <u>\$ 1,390,303</u> | <u>\$ 1,390,303</u> | <u>\$ 1,538,252</u> | |

See accompanying independent auditor's report.

CENTRAL MIDLANDS COUNCIL OF GOVERNMENTS
 REQUIRED SUPPLEMENTARY INFORMATION
 BUDGETARY COMPARISON SCHEDULE - AGING SPECIAL REVENUE FUND
 YEAR ENDED JUNE 30, 2021

| | Original Budget | Final Budget | Actual | Variance Positive (Negative) |
|--|------------------|------------------|------------------|------------------------------------|
| REVENUES | | | | |
| Federal revenue | \$ 4,288,097 | \$ 4,288,097 | \$ 4,109,087 | \$ (179,010) |
| State revenue | 447,945 | 447,945 | 557,028 | 109,083 |
| Total revenues | <u>4,736,042</u> | <u>4,736,042</u> | <u>4,666,115</u> | <u>(69,927)</u> |
| EXPENDITURES | | | | |
| Direct personnel costs | 1,003,118 | 1,003,118 | 480,091 | 523,027 |
| Indirect cost allocations | 294,935 | 294,935 | 450,096 | (155,161) |
| Support services: | | | | |
| Operations and maintenance | 33,300 | 33,300 | 44,262 | (10,962) |
| Development and training | 17,000 | 17,000 | 3,216 | 13,784 |
| Travel and transportation | 22,200 | 22,200 | 18,753 | 3,447 |
| Consulting services | 1,400 | 1,400 | 2,450 | (1,050) |
| Payments to contractors | 3,365,062 | 3,365,062 | 3,130,452 | 234,610 |
| Other program expenses | 5,000 | 5,000 | 543,016 | (538,016) |
| Total expenditures | <u>4,742,015</u> | <u>4,742,015</u> | <u>4,672,336</u> | <u>69,679</u> |
| Excess revenues over (under) expenditures | <u>(5,973)</u> | <u>(5,973)</u> | <u>(6,221)</u> | <u>(248)</u> |
| Other financing sources (uses) | | | | |
| Transfers in | 5,973 | 5,973 | 6,221 | 248 |
| Total other financing sources (uses) | <u>5,973</u> | <u>5,973</u> | <u>6,221</u> | <u>248</u> |
| Net change in fund balance | - | - | - | <u>\$ -</u> |
| Fund balance, beginning of year | <u>-</u> | <u>-</u> | <u>-</u> | |
| Fund balance, end of year | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | |

See accompanying independent auditor's report.

CENTRAL MIDLANDS COUNCIL OF GOVERNMENTS
 REQUIRED SUPPLEMENTARY INFORMATION
 BUDGETARY COMPARISON SCHEDULE - TRANSPORTATION SPECIAL REVENUE FUND
 YEAR ENDED JUNE 30, 2021

| | Original Budget | Final Budget | Actual | Variance Positive (Negative) |
|--|------------------|------------------|------------------|------------------------------------|
| REVENUES | | | | |
| Federal revenue | \$ 1,745,644 | \$ 1,745,644 | \$ 1,116,351 | \$ (629,293) |
| Local revenue | 106,250 | 106,250 | 37,132 | (69,118) |
| Total revenues | <u>1,851,894</u> | <u>1,851,894</u> | <u>1,153,483</u> | <u>(698,411)</u> |
| EXPENDITURES | | | | |
| Direct personnel costs | 574,918 | 574,918 | 255,692 | 319,226 |
| Indirect cost allocations | 172,476 | 172,476 | 306,063 | (133,587) |
| Support services: | | | | |
| Operations and maintenance | 57,900 | 57,900 | 18,809 | 39,091 |
| Development and training | 12,000 | 12,000 | 50 | 11,950 |
| Travel and transportation | 15,600 | 15,600 | 47 | 15,553 |
| Consulting services | 1,000,000 | 1,000,000 | 748,542 | 251,458 |
| Other program expenses | 19,000 | 19,000 | - | 19,000 |
| Total expenditures | <u>1,851,894</u> | <u>1,851,894</u> | <u>1,329,203</u> | <u>522,691</u> |
| Excess revenues over (under) expenditures | <u>-</u> | <u>-</u> | <u>(175,720)</u> | <u>(175,720)</u> |
| Other financing sources (uses) | | | | |
| Transfers in | | | 175,720 | 175,720 |
| Total other financing sources (uses) | <u>-</u> | <u>-</u> | <u>175,720</u> | <u>175,720</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> | |

See accompanying independent auditor's report.

CENTRAL MIDLANDS COUNCIL OF GOVERNMENTS
 REQUIRED SUPPLEMENTARY INFORMATION
 BUDGETARY COMPARISON SCHEDULE - WORKFORCE INNOVATION AND OPPORTUNITY ACT SPECIAL REVENUE FUND
 YEAR ENDED JUNE 30, 2021

| | Original Budget | Final Budget | Actual | Variance Positive (Negative) |
|--|------------------|------------------|------------------|------------------------------------|
| REVENUES | | | | |
| Federal revenue | \$ 4,722,119 | \$ 4,722,119 | \$ 3,988,428 | \$ (733,691) |
| Local revenue | 25,000 | 25,000 | 110,635 | 85,635 |
| Total revenues | <u>4,747,119</u> | <u>4,747,119</u> | <u>4,099,063</u> | <u>(648,056)</u> |
| EXPENDITURES | | | | |
| Direct personnel costs | 742,415 | 742,415 | 422,422 | 319,993 |
| Indirect cost allocations | 100,000 | 100,000 | 413,747 | (313,747) |
| Support services: | | | | |
| Operations and maintenance | 310,054 | 310,054 | 485,483 | (175,429) |
| Development and training | 16,750 | 16,750 | 321 | 16,429 |
| Travel and transportation | 25,300 | 25,300 | 1,562 | 23,738 |
| Consulting services | 21,799 | 21,799 | - | 21,799 |
| Payments to contractors | 3,480,801 | 3,480,801 | 2,774,042 | 706,759 |
| Other program expenses | 50,000 | 50,000 | 1,145 | 48,855 |
| Total expenditures | <u>4,747,119</u> | <u>4,747,119</u> | <u>4,098,722</u> | <u>648,397</u> |
| Excess revenues over (under) expenditures | <u>-</u> | <u>-</u> | <u>341</u> | <u>341</u> |
| Other financing sources (uses) | | | | |
| Transfers in | | | (341) | (341) |
| Total other financing sources (uses) | <u>-</u> | <u>-</u> | <u>(341)</u> | <u>(341)</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> | |

See accompanying independent auditor's report.

CENTRAL MIDLANDS COUNCIL OF GOVERNMENTS
 REQUIRED SUPPLEMENTARY INFORMATION
 BUDGETARY COMPARISON SCHEDULE - ENVIRONMENTAL CONTRACTS SPECIAL REVENUE FUND
 YEAR ENDED JUNE 30, 2021

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | Variance Positive (Negative) |
|--|------------------------|---------------------|---------------|------------------------------------|
| REVENUES | | | | |
| Federal revenue | \$ 2,149 | \$ 2,149 | \$ 3,858 | \$ 1,709 |
| Local revenue | 24,389 | 24,389 | 8,330 | (16,059) |
| Other revenue | 8,322 | 8,322 | 11,553 | 3,231 |
| Total revenues | <u>34,860</u> | <u>34,860</u> | <u>23,741</u> | <u>(11,119)</u> |
| EXPENDITURES | | | | |
| Direct personnel costs | 4,788 | 4,788 | 2,455 | 2,333 |
| Indirect cost allocations | 1,783 | 1,783 | 3,991 | (2,208) |
| Support services: | | | | |
| Operations and maintenance | 2,323 | 2,323 | 1,020 | 1,303 |
| Development and training | - | - | - | - |
| Travel and transportation | - | - | - | - |
| Consulting services | 25,966 | 25,966 | 16,275 | 9,691 |
| Payments to contractors | - | - | - | - |
| Other program expenses | - | - | - | - |
| Total expenditures | <u>34,860</u> | <u>34,860</u> | <u>23,741</u> | <u>11,119</u> |
| Excess revenues over (under) expenditures | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Other financing sources (uses) | | | | |
| Transfers in | - | - | - | - |
| Total other financing sources (uses) | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Net change in fund balance | - | - | - | <u>\$ -</u> |
| Fund balance, beginning of year | <u>-</u> | <u>-</u> | <u>-</u> | |
| Fund balance, end of year | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | |

See accompanying independent auditor's report.

**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 the Central Midlands Council of Governments (the "Council"), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Council's basic financial statements and issued our report thereon dated January 4, 2022.

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) as a basis for designing 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 entity's financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2021-001 that we consider to be a significant deficiency.

Compliance and Other Matters

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

Council's Response to Findings

The Council's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Council's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 Council's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Council's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Scott and Company LLC

Columbia, South Carolina
January 4, 2022

Independent Auditor's Report on Compliance for Each Major 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 the 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, 2021. The Council's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of 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 Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the 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, 2021.

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 the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the 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 a 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify a certain deficiency in internal control over compliance, described in the accompanying schedule of findings and questioned costs as item 2021-001, that we consider to be a significant deficiency.

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 Council's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Council's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.

Scott and Company LLC

Columbia, South Carolina
January 4, 2022

CENTRAL MIDLANDS COUNCIL OF GOVERNMENTS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
PERIOD ENDING JUNE 30, 2021

| Federal Grantor/Pass-Through Grantor Program Title | Federal CFDA Number | Pass through Grantor Number | Expenditures to Subrecipients | Federal Expenditures |
|--|---------------------------|-----------------------------------|-------------------------------------|-------------------------|
| U.S. Department of Commerce | | | | |
| Direct Programs | | | | |
| EDA Planning 1/1/2019-12/31/2021 | 11.302 | | \$ - | \$ 76,120 |
| EDA Planning 7/1/2020 -6/30/2022 | 11.307 | | - | 7,933 |
| Total U.S. Department of Commerce | | | - | 84,053 |
| U.S. Department of Housing & Urban Development | | | | |
| Passed through S.C. Department of Commerce | | | | |
| Regional Planning | 14.228 | 4-RP-18-00-4 | - | 49,775 |
| CDBG Administration - Whitemire Church Street Water Upgrade | 14.228 | 4-CL-18-013 | - | 19,230 |
| CDBG Administration | 14.228 | 4-CL-19-016 | - | 2,234 |
| CDBG Administration | 14.228 | 4-CE-18-008 | - | 10,864 |
| CDBG Administration | 14.228 | 4-CE-19-009 | - | 5,623 |
| CDBG Administration | 14.228 | 4-NR-19-001 | - | 3,168 |
| CDBG Administration | 14.228 | N/A | - | 844 |
| CDBG Administration | 14.228 | N/A | - | 598 |
| Total U.S. Department of Housing & Urban Development | | | - | 92,336 |
| US Department of Labor | | | | |
| Passed through S.C. Department of Employment & Workforce (SCDEW) | | | | |
| WIOA Cluster | | | | |
| WIOA - Adult | 17.258 | 19A005 20A005 | 820,761 | 1,168,150 |
| WIOA - Youth | 17.259 | 19Y005 20Y005 | 737,013 | 1,133,780 |
| WIOA - Dislocated Worker | 17.278 | 19DW005 20DW005 | 840,425 | 1,240,103 |
| State Workforce Development Board Restoration Funds | 17.259 | 20SR05 | 17,820 | 17,820 |
| Continuous Improvement Grant | 17.259 | 20CIG05 | - | 68,878 |
| Rapid Response Additional Assistance | 17.278 | 19RRA05 | 190,232 | 190,232 |
| Rapid Response Incumbent Worker Training - Green Energy Biofuel | 17.278 | 19RRIWT08 | 12,870 | 13,804 |
| Rapid Response Additional Assistance COVID | 17.278 | 19RRC05 | 63,813 | 63,813 |
| Rapid Response Incumbent Worker Training - Buck Enterprises | 17.278 | 19RRIWT09 | 15,750 | 16,489 |
| Rapid Response Incumbent Worker Training - JB Martin Company | 17.278 | 20RRIWT07 | 37,859 | 37,859 |
| Rapid Response Incumbent Worker Training - Elite Tool and Design, Inc. | 17.278 | 20RRIWT08 | 37,500 | 37,500 |
| Total WIOA Cluster Passed through SCDEW | | | <u>2,774,043</u> | <u>3,988,428</u> |
| Total U.S. Department of Labor | | | 2,774,043 | 3,988,428 |
| U.S. Department of Transportation, Federal Transit Administration | | | | |
| Direct Programs | | | | |
| Federal Transit Cluster | | | | |
| Section 5307 | 20.507 | | - | 2,557 |
| Section 5307-2 | 20.507 | | - | 55,441 |
| Section 5307 | 20.507 | | 165,511 | 165,511 |
| Section 5307 | 20.507 | | 70,797 | 70,797 |
| Total Federal Transit Formula Grants Cluster | | | <u>236,308</u> | <u>294,306</u> |
| Transit Service Cluster | | | | |
| Section 5310-1A | 20.513 | | - | 52,253 |
| Section 5310-1A | 20.513 | | - | 140,892 |
| Section 5310-1A | 20.513 | | - | 74,554 |
| Total Transit Service Cluster | | | <u>-</u> | <u>267,699</u> |

See accompanying notes to the schedule of expenditures of federal awards and accompanying independent auditor's report.

CENTRAL MIDLANDS COUNCIL OF GOVERNMENTS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (continued)
PERIOD ENDING JUNE 30, 2021

| Federal Grantor/Pass-Through Grantor Program Title | Federal CFDA Number | Pass through Grantor Number | Expenditures to Subrecipients | Federal Expenditures |
|---|---------------------------|-----------------------------------|-------------------------------------|-------------------------|
| Passed through SC Department of Transportation | | | | |
| Highway Planning & Construction Cluster | | | | |
| FHWA Planning | 20.205 | CMCOG P039965 | - | 469,346 |
| Rural Planning | 20.205 | COATS P039940 | - | 85,000 |
| Total Highway Planning & Construction Cluster Passed through SCDOT | | | - | 554,346 |
| Total U.S. Department of Transportation | | | - | 1,116,351 |
| U.S. Environmental Protection Agency | | | | |
| Passed through S.C. Department of Health & Environmental Control (SCDHEC) | | | | |
| Drinking Water State Revolving Fund Cluster | | | | |
| The Three Rivers Watershed Based Plan | 66.468 | EQ-0-551 | - | 45,001 |
| 208 Water Quality Management Planning | 66.454 | EQ-0-277 | - | 3,858 |
| Water Quality Management Planning | 66.454 | EQ-1-100 | - | 12,796 |
| Total Passed through SCDHEC | | | - | 61,655 |
| Total U.S. Environmental Protection Agency | | | - | 61,655 |
| US Department of Health & Human Services | | | | |
| Passed through S.C. Department on Aging | | | | |
| Aging Cluster | | | | |
| Preferred Community Health Partners | 93.044 | * None provided | - | 1,469 |
| Veterans Pilot Grant | 93.044 | * L060A00010 | - | 1,950 |
| Title IIIB Planning & Administration | 93.044 | * L060A00010 | - | 106,961 |
| Title IIIB Ombudsman | 93.044 | * L060B00010 | - | 347,874 |
| Title IIIB Supportive Services | 93.044 | * L060A00010 | 495,086 | 600,170 |
| COVID-19 | 93.045 | 50002000 | 9,852 | 9,852 |
| ADRC COVID | 93.045 | N/A | 50,000 | 50,000 |
| Title IIIC Nutrition Services | 93.045 | * L060A00010 | 984,648 | 984,648 |
| Total Aging Cluster | | | 1,539,586 | 2,102,924 |
| Title VII Elder Abuse | 93.041 | * L060B00010 | - | 206 |
| Title VII Ombudsman | 93.042 | * L060B00010 | - | 18,116 |
| Title IIID Preventative Health/Medication Management | 93.043 | L060B00010 | 40,512 | 40,512 |
| HCFAC18 | 93.048 | 90MPPG0007-04-00 | - | 67,801 |
| Title IIIE Planning & Administration | 93.052 | * L060A00010 | - | 8,236 |
| CARES OMB | 93.052 | * L060B00010 | - | 33,500 |
| CARES FCG | 93.052 | * L060A00010 | 179,641 | 179,641 |
| Title IIIE Caregiver | 93.052 | * L06A00010 | 292,353 | 302,485 |
| CARES HDM SS | 93.052 | * 51C10013 | 1,306,980 | 1,306,980 |
| I-CARE | 93.324 | 90ASPG0110-01-00 | - | 1,424 |
| SHIAP | 93.324 | 90SAPG0043-00 | - | 47,262 |
| Total Passed through S.C. Department on Aging | | | 1,819,486 | 2,006,163 |
| Total U.S. Department of Health & Human Services | | | 3,359,072 | 4,109,087 |
| U.S. Department of Homeland Security | | | | |
| Direct Programs | | | | |
| Hazard Mitigation Grant | 97.039 | | - | 28,304 |
| Total U.S. Department of Commerce | | | - | 28,304 |
| Total Expenditures of Federal Awards | | | \$ 6,133,115 | \$ 9,480,214 |

* Audited as major program

See accompanying notes to the schedule of expenditures of federal awards and accompanying independent auditor's report.

CENTRAL MIDLANDS COUNCIL OF GOVERNMENTS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2021

Note A – General

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) presents the activity of all federal award programs of the Central Midlands Council of Governments (the “Council”) for the year ended June 30, 2021. All federal awards received directly from federal agencies, as well as those passed through other government agencies, are included on the Schedule.

Note B – Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Council under programs of the federal government for the year ended June 30, 2021. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (“Uniform Guidance”). Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the financial statements. Because the Schedule presents only a selected portion of the operations of the Council, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Council.

Note 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 Funds. Amounts reported in the accompanying Schedule agree with the amounts reported in the related federal financial reports except for timing differences related to expenditures made subsequent to the filing of the federal financial reports. Matching costs, i.e. the non-federal share of certain program costs, are not included in the accompanying schedule.

Note D - Contingencies

The Council receives funds under various federal grant programs, and such awards are to be expended in accordance with the provisions of the various grants. Compliance with the grants is subject to audit by various government agencies which may impose sanctions in the event of non-compliance.

Note E – Major Programs and Clusters

* Denotes major programs

As defined in the Uniform Guidance, WIOA, Federal Transit, and Aging programs are considered to be clusters of programs and, accordingly, have been classified as one program for testing purposes. The Aging cluster has been defined as a major program.

Note F – Indirect Cost

The Council uses a restricted indirect cost rate between 29.25% and 30.39% depending on grant year 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.

**CENTRAL MIDLANDS COUNCIL OF GOVERNMENTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2021**

Section I—Summary of Auditor’s Results

Financial Statements:

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

Internal control over financial reporting:

- Material weaknesses identified? None reported
- Significant deficiencies identified? Yes
- Noncompliance material to financial statements noted? None reported

Federal Awards:

Internal control over major programs:

- Material weaknesses identified? No
- Significant deficiencies identified? None Reported
- Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? No

Type of report the auditor issued on compliance with major federal programs: Unmodified.

Identification of major programs

| <u>CFDA Number</u> | <u>Name of Federal Program</u> |
|--------------------|---|
| 93.044 and 93.045 | Aging Cluster / Title III Planning & Administration |
| 93.052 | National Family Caregiver Support, Title III, Part E |

Dollar threshold used to be distinguished between Type A and Type B Programs: \$750,000

Auditee qualified as low-risk auditee? No

**CENTRAL MIDLANDS COUNCIL OF GOVERNMENTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2021**

Section II - Financial Statement Findings:

Conditions Considered to be a Significant Deficiency

2021-001 – Balance Sheet Accounts Reconciliation

Criteria: Internal controls should be in place to ensure that the amounts reported as balance sheet accounts balances, such as fund balance, 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 correct 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 detailed reports on a monthly basis.

Condition: Internal controls were not sufficient to detect misstatements in the reporting of some 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 appeared to be higher or lower than expected. Additionally, we noted that several beginning balances did not agree with prior year audited financial statements. We asked the management to review these accounts and to make necessary adjustments to correct these balances. Ultimately, fund balance and net position were overstated by approximately \$61,000, unearned revenue was understated by approximately \$19,000, and capital assets understated by approximately \$34,000 before depreciation.

Effects: Management was required to make adjusting journal entries to properly report balances of fund balance, unearned revenue, and capital assets for the year ended June 30, 2021.

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. Additionally, we recommend that management post all audit adjustments at the end of the audit period, and beginning fund balances of the subsequent fiscal year should be agreed with audited 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.

Section III - Federal Award Findings and Questioned Costs:

None Reported.

**CENTRAL MIDLANDS COUNCIL OF GOVERNMENTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2021**

Summary Schedule of Prior Audit Findings:

Finding 2020-001 – Financial Closeout and Reporting

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

Current Status: The Finance Department developed additional policies and procedures, including a closeout checklist for monthly and year-end financial activities. Checklist items are tracked and reviewed on a regular basis. No similar findings were noted in the 2021 audit.

Finding 2020-002 – Balance Sheet Accounts Reconciliation

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

Current Status: We found that corrective action was taken on the above finding for fiscal year 2021; however, it was not sufficient to remove the finding. We have repeated finding 2020-002 as finding 2021-001 for fiscal year 2021, but as a significant deficiency rather than a material weakness.

Finding 2020-003 – Strengthen Control Over Cash Management

Federal Awarding Agency: Federal Transit Administration

Program Title and CFDA Number: Federal Transit – Formula Grants (Urbanized Area Formula Program (20.507))

Federal Award numbers and Year: SC-37-X027-00 (2014), SC-2018-029-00 (2018), SC-90-X0292-00 (2015), SC-90-X257-00 (2012), SC-90-X274-00 (2013)

Compliance Requirement: Cash management

Type of Finding: Material weakness, noncompliance

Questioned Costs: \$0

Repeat Finding: No

Condition: Of the 10 cash drawdowns that were selected for testing, the independent auditor noted seven instances in which the drawdown was performed prior to payment of the related invoice. Total payments for the seven invoices noted above were \$918,193.

Current Status: The Council implemented policies and procedures requiring requests for reimbursements to be drawn-down by one designated member of the Finance Department, improving documentation related to the process. No similar findings were noted in the 2021 audit.

CENTRAL MIDLANDS COUNCIL OF GOVERNMENTS

MANAGEMENT'S CORRECTIVE ACTION PLAN

JUNE 30, 2021

Finding 2021-001 (Repeated Finding 2020-002) – Balance Sheet Accounts Reconciliation

Name of Contact Person Responsible for the Corrective Action Plan:

Petula Hendley, Director of Financial Management and Support Services

Corrective Action Plan: The Finance Department will continue to apply the implemented policies and procedures to include a monthly Balance Sheet Reconciliation Report on a monthly basis to include review of all outstanding balances, corrections and/or adjustments. The monthly reconciliation will be completed by a designated staff member of Finance and final approval will be conducted by the Director of Financial Management and Support Services.

Anticipated Completion Date: April 1, 2021