

AUDITED FINANCIAL STATEMENTS
AND
SUPPLEMENTAL INFORMATION

*SANTEE-LYNCHES
REGIONAL COUNCIL OF GOVERNMENTS*

June 30, 2016

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 June 30, 2016

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Santee-Lynches Regional Council of Governments

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Santee-Lynches Regional Council of Governments (the "Council") as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Council's basic financial statements as listed in the table of contents.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Council's 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.

AUDITORS' 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.

OPINIONS

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Santee-Lynches Regional Council of Governments, as of June 30, 2016, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

OTHER MATTERS

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and pension plan schedules on pages 4 through 10 and pages 37 through 43 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. Schedule I and Schedule II, as defined in the table of contents, and the Schedule of Expenditures of Federal Awards, as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying Schedule I and Schedule II, as defined in the table of contents, and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying Schedule I and Schedule II, as defined in the table of contents, and the Schedule of Expenditures of Federal Awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated January 6, 2017 on our consideration of the Council's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.

Columbia, South Carolina
January 6, 2017

The Halle Group, P.A.

Santee-Lynches Regional Council of Governments Management's Discussion and Analysis (Unaudited)

This discussion and analysis of the Santee-Lynches Regional Council of Government's (the Council's) financial performance provides an overview of the Council's financial activities for the fiscal year ended June 30, 2016. The MD&A should be read in conjunction with the accompanying basic financial statements and the accompanying notes to those financial statements.

Overview of the Financial Statements

Under the GASB 34 reporting requirements, there are two basic sets of financial statements in this report:

- ❖ the *government-wide statements* include the Statement of Net Position and the Statement of Activities found on pages 11 and 12 of the report, and
- ❖ the *governmental fund statements* include a Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances found on pages 13 and 15 of the report.

Government-wide Financial Statements

The Government-wide statements report information about the Council as a whole and are designed to provide the reader with a broad overview of the Council's finances in a manner similar to a private sector business.

The *Statement of Net Position* presents a snapshot view of all of the assets the Council owns, the liabilities it owes, and the net difference. That net difference, called Net Position, is separated into three amounts—invested in capital assets, restricted, and unrestricted. Over time, increases or decreases in Net Position may serve as a useful indicator of whether the financial position of the Council as a whole is improving or deteriorating. With the implementation of GASB 68, the Statement of Net position now includes Deferred Outflows and Inflow of Resources as well as a noncurrent liability referred to as Net Pension Liability.

The *Statement of Activities* presents an overview of the Council's expenses and revenues in a summarized format that assists the reader in determining the extent to which programs are self-supporting and/or subsidized by general revenues. The three general functions that are identified in this statement are:

- ❖ General administration – comprised of administrative and indirect costs and local programs not supported by federal or state funds or service contracts,
- ❖ Program administration- comprised of the remaining programs and services of the Council, including the major and non-major programs, and
- ❖ Service administration – comprised of the contracted services provided by the Council to the Santee-Lynches Regional Development Corporation

Both of the government-wide financial statements reflect *governmental activities*. These are functions or activities of the Council that are primarily supported by grants and contracts with federal, state and local governments or agencies.

Santee-Lynches Regional Council of Governments Management's Discussion and Analysis (Unaudited)

Governmental Fund Statements

Governmental Funds:

In these statements, the major governmental funds - Aging, Workforce, and Housing & Economic Development - are presented in their own columns and the remaining funds are appropriately separated into either the "General" fund or combined into a column titled "Non-major Governmental Funds".

The most significant differences between the two sets of statements, the Government-wide Financial Statements and the Governmental Fund Statements, are that 1) the Governmental Funds statements are more closely related to the cash inflows and outflows of the Council; 2) the Governmental Fund statement's balance sheet does not include the GASB 68 entries. These statements, unlike the Government-wide statements, do not take into account non-cash transactions such as depreciation expenses, gain or loss on the disposal of assets, changes in accrued leave payables, or the deferred inflows and outflows of resources and net pension liability. A reconciliation of the Net Change in Fund Balances for the Governmental Funds and the Change in Net Position for the Government-wide activities is provided on pages 14 & 16 of the financial statements.

The financial statements also include Notes to the Financial Statements that provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements as well as an explanation of the entries required by implementation of GASB 68.

Other required supplemental information, found on pages 37-41 of the report, includes budgetary comparison schedules for the major governmental funds of the Council.

GASB 68 Reporting and Its Impact to the Financial Statements

The Government-wide Statement of Net Position includes the required GASB 68 entries for the current year. The GASB 68 standard creates an *accounting* liability rather than a legal liability. Although pursuant to accounting standards the Council must report its proportionate share of the pension liability for the state's defined benefit retirement plans, the Council has no legal requirement to fund or pay out that share of the liability.

In order to provide continuity for management's review of the Council's statements, the following comparison of the Council's Net position includes a separation of the GASB 68 impact to the Net Position. Reviewing the change in the Unrestricted Net Position (exclusive of GASB 68) provides a clearer picture of the Council's actual improvement over the course of one year to the next.

**Santee-Lynches Regional Council of Governments
Management's Discussion and Analysis (Unaudited)**

**CONDENSED COMPARATIVE FINANCIAL STATEMENTS AND
ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS**

Summary of Statement of Net Position

	Governmental Activities		Net Change
	6/30/2016	6/30/2015	
Current Assets	\$ 3,098,755	\$ 2,739,603	
Noncurrent Assets	230,924	440,787	
Total Assets	\$ 3,329,679	\$ 3,180,390	\$ 149,289
Deferred Outflows of Resources	\$ 198,494	\$ 213,027	\$ (14,533)
Current Liabilities	\$ 423,064	\$ 516,713	
Long-Term Liabilities	0	0	
Net Pension Liability	\$ 2,658,012	\$ 2,463,191	
Total Liabilities	\$ 3,081,076	\$ 2,979,904	\$ 101,172
Deferred Inflows of Resources- Deferred Pension Credits	\$ 45,143	207,671	\$ (162,528)
Net Position:			
Net Investment in Capital Assets	\$ 164,534	\$ 373,777	
Restricted	76,124	76,960	
Unrestricted (exclusive of GASB 68)	2,665,957	2,212,940	
GASB 68 portion	(2,504,661)	(2,457,835)	
Total Net Position	\$ 401,954	\$ 205,842	\$ 196,112

The snapshot of the *governmental activities'* assets and liabilities above includes the following as required by GASB 68: Deferred Outflows of Resources, the Net Pension Liability amount and Deferred Inflows of Resources. The GASB 68 portion of the current year net position, although combined in the financial statements, is separated in the above presentation to allow a comparable review of the Council's Unrestricted Net Position from year to year. The comparison indicates an approximate 95% improvement in the Council's overall financial position from FYE 2015 to FYE 2016. Reasons for this improvement will be discussed later in the report. While both Total Assets and Total Liabilities increased, assets increased at a higher dollar value than liabilities. Deferred Outflows of Resources and Deferred Pension Credits both decreased. The overall net result was a positive change in **Total Net Position** of \$196,112.

The Council's cash position at June 30, 2016 was up 48.7% over the prior year. Accounts Receivable decreased by 39% over the prior year, and Accounts Payable decreased by 24%. Non-current assets, which include a long-term notes receivable, and Net Capital Assets, decreased by approximately 48% as a result of the sale of the Council's office building. The long-term notes receivable is slowly being paid down. The net pension liability change increased by approximately 8% when compared to the prior year amount.

Santee-Lynches Regional Council of Governments Management's Discussion and Analysis (Unaudited)

Summary of Statement of Activities

	Governmental Activities		Net Change
	6/30/2016	6/30/2015	
Operating Grants	\$ 5,862,813	\$ 5,825,106	
Charges for Service	5,960	7,466	
State and Local	219,916	219,916	
Appropriations			
Interest and			
Other Income	301,252	454,070	
Total Revenues	\$ 6,389,941	\$ 6,506,558	\$ (116,617)
General Admin	\$ 199,143	\$ 350,089	
Program Admin	5,951,184	5,678,052	
Service Admin	43,502	6,396	
Total Expenses	\$ 6,193,829	\$ 6,034,537	\$ 159,292
Change in Net Position	196,112	472,021	\$ (275,909)
Net Position at the			
Beginning of the Year	\$ 205,842	\$ 2,162,305	
Restatement of Net Position PYE	0	(2,428,484)	
Net Position at the			
End of the Year	<u>\$ 401,954</u>	<u>\$ 205,842</u>	\$ 196,112

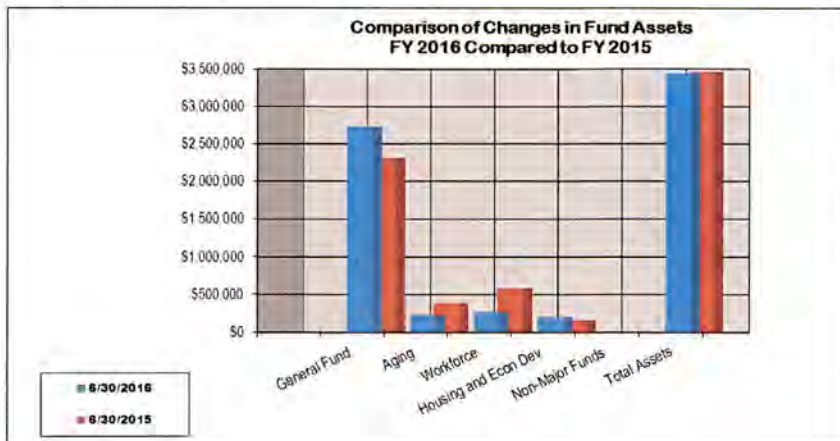
Governmental Activities:

Overall, revenues decreased by approximately 1.8% from the prior year. Dollar-wise, operating grants funded predominately by federal and state funds increased only slightly- by \$37,707; charges for services and other income decreased by \$154,324. Total expenses increased by 2.6% in total from the prior year. General administration expenses decreased by approximately \$150,000 while program and service admin expenses increased by approximately \$273,000 and \$37,000 respectively. The Change in Net Position, while positive this year, was significantly less than the positive change in the prior year.

The "Analysis of Balances and Transactions of Individual Funds" that follows provides more specific details of the variances in various programs/funds, both revenues and expenses.

Analysis of Balances and Transactions of Individual Funds

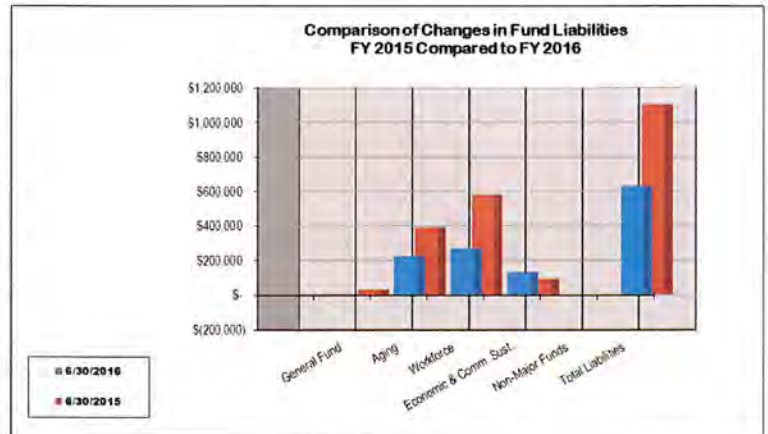
Governmental Funds:



On June 30, 2016, the Council closed on the sale of its office building, and the proceeds of the sale were deposited same day, significantly increasing the general fund's cash balance at year end.

Santee-Lynches Regional Council of Governments Management's Discussion and Analysis (Unaudited)

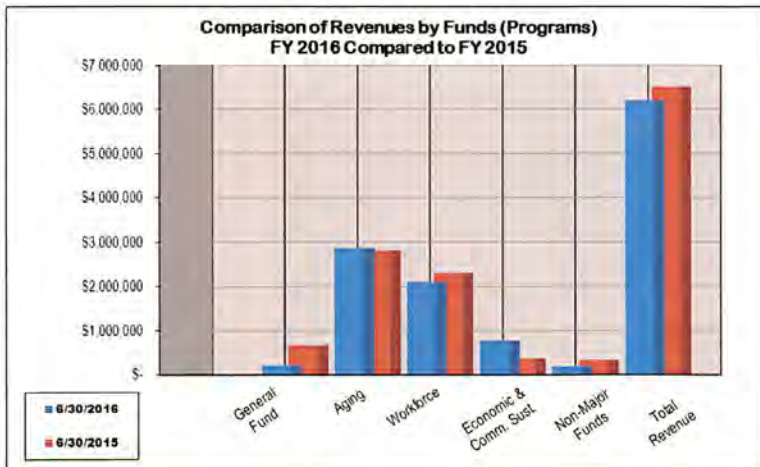
Within the Aging and Workforce programs, accounts receivable decreased 41% and 58% respectively as the timing of use of funds earlier in the year resulted in lesser amounts requested at year end. Also contributing to the lower receivables in the workforce program was a slight decrease in funds utilized this year as compared to the prior year. Accounts payable in the Workforce program were up somewhat over the prior year because of the timing of receipt of funds at year end. The net effect of these changes decreased the amount due to the general fund from these programs by almost 57%.



Assets and liabilities in the Housing and Economic Development program areas (the "ECS Department") increased by approximately 40%, entirely because of increased accounts receivable and payables. Although the percentages sound high, the overall dollar amounts of the increases were less than \$40,000 and are the result of an increase in project draws as year-end neared.

Dollar amounts of both assets and liabilities in the Non-Major funds are relatively insignificant when compared to the other program areas, and changes in both assets and liabilities were inconsequential in this area.

The net effect of all the changes noted above resulted in less than a \$17,000 decrease in total assets of the Council and more than a \$472,000 decrease in overall liabilities.

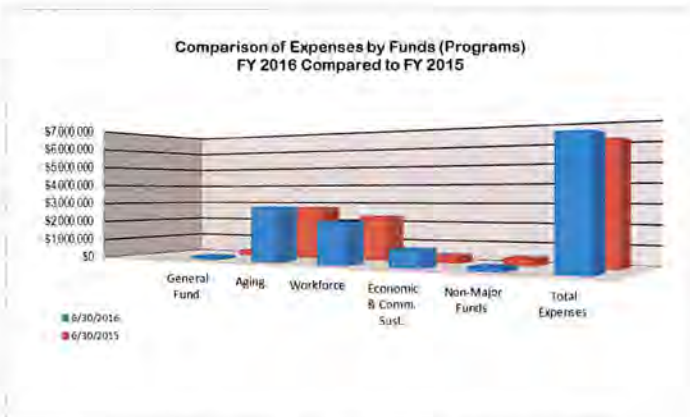


The only change in general fund revenues of any significance was in "Other Revenue". Approximately \$1,600 of misc revenue this year is compared to the insurance proceeds and other income of over \$450,000 recorded last year, resulting in the significant decrease in Other Revenue in this fund. Proceeds generated this year from the sale of the building, while included in cash, are not included in this section of the report under revenues. These proceeds are, instead, recorded on the Statement of Revenues, Expenditures and Changes in Fund Balance under "Other

Financing Sources- Proceeds from Sale of Capital Assets". The placement of these proceeds excludes them from the comparison denoted in the chart above. When compared to the unusually high expenses last year due to fire recovery and other related relocation expenses, expenses in the general fund this year were down in comparison by approximately 47%. Some of the decreased expenses were also related to the intentional efforts by staff to better control indirect costs.

Santee-Lynches Regional Council of Governments Management's Discussion and Analysis (Unaudited)

Within the aging program, there was only a slight increase – approximately 1.7% - in overall revenues. Use of available state revenues, including carryover funding, were increased, while federal and contract sources were slightly decreased this year. Overall, aging expenses increased by approximately 2.5% over the prior year. Admin/Overhead costs were slightly lower than last year while payments to service providers for client services increased by about 7%.



In the Workforce area, expenditures were down approximately 8% over the prior year largely due to reductions in overhead costs and in staffing. There was a significant push in the prior year to expend a large amount of carryover funding to meet state and federal utilization requirements. During the current year, the use of funds moderated somewhat and resulted in the lower expenses as well as in the reduction of use of federal funding by approximately 9%. Unused federal funds are eligible for carryover to next year and will be utilized within program guidelines and before expiration.

Within the Housing and Economic Development program (Economic and Community Sustainability –ECS) program, both revenues and expenses increased by over 100%. Although federal funding for HOME programs continues to decrease slightly, the funds are available for carryover. Therefore, a higher use of HOME federal funds occurred this year because of more activity occurring with CHDOs and on housing projects. Increased payments to sub-grantees and contractors was the main contributor to higher expenses, along with an increase in personnel costs because of increased staffing to manage new projects such as the Neighborhood Investment Program (NIP).

Within the Non-major governmental fund, revenues decreased by approximately 40% as did expenses. Revenue variations from year to year in this program are not unusual as this fund is comprised primarily of service contracts for local planning services as well as transportation related project funding. Much of the prior years' SCDOT funding for transit planning was provided through old grants that have expired with no new funding provided. Therefore, decreases in federal funding and related match for transit planning comprise the main reduction in revenues in this fund. Shifts in staffing and related overhead from this to other funds resulted in decreased expenses.

Overall, the Council's revenues decreased by approximately 4.8% this year. Although federal, state and contract funding fluctuated between program areas, the overall increase in state funds utilized offset less available/utilized federal funds and reduced service contract revenue. Therefore, the Council's overall revenue decrease was the direct result of insurance proceeds reported as revenue in the prior year when compared to no insurance revenue in this year. Overall, expenses were up approximately 1.6% over the prior year with the increase in net expenses coming primarily as a result of increased payments for service provision to customers and clients of the Council's programs.

Santee-Lynches Regional Council of Governments Management's Discussion and Analysis (Unaudited)

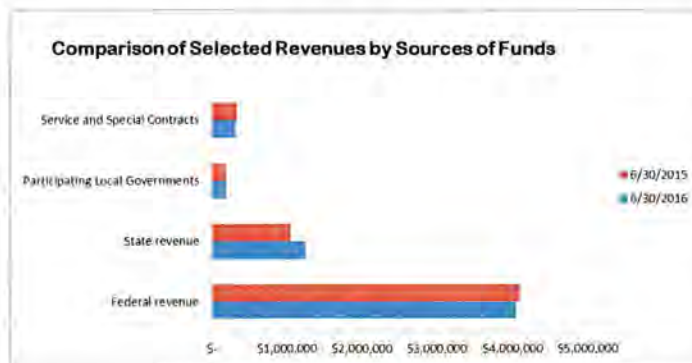
Budgetary Analysis

Within the Required Supplemental Information section of this report, a budgetary comparison schedule for the General Fund is provided on page 37. When comparing the original and final budgets, the single largest variance was in the amount of the building sale proceeds budgeted. An estimated final sales price was budgeted, but the actual sales price negotiated was reduced by higher than anticipated costs for environmental costs incurred to clear the property for sale. Attorney's closing fees were also deducted from the sales price. There were variations in budget to actual costs in a number of areas, with the highest variations in indirect cost allocations, operations and maintenance and "Applied as Match" line items. Indirect costs were less than budgeted overall, and resulted in less costs allocated than anticipated. The budget for operations and maintenance included the entire budget for primary office cost pool expenses. However, when those costs were allocated, only the amount actually charged to general fund projects is included in actual costs. This accounts for the large variance in budget to actual costs. Similarly, the "applied as match" budget in the general fund is netted to zero by the offsets of match applied in respective program areas. However, the accounting for match applied through the financial statements is reflected in the general fund actual expenses.

Capital Assets and Long Term Debt Activity

From last year to this year, the net value of capital assets decreased by approximately 48%. The Council sold its office building and removed the net value of that building from its assets, a reduction of approximately \$200,000. The continued depreciation of vehicles with no new vehicles added to the pool resulted in another \$5,000 decrease in capital assets. There was no long term debt remaining from the prior year and no new long term debt incurred this year.

Economic Factors and Next Year's Budget



Federal funds awarded and/or utilized were slightly less than prior year, and management anticipates that trend to continue. Availability and use of state revenue, for aging programs in particular, increased and is much needed to address needs in the region. Staff and management will continue to advocate for state and other funding by using the data generated from the needs assessments of potential clients for aging services. Management and staff have been proactive in working with member local

governments as well as towns in the region to generate contracts for both traditional planning services (such as comprehensive plans and zoning ordinance updates) as well as more non-traditional planning services such as visioning plans and workshop facilitation. Requests were made for supplemental funding from local governments tailored to their specific needs for services such as housing stock assessments, brownfields surveys and economic development activities. Management sees these expanded opportunities to work with local governments as the key to our future as we partner to address needs in our region by finding both solutions and funding.

AUDITED FINANCIAL STATEMENTS

STATEMENT OF NET POSITION
 SANTEE-LYNCHES REGIONAL COUNCIL OF GOVERNMENTS
 June 30, 2016

	<u>Governmental Activities</u>
ASSETS	
Current Assets	
Cash and cash equivalents	\$ 2,429,254
Accounts receivable	667,276
Notes receivable	2,225
	<u>3,098,755</u>
	Total Current Assets
Noncurrent assets	
Notes receivable	66,390
Capital assets, net	
Building and improvements	6,962
Furniture and equipment	147,664
Vehicles	9,908
	<u>224,964</u>
	Total Assets
	<u>3,329,679</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred pension charges	198,494
LIABILITIES	
Current Liabilities	
Accounts payable and accrued liabilities	323,633
Unearned revenue	28,508
Accrued annual leave	67,999
Insurance and tax escrow	2,924
	<u>423,064</u>
	Total Current Liabilities
Noncurrent Liabilities	
Net pension liability	2,658,012
	<u>2,658,012</u>
	Total Liabilities
	<u>3,081,076</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred pension credits	45,143
NET POSITION	
Net investment in capital assets	164,534
Restricted	76,124
Unrestricted	161,296
	<u>401,954</u>
	TOTAL NET POSITION
	<u>\$ 401,954</u>

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

STATEMENT OF ACTIVITIES
 SANTEE-LYNCHES REGIONAL COUNCIL OF GOVERNMENTS
 For the Year Ended June 30, 2016

	Expenses	Program Revenues		Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions		Governmental Activities
Governmental Activities					
General administration	\$ 199,143				\$ (199,143)
Program administration	5,951,184	\$ 2,239	\$ 5,862,813		(86,132)
Service administration	43,502	3,721			(39,781)
Total Governmental Activities	<u>\$ 6,193,829</u>	<u>\$ 5,960</u>	<u>\$ 5,862,813</u>	<u>\$ 0</u>	<u>(325,056)</u>

General Revenues	
State revenue	41,242
Participating local governments	178,674
Interest income	2,160
Gain on disposal of asset	195,861
Other	103,231
Total General Revenues	<u>521,168</u>
Change in Net Position	196,112
Net position at beginning of year	<u>205,842</u>
Net Position at End of Year	<u>\$ 401,954</u>

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

BALANCE SHEET - GOVERNMENTAL FUNDS
 SANTEE-LYNCHES REGIONAL COUNCIL OF GOVERNMENTS
 June 30, 2016

	Special Revenue Funds					
	General	Aging	Workforce Investment Act/ Workforce Innovation and Opportunity Act	Housing and Economic Development Projects	Non-major Governmental Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 2,418,822	\$ 7,160		\$ 3,272		\$ 2,429,254
Due from other funds	275,699					275,699
Accounts receivable	36,801	227,067	\$ 272,542	130,866		667,276
Notes receivable				68,615		68,615
TOTAL ASSETS	\$ 2,731,322	\$ 234,227	\$ 272,542	\$ 202,753	\$ 0	\$ 3,440,844
LIABILITIES AND FUND BALANCES						
Liabilities						
Accounts payable and accrued liabilities	\$ (2,634)	\$ 152,910	\$ 135,842	\$ 37,515		\$ 323,633
Unearned revenue			28,508			28,508
Insurance and tax escrow				2,924		2,924
Due to other funds		74,157	108,192	93,350		275,699
Total Liabilities	(2,634)	227,067	272,542	133,789	\$ 0	630,764
Fund Balances						
Restricted		7,160		68,964		76,124
Unassigned	2,733,956					2,733,956
Total Fund Balances	2,733,956	7,160	0	68,964	0	2,810,080
TOTAL LIABILITIES AND FUND BALANCES	\$ 2,731,322	\$ 234,227	\$ 272,542	\$ 202,753	\$ 0	\$ 3,440,844

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

RECONCILIATION OF THE BALANCE SHEET OF THE GOVERNMENTAL FUNDS TO THE
 STATEMENT OF NET POSITION
 SANTEE-LYNCHES REGIONAL COUNCIL OF GOVERNMENTS
 June 30, 2016

Total Fund Balances of Governmental Funds	\$ 2,810,080
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital Assets, net of depreciation, are not current financial resources and are not included in the governmental funds.	164,534
The Council's proportionate shares of the net pension liability, deferred outflows of resources, and deferred inflows of resources related to its participation in the State pension plans are not recorded in the governmental funds but are recorded in the Statement of Net Position	(2,504,661)
Long-term liabilities, including accrued annual leave, notes and leases payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.	
Accrued annual leave	(67,999)
Total Net Position of Governmental Activities	<u>\$ 401,954</u>

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

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
 GOVERNMENTAL FUNDS
 SANTEE-LYNCHES REGIONAL COUNCIL OF GOVERNMENTS
 For the Year Ended June 30, 2016

	Special Revenue Funds					
	General	Aging	Workforce Investment Act/ Workforce Innovation and Opportunity Act	Housing and Economic Development Projects	Non-major Governmental Funds	Total Governmental Funds
Revenues						
Federal revenue		\$ 1,312,686	\$ 2,006,348	\$ 644,577	\$ 80,377	\$ 4,043,988
State revenue	\$ 41,242	1,156,284	24,362		20,000	1,241,888
Participating local governments	178,674					178,674
Service and special contracts		151,285		114,083	46,199	311,567
Required match		69,031		19,490	32,156	120,677
In-kind revenue		185,297			6,598	191,895
Interest income	2,160					2,160
Other	1,597		89,506	5,818	6,310	103,231
Total Revenues	223,673	2,874,583	2,120,216	783,968	191,640	6,194,080
Expenditures						
General administration	106,788					106,788
Program administration		2,798,342	2,115,028	861,270	198,891	5,973,531
Capital outlays	40,495	12,039	4,915		8,131	65,580
Debt service - interest	611					611
Total Expenditures	147,894	2,810,381	2,119,943	861,270	207,022	6,146,510
Excess (Deficiency) of Revenues Over (Under) Expenditures	75,779	64,202	273	(77,302)	(15,382)	47,570
Other Financing Sources (Uses)						
Proceeds from sale of capital assets	408,400					408,400
Transfers in	64,768			76,759	15,382	156,909
Transfers out	(92,141)	(64,495)	(273)	0		(156,909)
Total Other Financing Sources (Uses)	381,027	(64,495)	(273)	76,759	15,382	408,400
Net Change in Fund Balances	456,806	(293)	0	(543)	0	455,970
Fund Balances at Beginning of Year	2,277,150	7,453	0	69,507	0	2,354,110
FUND BALANCES AT END OF YEAR	\$ 2,733,956	\$ 7,160	\$ 0	\$ 68,964	\$ 0	\$ 2,810,080

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

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
SANTEE-LYNCHES REGIONAL COUNCIL OF GOVERNMENTS
For the Year Ended June 30, 2016

Net Change in Fund Balances - Total Governmental Funds \$ 455,970

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

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

Cost of assets capitalized	65,580
Gain on disposal of capital assets	195,861
Proceeds from sale of assets	(408,400)
Depreciation expense	(64,012)

Some expenses reported in the Statement of Activities do
not require the use of current financial resources
therefore, are not reported as expenditures in governmental
funds. This is the amount of increase in the liability for
accrued annual leave.

(2,055)

Change in the Council's proportionate shares of the net pension
liability, deferred outflows of resources, and deferred inflows
of resources for the current year are not reported in the governmental
funds but are reported in the Statement of Activities.

(46,832)

Change in Net Position of Governmental Activities

\$ 196,112

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

NOTES TO THE FINANCIAL STATEMENTS
SANTEE-LYNCHES REGIONAL COUNCIL OF GOVERNMENTS
June 30, 2016

NOTE A -- NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Santee-Lynches Regional Council of Governments (the "Council") was organized on August 6, 1970 under the laws of South Carolina to perform various functions and activities associated with the implementation and administration of the provisions and spirit of the Public Works and Economic Development Act of 1965, Public Law 89136, as promulgated by the 89th Congress of the United States of America, and all subsequently enacted federal and state legislation related thereto.

The Council is comprised of Clarendon, Kershaw, Lee and Sumter Counties of South Carolina. The Council is governed by 29 representatives of the various counties and municipalities in the area. This Board is appointed and controls the operations and fiscal accountability of the Council. The Council is a separate reporting entity and is not a component unit of any other governmental entity.

The Council provides technical assistance to the various county and municipal governments who participate in the Council. The Council serves as an intermediary between the funding source and contract subrecipients on many projects. The Council provides contract services to the local governments for obtaining and administering grants.

Summary of Significant Accounting Policies

The accounting and reporting policies of the Council in the accompanying basic financial statements conform in all material respects to accounting principles generally accepted in the United States of America applicable to state and local governments. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for governmental accounting and financial reporting principles. The Council has elected under GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Activities That Use Proprietary Fund Accounting*, to apply all applicable GASB pronouncements as well as any applicable pronouncements of the Financial Accounting Standards Board, the Accounting Principles Board, or any Accounting Research Bulletins issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

Measurement Focus and 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.

NOTES TO THE FINANCIAL STATEMENTS
SANTEE-LYNCHES REGIONAL COUNCIL OF GOVERNMENTS

NOTE A -- NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES –
Continued

Government-Wide Financial Statements

The Council's Government-Wide Financial Statements include a statement of net position and a statement of activities (including changes in net position). These statements present summaries of Governmental Activities for the Council.

These statements are presented on an "*economic resources*" measurement focus and the accrual basis of accounting. Accordingly, all of the Council's assets and liabilities, including capital assets as well as long-term debt, are included in the accompanying statement of net position. The statement of activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. The types of transactions reported as program revenues for the Council are reported as either charges for services, operating grants and contributions, or capital grants and contributions. Charges for services include revenues received for performing administrative services for the program. Grant and contributions include revenues restricted to meeting the operational or capital requirements of a particular function.

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund activities, payables and receivables. All internal balances in the statement of net position have been eliminated.

Governmental Fund Financial Statements

Governmental Fund Financial Statements include a balance sheet and a statement of revenues, expenditures, and changes in fund balances for all major governmental funds and aggregated non-major funds. An accompanying schedule is presented to reconcile and explain the differences in fund balance as presented in these statements to the net position presented in the Government-Wide Financial Statements. The Council has presented all major funds that met the qualifications of GASB Statement No. 34.

Governmental funds are accounted for on a spending or "*current financial resources*" measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current position. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become measurable and available to finance expenditures of the period. Accordingly, revenues are recorded when received in cash, except those 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

NOTES TO THE FINANCIAL STATEMENTS
SANTEE-LYNCHES REGIONAL COUNCIL OF GOVERNMENTS

NOTE A -- NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES –
Continued

revenues. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. An exception to this general rule is principal and interest on general long-term debt which is recognized when due.

The Council reports the following major governmental funds:

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 is used to account for receipts and expenditures of money passed from United States Department of Health and Human Services through the Office of the Lieutenant Governor, Office on Aging. These funds are used to promote coordination of aging services in the region.

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

The Housing and Economic Development Projects Special Revenue Fund is used to account for receipts and expenditures of money passed through the U.S. Department of Housing and Urban Development within the four counties the Council represents. These funds are used to provide for decent, safe, and sanitary housing for the citizens of the Santee-Lynches Region. In addition to housing issues, the funds are used to expand economic opportunities while encouraging a sustainable community living environment.

Net Position and Fund Balances: In the government-wide financial statements, the difference between the Council's total assets and total liabilities represents net position. Net position for the governmental fund is reported in three categories:

Net Investment in Capital Assets: Consists of capital assets, net of accumulated depreciation, reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted Net Position: Result when constraints placed on the use of assets reduced by liabilities and deferred inflows of resources related to those assets are either externally imposed by creditors, grantors, contributors, and the like or imposed by law through constitutional provisions or enabling legislation.

NOTES TO THE FINANCIAL STATEMENTS
SANTEE-LYNCHES REGIONAL COUNCIL OF GOVERNMENTS

NOTE A -- NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES –
Continued

Unrestricted Net Position: Consists of the net amount of the net position, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

The Council applies expenses that can be used both for restricted and unrestricted resources against restricted resources first.

The Council reports under the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This Statement establishes criteria for classifying governmental fund balances into specifically defined classifications. Classifications are hierarchical and are based primarily on the extent to which the Council is bound to honor constraints on the specific purposes for which amounts in the funds may be spent. Application of the Statement requires the Council to classify and report amounts in the appropriate fund balance classifications. The Council's accounting and finance policies are used to interpret the nature and/or requirements of the funds and their corresponding classification.

The Council reports under the following classifications:

Nonspendable Fund Balance: Nonspendable fund balances are amounts that cannot be spent because they are either (a) not in spendable form – such as inventory or prepaid insurance or (b) legally or contractually required to be maintained intact – such as a trust that must be retained in perpetuity.

Restricted Fund Balance: Restricted fund balances are restricted when constraints placed on the use of resources are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.

Committed Fund Balance: Committed fund balances are amounts that can only be used for specific purposes pursuant to constraints imposed by formal resolutions or ordinances of the Board of Directors. Those committed amounts cannot be used for any other purpose unless the Board of Directors removes the specified use by taking the same type of action imposing the commitment.

Assigned Fund Balance: Assigned fund balances are amounts that are constrained by the Council's intent to be used for specific purposes, but are neither restricted nor committed.

Unassigned Fund Balance: Unassigned fund balance is the residual classification for the general fund. This classification represents the general 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.

NOTES TO THE FINANCIAL STATEMENTS
SANTEE-LYNCHES REGIONAL COUNCIL OF GOVERNMENTS

NOTE A -- NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES –
Continued

Reconciliation of Government-Wide and Fund Financial Statement: Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position – Following the governmental fund balance sheet is a reconciliation between *fund balances - total governmental funds and net position of governmental activities* as reported in the government-wide statement of net position. The detail of these differences is explained in the above referenced financial statement.

Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities – Following the governmental fund statements of revenues, expenditures, and change in fund balances, there is a reconciliation between *net changes in fund balances – total governmental funds and change in net position of governmental activities* as reported in the government-wide statement of activities. The detail of these differences is explained in the above referenced financial statement.

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

Indirect Cost Allocation: Cost allocations made by the Council are in accordance with the guidelines of the Uniform Guidance. 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 Uniform Guidance, the cost allocations are subject to subsequent federal audit or review.

Cash and Cash Equivalents: Cash and cash equivalents include all cash balances and highly liquid investments with an initial maturity of three months or less.

Capital Assets: Capital assets, which include property and equipment, are reported in the government-wide financial statements. Capital assets are defined by the Council as assets with an initial, individual cost greater than or equal to \$500 and have an estimated useful life of three years or more.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Furniture and Equipment	3 - 7
Vehicles	5
Building and Improvements	27.5 - 40

NOTES TO THE FINANCIAL STATEMENTS
SANTEE-LYNCHES REGIONAL COUNCIL OF GOVERNMENTS

NOTE A -- NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES –
Continued

Accrued Leave: The Council allows employees to accrue vacation leave at a rate of one-half day to two days for each month actively employed with the Council, depending on length of service. After twenty years of service, employees are allowed to accrue vacation leave at a rate of two days for each month actively employed. Council employees can carryover from year to year annual leave up to twenty-four to forty-two days for subsequent use or for payment upon termination, death or retirement based on length of service. Upon termination, employees are entitled to receive no more than thirty-two or forty-four days of accrued annual leave, depending on length of service. Employees are not entitled to be paid for unused sick leave upon termination.

Internal and Interfund Balances and Activities: In the process of aggregating the financial information for the government-wide statement of net position and statement of activities, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified.

Fund Financial Statements

Interfund activity, if any, within and among the governmental categories is reported as follows in the fund financial statements:

- a) Interfund Reimbursements – repayments from funds responsible for certain expenditures/expenses to the funds that initially paid for them are not reported as reimbursements but as adjustments to expenditures/expenses in the respective funds.
- b) Interfund Transfers – flow of assets from one fund to another, where repayment is not expected, are reported as transfers.

Government-wide Financial Statements

Interfund activity and balances, if any, are eliminated or reclassified in the government-wide financial statements as follows:

- a) Internal Balances – amounts reported in the fund financial statements as interfund receivables and payables are eliminated in the statement of net position.
- b) Internal Activities – amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide statement of activities. The effects of interfund services between funds, if any, are not eliminated in the statement of activities.

NOTES TO THE FINANCIAL STATEMENTS
SANTEE-LYNCHES REGIONAL COUNCIL OF GOVERNMENTS

NOTE A -- NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES –
Continued

Use of Estimates: The preparation of the 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, liabilities, and changes therein, and disclosure of contingent 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.

Notes Receivable: Management evaluates the collectability of the notes receivable and accordingly provides for any allowance for doubtful accounts.

Transfers: 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 State and participating local government's revenue.

Advertising: No prepaid amounts are set up, as currently, no advertising contracts are in effect. Advertising expense at June 30, 2016 was \$19,732.

Deferred Outflows of Resources: In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until that time. The Council has one type of deferred outflow consisting of deferred pension credits in its statement of net position in connection with its participation in the South Carolina Retirement System. These deferred pension credits are either recognized in the subsequent period as a reduction of the net pension liability (which includes pension contributions made after the measurement date) or amortized in a systematic and rational method as pension expense in future periods in accordance with generally accepted accounting principles.

Deferred 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 that time. The Council has one type of deferred inflow consisting of deferred pension credits in its statement of net position in connection with its participation in the South Carolina Retirement System. These deferred pension credits are amortized in a systematic and rational method and recognized as a reduction of pension expense in future periods in accordance with generally accepted accounting principles.

NOTES TO THE FINANCIAL STATEMENTS
SANTEE-LYNCHES REGIONAL COUNCIL OF GOVERNMENTS

NOTE A -- NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES –
Continued

Pension: In government-wide financial statements, pensions are required to be recognized and disclosed using the accrual basis of accounting, regardless of the amount recognized as pension expenditures on the modified accrual basis of accounting. The Council recognizes a net pension liability for each qualified pension plan in which it participates, which represents the excess of the total pension liability over the fiduciary net position of the qualified pension plan, or the Council's proportionate share thereof in the case of a cost-sharing multiple employer plan, measured as of the Council's fiscal year-end.

Changes in the net pension liability during the period are recorded as pension expense, or as deferred outflows or inflows of resources depending on the nature of the change, in the period incurred. Those changes in net pension liability that are recorded as deferred outflows or inflows of resources that arise from changes in actuarial assumptions or other inputs and differences between expected or actual experience are amortized over the weighted average remaining service life of all participants in the respective qualified pension plan and recorded as a component of pension expense beginning with the period in which they are incurred. Projected earnings on qualified pension plan investments are recognized as a component of pension expense. Differences between projected and actual investment earnings are reported as deferred outflows or inflows of resources and amortized as a component of pension expense on a closed basis over a five year period beginning with the period in which the difference occurred.

Income Taxes: The Council has received a determination letter from the Internal Revenue Service (IRS) indicating it is a tax-exempt organization under Section 501(c) (4) of the Internal Revenue Code and is subject to federal income tax only on unrelated business income.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Council and to recognize a tax liability (or asset) if the Council has taken an uncertain position that more likely than not would not be substantiated upon examination by the IRS. Management has analyzed the tax positions taken by the Council and has concluded that as of June 30, 2016 there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The Council is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. Management believes it is no longer subject to income tax examinations for fiscal years prior to 2012. U.S. state jurisdictions have statutes of limitations that generally range from three to five years. Currently no audits for any tax periods are in progress.

Subsequent events: Subsequent events have been evaluated through January 6, 2017 which represents the date financial statements were available to be issued.

NOTES TO THE FINANCIAL STATEMENTS
 SANTEE-LYNCHES REGIONAL COUNCIL OF GOVERNMENTS

NOTE B -- DEPOSITS

Deposits: The Council's policies require that funds held by a bank or savings and loan association must be secured by deposit insurance or collateral securities to protect the Council against loss.

The amounts shown in the financial statements as cash represent cash on hand and cash on deposit with local financial institutions.

Custodial Credit Risk: Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the Council will not be able to recover collateral securities that are in possession of an outside party. The Council's policies state that deposits at financial institutions shall not exceed the limits of the Federal Deposit Insurance Corporation (FDIC) unless collateralized.

The deposits for the Council at June 30, 2016 at local financial institutions were \$2,611,858 and were insured as follows:

Amount insured by FDIC	\$	1,250,000
Amount insured and collateralized by U.S. Government Agency Securities		355,586
Uncollateralized		454,617
Amount insured and collateralized by repurchase agreements		551,655
TOTAL	\$	<u>2,611,858</u>

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.

NOTE C -- NOTES RECEIVABLE

In February of 2004 the Council loaned an individual \$84,803 to purchase a home through a grant given by the U.S. Department of Housing & Urban Development (HOME Investment Partnerships Program). The loan is to be repaid to the Council over 30 years with a monthly payment of \$242, including 1% interest. As the money is repaid it is to be used to fund additional projects in Housing and Economic Development within Clarendon County. The outstanding balance of the receivable at June 30, 2016 was \$68,615. Maturities of principal payments due from the borrower are as follows for the years ending June 30:

2017	\$	2,225
2018		2,248
2019		2,270
2020		2,293
2021		2,316
Thereafter		57,263
TOTAL	\$	<u>68,615</u>

NOTES TO THE FINANCIAL STATEMENTS
 SANTEE-LYNCHES REGIONAL COUNCIL OF GOVERNMENTS

NOTE D -- INTERFUND ACTIVITY

Interfund Balances: The Council's General Fund and Special Revenue Funds have advanced money between the funds to finance operations and supplement other fund sources. The repayment terms are indefinite and are dependent upon future receipts. The advance is between governmental funds and is therefore not reflected in the statement of net position.

The following summarizes interfund balances for the fiscal year ended June 30, 2016:

<u>Due to/Due From</u>	<u>Receivable</u>	<u>Payables</u>
General Fund	\$ 275,699	
Aging Fund		\$ 74,157
WIA/WIOA Fund		108,192
Housing and Economic Development Projects Fund		93,350
TOTAL	<u>\$ 275,699</u>	<u>\$ 275,699</u>

Interfund Transfers: The following summarizes interfund transfers for the fiscal year ended June 30, 2016:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 64,768	\$ 92,141
Aging Fund		64,495
WIA/WIOA Fund		273
Housing and Economic Development Projects Fund	76,759	
Non-major Governmental Funds	15,382	
TOTAL	<u>\$ 156,909</u>	<u>\$ 156,909</u>

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

NOTES TO THE FINANCIAL STATEMENTS
 SANTEE-LYNCHES REGIONAL COUNCIL OF GOVERNMENTS

NOTE E -- CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2016, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
<u>Capital Assets Being Depreciated:</u>				
Furniture and equipment	\$ 725,617	\$ 65,580	\$ 335,663	\$ 455,534
Vehicles	128,337		20,600	107,737
Building and improvements	358,324		345,698	12,626
<i>Total Capital Assets Being Depreciated</i>	<u>1,212,278</u>	<u>65,580</u>	<u>701,961</u>	<u>575,897</u>
Less Accumulated Depreciation For:				
Furniture and equipment	580,212	48,987	321,329	307,870
Vehicles	113,467	4,954	20,592	97,829
Building and improvements	144,822	10,071	149,229	5,664
<i>Total Accumulated Depreciation</i>	<u>838,501</u>	<u>64,012</u>	<u>491,150</u>	<u>411,363</u>
Total Capital Assets, Net	\$ <u>373,777</u>	\$ <u>1,568</u>	\$ <u>210,811</u>	\$ <u>164,534</u>

Depreciation expense is charged to the following functions:

General Administration	\$ 42,857
Program Administration	21,155
TOTAL	\$ <u>64,012</u>

NOTE F -- LONG-TERM LIABILITIES

The following summarizes long-term debt activity of the Council for the year ended June 30, 2016:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Payments</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Annual leave	\$ 64,210	\$ 70,803	\$ 67,014	\$ 67,999	\$ 67,999

NOTES TO THE FINANCIAL STATEMENTS
SANTEE-LYNCHES REGIONAL COUNCIL OF GOVERNMENTS

NOTE G -- PENSION PLAN

The South Carolina Public Employee Benefit Authority (PEBA), which was created July 1, 2012, administers the various retirement systems and retirement programs managed by its Retirement Division. PEBA has an 11-member Board of Directors, appointed by the Governor and General Assembly leadership, which serves as co-trustee and co-fiduciary of the systems and the trust funds.

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

By law, the State Fiscal Accountability Authority, which consists of five elected officials, also reviews certain PEBA Board decisions regarding the funding of the systems and serves as co-trustee of the systems in conducting that review. PEBA issues a Comprehensive Annual Financial Report (CAFR) containing financial statements and required supplementary information for the South Carolina Retirement Systems' Pension Trust Funds. The CAFR is publicly available on the Retirement Benefits' link on PEBA's website at www.peba.sc.gov, or a copy may be obtained by submitting a request to PEBA, PO Box 11960, Columbia, SC 29211-1960. PEBA is considered a division of the primary government of the state of South Carolina and therefore, the retirement trust fund financial information is also included in the comprehensive annual financial report of the State.

Plan Description:

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

Membership:

Membership requirements are prescribed in Title 9 of the South Carolina Code of Laws. A brief summary of the requirements 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 and teachers and individuals newly elected to the South Carolina General Assembly beginning with the November 2012 general election. An employee member of the system with an effective date of membership prior to July 1, 2012, is a Class Two member. An employee member of the system with an effective date of membership on or after July 1, 2012, is a Class Three member.

NOTES TO THE FINANCIAL STATEMENTS
SANTEE-LYNCHES REGIONAL COUNCIL OF GOVERNMENTS

NOTE G -- PENSION 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. A brief summary of benefit terms 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 of 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.

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:

Contributions are prescribed in Title 9 of the South Carolina Code of Laws. The PEBA Board may increase the SCRS employer and employee contribution rates on the basis of the actuarial valuations, but any such increase may not result in a differential between the employee and employer contribution rate that exceeds 2.9 percent of earnable compensation for SCRS. An increase in the contribution rates adopted by the board may not provide for an increase of more than one-half of one percent in any one year.

If the scheduled employee and employer contributions provided in the statute or the rates last adopted by the board are insufficient to maintain a thirty year amortization schedule of the unfunded liabilities of the plans, the board shall increase the contribution rates in equal percentage amounts for the employer and employee as necessary to maintain the thirty-year amortization period; and, this increase is not limited to one-half of one percent per year.

NOTES TO THE FINANCIAL STATEMENTS
 SANTEE-LYNCHES REGIONAL COUNCIL OF GOVERNMENTS

NOTE G -- PENSION PLAN – Continued

- Required employee contribution rates for fiscal year 2015-2016 are as follows:

SCRS	
Employee Class Two	8.16% of earnable compensation
Employee Class Three	8.16% of earnable compensation

- Required employer contribution rates for fiscal year 2015-2016 are as follows:

SCRS	
Employee Class Two	10.91% of earnable compensation
Employee Class Three	10.91% of earnable compensation

The Council’s actual contributions to the SCRS for the years ended June 30, 2016, 2015, and 2014 were \$133,479, \$143,231, and \$137,681, respectively, and equaled the base required retirement contribution rate, excluding retiree insurance surcharge, of 10.91% for 2016, 10.75% for 2015, and 10.45% for 2014.

Net Pension Liability:

The June 30, 2015, total pension liability, net pension liability, and sensitivity information were determined by PEBA’s consulting actuary, Gabriel, Roder, Smith and Company (GRS) and are based on the July 1, 2014, actuarial valuations, as adopted by the PEBA Board and Budget and Control Board, which utilized membership data as of July 1, 2014. The total pension liability was rolled forward from the valuation date to the plan’s fiscal year ended June 30, 2015, using generally accepted actuarial principles. Information included in the following schedules is based on the certification provided by GRS.

The net pension liability (NPL) is calculated separately for each system and represents that particular system’s total pension liability determined in accordance with GASB No. 67 less that system’s fiduciary net position.

As of June 30, 2015, NPL amounts for SCRS are as follows:

System	Total Pension Liability	Plan Fiduciary Net Position	Employers’ Net Pension Liability	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
SCRS	\$ 44,097,310,230	\$ 25,131,828,101	\$ 18,965,482,129	57.0%

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

NOTES TO THE FINANCIAL STATEMENTS
 SANTEE-LYNCHES REGIONAL COUNCIL OF GOVERNMENTS

NOTE G -- PENSION PLAN – Continued

At June 30, 2016, the Council reported a net pension liability of \$2,658,012 for its proportionate share of the net pension liability for the SCRS. The net pension liability was measured as of June 30, 2015, and the total pension liability for the Plan used to calculate the net pension liability was determined based on the most recent actuarial valuation report as of July 1, 2014 that was projected forward to the measurement date. The Council's proportion of the net pension liability was based on a projection of the Council's long-term share of contributions to the Plan relative to the projected contributions of all participating South Carolina state and local government employers, actuarially determined. At June 30, 2015, the Council's SCRS proportion was .014307%, which was equal to its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the Council recognized pension expense of \$180,312 for the SCRS. At June 30, 2016, the Council reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
SCRS		
Differences between expected and actual experience	\$ 47,224	
Net difference between projected and actual earnings		\$ 4,753
Changes in proportion and differences between the Council contributions and proportionate share of contributions	17,791	40,390
Council's contributions subsequent to the measurement date	<u>133,479</u>	
TOTAL	<u>\$ 198,494</u>	<u>\$ 45,143</u>

The Council reported \$133,479 as deferred outflows of resources related to the Council's contributions subsequent to the measurement date to the SCRS, which will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the SCRS will be recognized in pension expense as follows:

<u>For the Year Ended June 30,</u>	<u>SCRS</u>
2017	\$ (1,386)
2018	(1,386)
2019	(17,607)
2020	<u>40,251</u>
	<u>\$ 19,872</u>

Actuarial Assumptions and Methods

Actuarial valuations involve estimates of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and future salary increases. Amounts determined during the valuation process 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

NOTES TO THE FINANCIAL STATEMENTS
 SANTEE-LYNCHES REGIONAL COUNCIL OF GOVERNMENTS

NOTE G -- PENSION PLAN – Continued

least once in each five-year period. The last experience study was performed on data through June 30, 2010, and the next experience study is scheduled to be conducted after the June 30, 2015 annual valuation is complete.

The following table provides a summary of the actuarial assumptions and methods used in the July 1, 2014, valuations for SCRS.

	SCRS
Actuarial cost method	Entry Age
Actuarial assumptions:	
Investment rate of return	7.50%
Projected salary increases	3.5% to 12.5%
Includes inflation at	2.75%
Benefit adjustments	Lesser of 1% or \$500

The post-retiree mortality assumption is dependent upon the member’s job category and gender. This assumption includes base rates which are automatically adjusted for future improvement in mortality using published Scale AA projected from the year 2000. Assumptions used in the July 1, 2014, valuations for SCRS are as follows:

Former Job Class	Males	Females
Educators and Judges	RP-2000 Males (with White Collar adjustment) multiplied by 110%	RP-2000 Females (with White Collar adjustment) multiplied by 95%
General Employees and Members of the General Assembly	RP-2000 Males multiplied by 100%	RP-2000 Females multiplied by 90%
Public Safety, Firefighters and members of the South Carolina National Guard	RP-2000 Males (with Blue Collar adjustment) multiplied by 115%	RP-2000 Females (with Blue Collar adjustment) multiplied by 115%

The long-term expected rate of return on pension plan investments, as used in the July 1, 2014, actuarial valuations, was based upon the 30 year capital market outlook at the end of the fourth quarter 2013, as developed by the Retirement Systems Investment Commission in collaboration with its investment consultant, Aon Hewitt. The long-term expected rates of return represent assumptions developed using an arithmetic building block approach, reflecting observable inflation and interest rate information available in the fixed income markets as well as Consensus Economic forecasts. Long-term assumptions for other asset classes are based on historical results, current market characteristics and professional judgment.

The expected returns, along with the expected inflation rate, form the basis for the target asset allocation adopted by the Investment Commission for fiscal year 2015. The long-term expected rate of return is produced by weighting the expected future real rates of return by the target allocation percentage and by adding expected inflation, which is summarized in the table on the following page.

NOTES TO THE FINANCIAL STATEMENTS
 SANTEE-LYNCHES REGIONAL COUNCIL OF GOVERNMENTS

NOTE G -- PENSION PLAN – Continued

For actuarial purposes, the 7.50 percent assumed annual investment rate of return set in statute and used in the calculation of the total pension liability includes a 4.75 percent real rate of return and a 2.75 percent inflation component.

Asset Class	Target Asset Allocation	Expected Arithmetic Real Rate of Return	Long Term Expected Portfolio Real Rate of Return
Short Term			
Cash	2.0%	1.9%	0.04%
Short Duration	3.0%	2.0%	0.06%
Domestic Fixed Income			
Core Fixed Income	7.0%	2.7%	0.19%
Mixed Credit	6.0%	3.8%	0.23%
Global Fixed Income			
Global Fixed Income	3.0%	2.8%	0.08%
Emerging Markets Debt	6.0%	5.1%	0.31%
Global Public Equity	31.0%	7.1%	2.20%
Global Tactical Asset Allocation	10.0%	4.9%	0.49%
Alternatives			
Hedge Funds (Low Beta)	8.0%	4.3%	0.34%
Private Debt	7.0%	9.9%	0.69%
Private Equity	9.0%	9.9%	0.89%
Real Estate (Broad Market)	5.0%	6.0%	0.30%
Commodities	3.0%	5.9%	0.18%
Total Expected Real Return	100%		6.00%
Inflation for Actuarial Purposes			2.75%
Total Expected Nominal Return			8.75%

NOTES TO THE FINANCIAL STATEMENTS
 SANTEE-LYNCHES REGIONAL COUNCIL OF GOVERNMENTS

NOTE G -- PENSION PLAN – Continued

Discount Rate

The discount rate used to measure the total pension liability was 7.5 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 State Code of Laws. Based on those assumptions, each system’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The following table presents the sensitivity of the Council’s proportionate share of the net pension liability to changes in the discount rate.

System	1.00% Decrease (6.50%)	Current Discount Rate (7.50%)	1.00% Increase (8.50%)
SCRS	\$ 3,350,994	\$ 2,658,012	\$ 2,077,206

Pension Plan Fiduciary Net Position

Detailed information regarding the fiduciary net position of the plans administered by PEBA is publicly available on PEBA’s Retirement Benefits’ website at www.peba.sc.gov, or a copy may be obtained by submitting a request to PEBA, PO Box 11960, Columbia, SC 29211-1960.

NOTE H -- POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS

Plan Description: In accordance with the South Carolina Code of Laws and the annual Appropriations Act, the State provides post-employment health and dental and long-term disability benefits to retired State and school district employees and their covered dependents. The Council contributes to the South Carolina Retiree Health Insurance Trust Fund (SCRHITF) and the South Carolina Long-Term Disability Insurance Trust Fund (SCLTDITF), cost-sharing multiple employer defined benefit postemployment healthcare, and long-term disability plans administered by the Insurance Benefits Division (IB) of the South Carolina Public Employee Benefit Authority (PEBA).

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 through 24 years of service for 50% employer funding. Benefits become effective when the former employee retires under a State retirement system. Basic Long-Term Disability (BLTD) benefits are provided to active state, public school district, and participating local government employees approved for disability.

NOTES TO THE FINANCIAL STATEMENTS
SANTEE-LYNCHES REGIONAL COUNCIL OF GOVERNMENTS

NOTE H -- POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS – Continued

Funding Policies: Section 1-11-710 of the South Carolina Code of Laws of 1976, as amended, requires these postemployment and long-term disability benefits be funded through annual appropriations by the General Assembly for active employees to the IB and participating retirees to the PEBA, except for the portion funded through the pension surcharge and provided from the other applicable sources of the IB, for its active employees who are not funded by State General Fund appropriations. Employers participating in the RMP are mandated by State statute to contribute at a rate assessed each year by the Office of the State Budget, 5.33% of annual covered payroll for 2016 and 5.0% of annual covered payroll for 2015. The IB sets the employer contribution rate based on a pay-as-you-go basis. The Council paid \$65,210 and \$66,619 applicable to the surcharge included with the employer contribution for retirement benefits for the fiscal years ended June 30, 2016 and 2015, respectively. BLTD benefits are funded through a person's premium charged to State agencies, public school districts, and other participating local governments. The monthly premium per active employee paid to IB was \$3.22 for the years ended June 30, 2016 and 2015.

Effective May 1, 2008 the State established two trust funds through Act 195 for the purpose of funding and accounting for the employer costs of retiree health and dental insurance benefits and long-term disability insurance benefits. The SCRHITF is primarily funded through the payroll surcharge. Other sources of funding include additional State appropriated dollars, accumulated IB reserves, and income generated from investments. The SCLTDITF is primarily funded through investment income and employer contributions.

A copy of the separately issued financial statements for the benefit plans and the trust funds may be obtained by writing to the South Carolina Public Employee Benefit Authority – Insurance Benefits Division, P.O. Box 11960, Columbia, South Carolina 29211-1960.

NOTE I -- INSURANCE POOL

The Council is a participant of the South Carolina Insurance Reserve Fund (“SCIRF”), which is a cooperative group of governmental entities joining together to finance insurance exposure, liability and risk. As required by GASB Statement No. 10, Accounting and Financial Reporting for Risk Financing and Related Insurance Issues, the Council's risks covered within this pool are property (both building and personal), data processing equipment, business interruption, builder's risk, inland marine, torts, and automobile. The SCIRF does not cover risks associated with a whistle-blowers action, breaches of contract, debt guarantees of others, property tax appeals, automobile/aircraft/watercraft in excess of 26 feet in length, liability from pre-arranged speed contest, pollution liability (except sudden and accidental), war, workers compensation bodily injury to fellow employees and professional liability of medical practitioners and architects.

The Council expended \$25,351 during the year ended June 30, 2016 for coverage through the SCIRF. For all covered risks, the transfer of risk culminates upon filing of a claim. Consequently, for items not covered, the Council's separately purchased policies bear the risk up to policy maximums. At June 30, 2016, there were no liabilities which exceeded the coverage available through the SCIRF and separately purchased carriers.

NOTES TO THE FINANCIAL STATEMENTS
 SANTEE-LYNCHES REGIONAL COUNCIL OF GOVERNMENTS

NOTE J -- OPERATING LEASES

The Council leases buildings under non-cancelable operating leases. Rental expenditures under the terms of the operating leases totaled \$203,326 for the year ended June 30, 2016. Future minimum lease payments under the operating leases consist of the following at June 30:

2017	\$	162,246
2018		94,186
TOTAL	\$	<u>256,432</u>

NOTE K -- RELATED PARTY TRANSACTIONS

Santee-Lynches Regional Development Corporation (the "Corporation") is a nonprofit civic and social welfare organization which was created by the Board of Directors of the Council and incorporated in the State of South Carolina on April 15, 1983. The basic financial statements and activity for this related, separately chartered legal entity have not been included in the accompanying basic financial statements since the Corporation does not meet the definition of a component unit.

The Corporation made payments to the Council under an agreement that provided accounting and support services to the Corporation. The amount the Corporation paid the Council for services was \$12,471 for the year ended June 30, 2016. The Corporation owed the Council \$586 as of June 30, 2016 for services provided.

NOTE L -- CONTINGENCIES

The Council must apply for annual renewals of certain contracts and grants. Funding is subject to both increases and reductions at the discretion of the contractor or grantor. Some of the agreements are subject to termination by either party contingent upon certain conditions. Amounts received or receivable from grantors are subject to audit and adjustment by the grantor. Any disallowed claims, including amounts already collected, may constitute a liability of the disallowed funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the Council expects such amounts, if any, to be immaterial.

REQUIRED SUPPLEMENTAL INFORMATION

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
 SANTEE-LYNCHES REGIONAL COUNCIL OF GOVERNMENTS
 For the Year Ended June 30, 2016

	Budget		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
State revenue	\$ 41,242	\$ 41,242	\$ 41,242	\$ 0
Participating local governments	178,674	178,674	178,674	0
Sale of building proceeds		425,000	408,400	(16,600)
Interest income	550	1,200	2,160	960
Other	3,450	8,685	1,597	(7,088)
Total Revenues	223,916	654,801	632,073	(22,728)
Expenditures				
Direct personnel costs	247,768	239,531	260,469	(20,938)
Indirect cost allocations	(444,910)	(465,762)	(324,713)	(141,049)
Support services				
Operations and maintenance	195,653	203,353	36,375	166,978
Development and training	12,400	11,550	5,238	6,312
Travel and transportation	11,594	6,960	1,929	5,031
Consulting services	24,350	10,728	5,813	4,915
Direct participant support			1,000	(1,000)
Applied as match			120,677	(120,677)
Capital outlays	34,000	44,298	40,495	3,803
Debt service - interest	1,250	750	611	139
Total Expenditures	82,105	51,408	147,894	(96,486)
Excess Revenues Over Expenditures	141,811	603,393	484,179	(119,214)
Other Financing Sources (Uses)				
Transfers in			64,768	64,768
Transfers out			(92,141)	(92,141)
Total Other Financing Sources (Uses)	0	0	(27,373)	(27,373)
Net Change in Fund Balance	\$ 141,811	\$ 603,393	456,806	\$ (146,587)
Fund Balance at Beginning of Year			2,277,150	
			FUND BALANCE AT END OF YEAR	\$ 2,733,956

See accompanying notes to required supplemental information.

BUDGETARY COMPARISON SCHEDULE - AGING SPECIAL REVENUE FUND
 SANTEE-LYNCHES REGIONAL COUNCIL OF GOVERNMENTS
 For the Year Ended June 30, 2016

	Budget		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Federal revenue	\$ 2,491,375	\$ 2,444,537	\$ 1,312,686	\$ (1,131,851)
State revenue	351,365	442,002	1,156,284	714,282
Service and special contracts	98,879	111,737	151,285	39,548
Required match	79,648	45,530	69,031	23,501
In - kind revenue	168,500	168,500	185,297	16,797
Total Revenues	3,189,767	3,212,306	2,874,583	(337,723)
Expenditures				
Direct personnel costs	600,143	564,331	536,621	27,710
Indirect cost allocations	169,754	191,727	121,869	69,858
Support services				
Operations and maintenance	50,807	60,172	114,418	(54,246)
Development and training	2,878	2,878	614	2,264
Travel and transportation	20,050	18,200	7,864	10,336
Consulting services		3,500	721	2,779
Payments to service providers	1,841,156	1,854,392	1,666,787	187,605
Direct participant support	331,479	331,479	164,151	167,328
In-kind match	168,500	168,500	185,297	(16,797)
Capital outlays	5,000	17,125	12,039	5,086
Total Expenditures	3,189,767	3,212,304	2,810,381	401,923
Excess of Revenues Over Expenditures	0	2	64,202	64,200
Other Financing Sources (Uses)				
Transfers out	0	0	(64,495)	(64,495)
Total Other Financing Sources (Uses)	0	0	(64,495)	(64,495)
Net Change in Fund Balance	\$ 0	\$ 2	(293)	(295)
Fund Balance at Beginning of Year			7,453	
FUND BALANCE AT END OF YEAR			\$ 7,160	

See accompanying notes to required supplemental information.

BUDGETARY COMPARISON SCHEDULE - WORKFORCE INVESTMENT ACT/WORKFORCE
 INNOVATION AND OPPORTUNITY ACT SPECIAL REVENUE FUND
 SANTEE-LYNCHES REGIONAL COUNCIL OF GOVERNMENTS
 For the Year Ended June 30, 2016

	Budget		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Federal revenue	\$ 1,981,649	\$ 2,030,763	\$ 2,006,348	\$ (24,415)
State revenue			24,362	24,362
Service and special contracts	35,000	19,901		(19,901)
Other	97,536	96,676	89,506	(7,170)
Total Revenues	2,114,185	2,147,340	2,120,216	(27,124)
Expenditures				
Direct personnel costs	724,309	606,331	565,221	41,110
Indirect cost allocations	160,594	128,417	127,415	1,002
Support services				
Operations and maintenance	246,426	243,094	204,274	38,820
Development and training	8,785	16,752	11,835	4,917
Travel and transportation	14,910	8,175	3,130	5,045
Consulting services	2,591	500		500
Payments to service providers	520,000	672,528	646,676	25,852
Direct participant support	435,522	467,442	556,477	(89,035)
Capital outlays	1,050	4,102	4,915	(813)
Total Expenditures	2,114,187	2,147,341	2,119,943	27,398
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2)	(1)	273	274
Other Financing Sources (Uses)				
Transfers in			(273)	(273)
Total Other Financing Sources (Uses)	0	0	(273)	(273)
Net Change in Fund Balance	\$ (2)	\$ (1)	0	1
Fund Balance at Beginning of Year			0	
FUND BALANCE AT END OF YEAR			\$ 0	

See accompanying notes to required supplemental information.

BUDGETARY COMPARISON SCHEDULE - HOUSING AND ECONOMIC DEVELOPMENT
 PROJECTS SPECIAL REVENUE FUND
 SANTEE-LYNCHES REGIONAL COUNCIL OF GOVERNMENTS
 For the Year Ended June 30, 2016

	Budget		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Federal revenue	\$ 147,981	\$ 131,938	\$ 644,577	\$ 512,639
State revenue	20,000	20,000		(20,000)
Service and special contracts	212,393	199,521	114,083	(85,438)
Required match			19,490	19,490
Other	20,852	20,852	5,818	(15,034)
Total Revenues	<u>401,226</u>	<u>372,311</u>	<u>783,968</u>	<u>411,657</u>
Expenditures				
Direct personnel costs	211,290	183,106	215,100	(31,994)
Indirect cost allocations	59,765	71,481	48,669	22,812
Support services				
Operations and maintenance	12,772	13,023	62,421	(49,398)
Development and training	40,000	27,300	676	26,624
Travel and transportation	4,400	4,400	2,317	2,083
Consulting services	13,000	13,000	20,166	(7,166)
Payments to service providers	60,000	60,000	511,921	(451,921)
Total Expenditures	<u>401,227</u>	<u>372,310</u>	<u>861,270</u>	<u>(488,960)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1)	1	(77,302)	(77,303)
Other Financing Sources (Uses)				
Transfers in			76,759	76,759
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>76,759</u>	<u>76,759</u>
Net Change in Fund Balance	<u>\$ (1)</u>	<u>\$ 1</u>	(543)	<u>\$ (544)</u>
Fund Balance at Beginning of Year			<u>69,507</u>	
FUND BALANCE AT END OF YEAR			<u>\$ 68,964</u>	

See accompanying notes to required supplemental information.

NOTES TO THE BUDGETARY COMPARISON SCHEDULES
SANTEE-LYNCHES REGIONAL COUNCIL OF GOVERNMENTS
June 30, 2016

The Council adopts an annual legal budget, which covers the General Fund and certain Special Revenue Funds. The budgets for the General Fund and certain Special Revenue Funds are prepared on the modified accrual basis except for encumbrances which are treated as budgeted expenditures. The statements comparing budget 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.

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, Workforce Investment Act/Workforce Innovation and Opportunity Act, and Housing and Economic Development Projects), for which an annual operating budget is legally adopted. These funds utilize the same basis of accounting for both budgetary purposes and actual results.

SCHEDULE OF THE COUNCIL'S PROPORTIONATE SHARE OF THE NET
PENSION LIABILITY - SOUTH CAROLINA RETIREMENT SYSTEM
SANTEE-LYNCHES REGIONAL COUNCIL OF GOVERNMENTS

	<u>2016</u>	<u>June 30, 2015</u>	<u>2014</u>
Council's proportion of the net pension liability	0.014015%	0.014307%	0.014307%
Council's proportionate share of the net pension liability	\$ 2,658,012	\$ 2,463,191	\$ 2,566,165
Council's covered-employee payroll	\$ 1,332,381	\$ 1,319,301	\$ 1,064,431
Council's proportionate share of the net pension liability as a percentage of its covered employee payroll	199.49%	186.70%	241.08%
Plan fiduciary net position as a percentage of the total pension liability	56.99%	59.92%	56.39%

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

SCHEDULE OF THE COUNCIL'S CONTRIBUTIONS - SOUTH CAROLINA RETIREMENT SYSTEM
 SANTEE-LYNCHES REGIONAL COUNCIL OF GOVERNMENTS

	For the Year Ended		
	2016	June 30, 2015	2014
Contractually required contribution	\$ 133,479	\$ 143,231	\$ 137,867
Actual contributions	<u>133,479</u>	<u>143,231</u>	<u>137,867</u>
Contribution deficiency	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Council's covered-employee payroll	\$ 1,223,454	\$ 1,332,381	\$ 1,319,301
Contributions as a percentage of covered-employee payroll	10.91%	10.75%	10.45%

OTHER SUPPLEMENTAL INFORMATION

SCHEDULE I - GOVERNMENTAL FUNDS - DETAIL OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 SANTEE-LYNCHES REGIONAL COUNCIL OF GOVERNMENTS
 For the Year Ended June 30, 2016

	Special Revenue Funds					
	General	Aging	Workforce Investment Act/ Workforce Innovation and Opportunity Act	Housing and Economic Development Projects	Non-major Governmental Funds	Total Governmental Funds
Revenues						
Federal revenue		\$ 1,312,686	\$ 2,006,348	\$ 644,577	\$ 80,377	\$ 4,043,988
State revenue	\$ 41,242	1,156,284	24,362		20,000	1,241,888
Participating local governments	178,674					178,674
Service and special contracts		151,285		114,083	46,199	311,567
Required match		69,031		19,490	32,156	120,677
In-kind revenue		185,297			6,598	191,895
Interest income	2,160					2,160
Other	1,597		89,506	5,818	6,310	103,231
Total Revenues	223,673	2,874,583	2,120,216	783,968	191,640	6,194,080
Expenditures						
Direct personnel costs	260,469	536,621	565,221	215,100	119,444	1,696,855
Indirect cost allocations	(324,713)	121,869	127,415	48,669	26,760	0
Support services						
Operations and maintenance	36,375	114,418	204,274	62,421	31,400	448,888
Development and training	5,238	614	11,835	676	10,722	29,085
Travel and transportation	1,929	7,864	3,130	2,317	1,217	16,457
Consulting services	5,813	721		20,166	2,750	29,450
Payments to service providers		1,666,787	646,676	511,921		2,825,384
Direct participant support	1,000	164,151	556,477			721,628
Applied as match	120,677					120,677
In-kind match		185,297			6,598	191,895
Capital outlays	40,495	12,039	4,915		8,131	65,580
Debt service - interest	611					611
Total Expenditures	147,894	2,810,381	2,119,943	861,270	207,022	6,146,510
Excess (Deficiency) Revenues Over (Under) Expenditures	75,779	64,202	273	(77,302)	(15,382)	47,570
Other Financing Sources (Uses)						
Proceeds from sale of capital assets	408,400					408,400
Transfers in	64,768			76,759	15,382	156,909
Transfers out	(92,141)	(64,495)	(273)			(156,909)
Total Other Financing Sources (Uses)	381,027	(64,495)	(273)	76,759	15,382	408,400
Net Change in Fund Balances	456,806	(293)	0	(543)	0	455,970
Fund Balances at Beginning of Year	2,277,150	7,453	0	69,507	0	2,354,110
Fund Balances at End of Year	\$ 2,733,956	\$ 7,160	\$ 0	\$ 68,964	\$ 0	\$ 2,810,080

Santee-Lynches Regional Council of Governments
 Schedule II - U.S. Department of Transportation (FTA)
 Budgetary Schedule Section 5316
 Contract PT-5G216-05
 For the Year Ended June 30, 2016

SCDOT Contract # Contract Period:		PT-5G216-05				
		July 1, 2014- June 30, 2016				
Actual Cost Performance period	Total Budget	Section 5316		Local		Total Program Variance
		Current	Prior Period	Current	Prior	
		Jul 15-June 16	Jul 14-June 15	Jul 15-June 16	Jul 14-June 15	
ADMINISTRATION						
Total Admin						
OPERATIONS						
Total Operations						
CAPITAL						
Mobility Mgmt	\$ 62,500	\$ 18,266	\$ 5,537	\$ 4,566	\$ 1,384	\$ 32,747
Total Capital	\$ 62,500	\$ 18,266	\$ 5,537	\$ 4,566	\$ 1,384	\$ 32,747
TECHNICAL ASSISTANCE						
Personnel	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Fringe Benefits	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Travel (in state)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Travel (out of state)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Materials/Supplies	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Dues/Subscriptions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Advertising	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other Services- Indirect	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Technical Asst	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Program	\$ 62,500	\$ 18,266	\$ 5,537	\$ 4,566	\$ 1,384	\$ 32,747

Approved Budget	<u>\$ 62,500</u>
TI Federal Costs	\$ 23,802
TI State Costs	\$ -
TI Local Costs	\$ 5,951
Budget over Actual	<u>\$ 32,747</u>
or Actual over Budget	

GOVERNMENTAL AUDITING SECTION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 SANTEE-LYNCHES REGIONAL COUNCIL OF GOVERNMENTS
 For the Year Ended June 30, 2016

Federal Grantor / Pass Through Grantor / Program or Cluster Title	Federal CFDA Number	Pass Through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
Direct Programs:				
U.S. DEPARTMENT OF COMMERCE				
Economic Development Administration	11.302	04-83-06737/ 04-83-0673701		\$ 34,650
Economic Development Administration	11.302	ED16ATL3020018		23,070
				<u>57,720</u>
U.S. DEPARTMENT OF HOUSING & URBAN DEVELOPMENT				
HOME - Federal (Administrative)	14.239	M-13-DC-45-0206/ M-14-DC-45-0206 M-11-DC-45-0206/ M-12-DC-45-0206/ M-13-DC-45-0206		\$ 63,964
HOME - Federal (Projects)	14.239		\$ 511,921	530,573
			511,921	<u>594,537</u>
		TOTAL DIRECT PROGRAMS		652,257
Pass Through Programs:				
U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES				
Passed through SC Lt. Governor's Office on Aging				
Title VII Ombudsman - Elder Abuse (SELD15)	93.041	R6MG16-Admin		\$ 3,337
Title VII Ombudsman (OMBUD15)	93.042	R6MG16-Admin		12,582
Title III-D Preventive Health (SIID14)	93.043	R6MG16- Svc		5,366
Title III-D Medication Management (SIID15)	93.043	R6MG16- Svc		12,908
				<u>34,193</u>
Title III-B Planning & Administration (SIIB15)	93.044	R6MG16-Admin		39,017
Title III-B Supportive Services at AAA - (SIIB14)	93.044	R6MG16- Admin		61,316
Title III-B Supportive Services (SIIB14) (includes elimination of PD)	93.044	R6MG16- Svc		37,299
Title III-B Supportive Services (SIIB15)	93.044	R6MG16- Svc		294,378
Title III-B Supportive Services- legal (SIIB15)	93.044	R6MG16- Svc		6,915
Title III-B Program Development (SIIB14)	93.044	(return of PY funds)		(47,168)
Title III-B Ombudsman (SIIB14)	93.044	R6MG16- Admin		6,431
Title III-B Ombudsman (SIIB15)	93.044	R6MG16- Admin		13,412
				<u>411,600</u>
Title III-C Planning and Administration (IIIC15)	93.045	R6MG16- Admin		77,272
Title III-C1 Group Dining (IIIC114)	93.045	R6MG16- Svc		36,512
Title III-C1 Group Dining (IIIC115)	93.045	R6MG16- Svc		171,694
Title III-C2 Home Delivered Meals (IIIC114)	93.045	R6MG16- Svc		38,114
Title III-C2 Home Delivered Meals (IIIC115)	93.045	R6MG16- Svc		243,625
				<u>567,217</u>
Senior Medicare Patrol (SMP) (Grant # E0401SMEPA15) #90MP0236-01-00	93.048	R6IC16		3,259
Senior Medicare Patrol (SMP) (Grant #E0401HCFAC15) #90MP0236-01-00	93.048	R6IC16		10,622
				<u>13,881</u>
Title III-E Family Caregiver at AAA - (SIIE14)	93.052	R6MG16- Admin		3,833
Title III-E Family Caregiver at AAA - (SIIE15)	93.052	R6MG16- Admin		26,667
Title III-E P & A (SIIE15)	93.052	R6MG16- Admin		16,838
Title III-E National Family Caregiver Services (SIIE14)	93.052	R6MG16- Svc		22,982
Title III-E National Family Caregiver Services (SIIE15)	93.052	R6MG16- Svc		37,664
				<u>107,984</u>
Nutrition Services Incentive Program (NSIP) (SNSIP14)	93.053	R6MG16- Svc		92,751
MIPPA Grant - E0401MIPPA14 (Grt #14AASCMSHI)	93.071	R6IC16		18,354
MIPPA Grant - E0401MPAAA14 (Grt #14AASCMAAA)	93.071	R6IC16		20,208
MIPPA Grant - E0401MADRC14- 14AASCMAADR	93.071	R6IC16		8,767
				<u>47,329</u>

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - Continued
 SANTEE-LYNCHES REGIONAL COUNCIL OF GOVERNMENTS
 For the Year Ended June 30, 2016

Federal Grantor / Pass Through Grantor / Program or Cluster Title	Federal CFDA Number	Pass Through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES				
Passed through SC Lt. Governor's Office on Aging - Continued SHIAP Grant- E0401SHIAP14 (#90SA0015-02-02)	93.324	R6IC16		38,170
U.S. DEPARTMENT OF LABOR				
Passed Through SC Department of Employment and Workforce WIA/WIOA Cluster:				
WIA Administration- PY 14	17.258/ 17.278/17.259	14A010/14DW010/14Y010		52,892
WIA/WIOA Administration- PY 15	17.258/ 17.278/17.259	15A010/15DW010/15Y010		101,677
WIA Adult - Program Funds Only - PY 14	17.258	14A010		197,277
WIA/WIOA Adult - Program Funds Only - PY 15	17.258	15A010		488,479
WIA Youth- Program Funds Only - 14	17.259	14Y010	164,900	199,872
WIA/WIOA Youth- Program Funds Only - 15	17.259	15Y010	445,223	472,006
WIOA Incumbent Worker Training grant (through WIOA Youth Program funds)	17.259	15IWT10	36,553	36,553
WIA Dislocated Worker - Program Funds Only - PY 14	17.278	14DW010		61,232
WIA/WIOA Dislocated Worker - Program Funds Only - PY 15	17.278	15DW010		391,005
WIA DW Program- Incentives PY 14	17.278	14INC10		5,080
			646,676	2,006,073
U.S. DEPARTMENT OF TRANSPORTATION (FTA)				
Passed Through SC Department of Transportation Division of Planning - Federal Highway Funds State Planning and Research Funds (SPR)	20.205	N/A		51,286
Passed through Office of Public Transit- FTA Funds: Section 5316-Jobs Access-Reverse Commute (JARC) - Small Urban Mobility Mngmt	20.516	PT-SG216-05		18,265
U.S. ENVIRONMENTAL PROTECTION AGENCY				
Passed Through SC Department of Health and Environmental Control Water Quality Management Planning	66.454	EQ-5-365		2,840
Water Quality Management Planning	66.454	EQ-6-409		8,057
				<u>10,897</u>
		TOTAL PASS THROUGH PROGRAMS		3,399,646
		TOTAL EXPENDITURES OF FEDERAL AWARDS	\$ 1,158,597	\$ 4,051,903

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
SANTEE-LYNCHES REGIONAL COUNCIL OF GOVERNMENTS
For the Year Ended June 30, 2016

NOTE A -- BASIS OF PRESENTATION

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

NOTE B -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting described in Note A to the basic financial statements. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments* wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts reflected in the Schedule represent adjustments or credits resulting in the normal course of business to amounts reported as expenditures in prior years.

NOTE C -- INDIRECT COST RATE

The Council has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.



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

To the Board of Directors of
Santee-Lynches Regional Council of Governments

We have audited, 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Santee-Lynches Regional Council of Governments (the "*Council*"), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Santee-Lynches Regional Council of Governments' basic financial statements, and have issued our report thereon dated January 6, 2017.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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 over financial reporting 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 financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

COMPLIANCE AND OTHER MATTERS

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

PURPOSE OF THIS REPORT

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

Columbia, South Carolina
January 6, 2017

The Holla Group, P.A.



The Hobbs Group

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE

To the Board of Directors of
Santee-Lynches Regional Council of Governments

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

We have audited Santee-Lynches Regional Council of Governments' (the "*Council*") compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of the Council's major federal programs for the year ended June 30, 2016. The Council's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

MANAGEMENT'S RESPONSIBILITY

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

AUDITORS' RESPONSIBILITY

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

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

OPINION ON EACH MAJOR FEDERAL PROGRAM

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

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Management of 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 as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Council's internal control over compliance.

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

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

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

Columbia, South Carolina
January 6, 2017

The Halle Group, P.A.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 SANTEE-LYNCHES REGIONAL COUNCIL OF GOVERNMENTS
 For the Year Ended June 30, 2016

SECTION I -- SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weaknesses identified?	<u> </u> Yes	<u> X </u> No
Significant deficiencies identified?	<u> </u> Yes	<u> X </u> None reported
Noncompliance material to financial statements noted?	<u> </u> Yes	<u> X </u> No

Federal Awards

Internal control over major federal programs:

Material weaknesses identified?	<u> </u> Yes	<u> X </u> No
Significant deficiencies identified?	<u> </u> Yes	<u> X </u> None reported

Type of auditors' report on compliance for major federal awards programs: Unmodified

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

	<u> </u> Yes	<u> X </u> No
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Identification of major federal programs:

<u>CFDA Number</u>	<u>Name of federal program or cluster</u>
17.258, 17.259, and 17.278	WIA/WIOA Cluster

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

Auditee qualified as a low-risk auditee?

	<u> X </u> Yes	<u> </u> No
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SECTION II -- SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

None