

**SANTEE-LYNCHES REGIONAL  
COUNCIL OF GOVERNMENTS**

**FINANCIAL AND  
COMPLIANCE REPORT**

**JUNE 30, 2017**

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## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
Santee-Lynches Regional Council of Governments  
Sumter, South Carolina

### **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 the Santee-Lynches Regional Council of Governments ("the Council") as of and for the year ended June 30, 2017, and the related notes to the financial statements which collectively comprise the Council's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

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

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

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

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Council as of June 30, 2017, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

### **Required Supplementary Information**

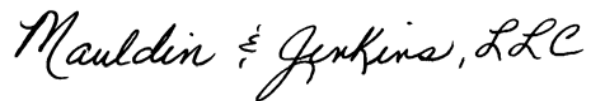
Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 - 10, the budgetary comparison information on pages 34 - 37, and information concerning the Council's retirement plan on pages 25 - 29 be presented to supplement the 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 operation, 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 Santee-Lynches Regional Council of Governments' basic financial statements. The schedules, listed in the table of contents as other supplementary information, are presented for the purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 18, 2018, on our consideration of the Council's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Council's internal control over financial reporting and compliance.



Columbia, South Carolina  
January 18, 2018

## **Santee-Lynches Regional Council of Governments Management's Discussion and Analysis**

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, 2017. 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. The Statement of Net position 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.

## **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 32 - 37 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 position from year to year.

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

	<b>Governmental Activities: Government-wide Statements</b>		
	<u>6/30/2017</u>	<u>6/30/2016</u>	<u>Net Change</u>
Current Assets	\$ 3,225,343	\$ 3,098,755	
Noncurrent Assets	179,639	230,924	
<b>Total Assets</b>	<b>\$ 3,404,982</b>	<b>\$ 3,329,679</b>	<b>\$ 75,303</b>
<b>Deferred Outflows of Resources</b>	<b>\$ 458,893</b>	<b>\$ 198,494</b>	<b>\$ 260,399</b>
Current Liabilities	\$ 493,320	\$ 423,064	
Long-Term Liabilities	0	0	
Net Pension Liability	\$ 2,662,078	\$ 2,658,012	
<b>Total Liabilities</b>	<b>\$ 3,155,398</b>	<b>\$ 3,081,076</b>	<b>\$ 74,322</b>
<b>Deferred Inflows of Resources- Deferred Pension Credits</b>	<b>\$ 248,452</b>	<b>45,143</b>	<b>\$ 203,309</b>
<b>Net Position:</b>			
Net Investment in Capital Assets	\$ 114,834	\$ 164,534	
Restricted	7,160	76,124	
Unrestricted (exclusive of GASB 68)	2,789,668	2,665,957	
GASB 68 portion	(2,451,637)	(2,504,661)	
<b>Total Net Position</b>	<b>\$ 460,025</b>	<b>\$ 401,954</b>	<b>\$ 58,071</b>

**Summary of Statement of Net Position**

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.

Total Assets and Total Liabilities both increased somewhat, with assets increasing at only a slightly higher dollar value than liabilities. Deferred Outflows of Resources and Deferred Pension Credits both increased significantly, with deferred outflows of resources increasing at a higher rate than deferred pension credits. This caused the GASB 68 portion of the Net Position to decrease from last year's position. The overall net result was a positive change in **Total Net Position** of \$58,071, an approximate 14% improvement in the Council's overall financial position from FYE 2016 to FYE 2017. Reasons for this improvement will be discussed later in the report.

The Council's cash position at June 30, 2017 was up approximately 4.5% over the prior year. Accounts Receivable slightly increased by 2.5%, and Accounts Payable increased by 7.3%. Non-current assets, which include a long-term notes receivable, and Net Capital Assets, decreased by approximately 22%, almost all of which was depreciation on capital assets. The long-term notes receivable is slowly being paid down. The net pension liability change increased only slightly when compared to the prior year.



## Summary of Statement of Activities

	Governmental Activities: Government-wide Statements		
	6/30/2017	6/30/2016	Net Change
Operating Grants	\$ 5,820,419	\$ 5,862,813	
Charges for Service	0	5,960	
State and Local	342,451	219,916	
Appropriations			
Interest and			
Other Income	120,318	301,252	
<b>Total Revenues</b>	<b>\$ 6,283,188</b>	<b>\$ 6,389,941</b>	<b>\$ (106,753)</b>
General Admin	\$ 60,519	\$ 199,143	
Program Admin	6,163,680	5,951,184	
Service Admin	918	43,502	
<b>Total Expenses</b>	<b>\$ 6,225,117</b>	<b>\$ 6,193,829</b>	<b>\$ 31,288</b>
<b>Change in Net Position</b>	<b>58,071</b>	<b>196,112</b>	<b>\$ (138,041)</b>
Net Position at the			
Beginning of the Year	\$ 401,954	\$ 205,842	
Restatement of Net Position PYE	0	0	
Net Position at the			
End of the Year	<u>\$ 460,025</u>	<u>\$ 401,954</u>	<b>\$ 58,071</b>

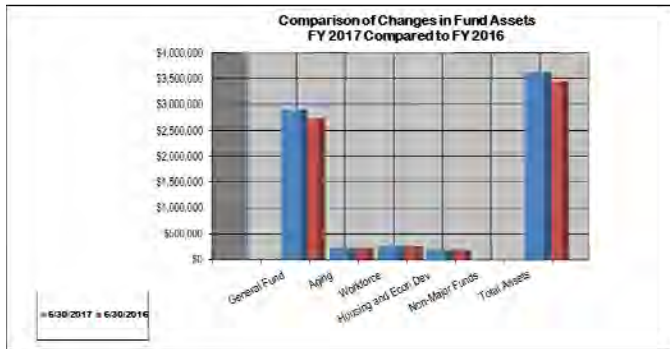
### *Governmental Activities:*

Overall, total revenues from all sources decreased by approximately 1.7% from the prior year. However, the one-time gain on the disposal of the building, \$195,861, was included in "Other Income" for the year ended 6/30/16. If that amount were removed from consideration, this year the Council would show an increase in overall revenues from last year of approximately \$89,000.

In the comparison above, operating grants and charges for services decreased by about \$48,000. A breakdown of that number shows that federal, state and contract service revenues received increased this year by approximately \$73,000. However, this increase is negated by the change in local match reported between years. In the year ended 6/30/2106, almost \$121,000 in local match was included in the total of operating grants; this year, match is not shown in this revenue total. Local appropriations (membership support) increased by approximately \$122,500. Cost share and interest income were up about \$13,000 over the prior year. While the comparison above shows expenses increased only nominally by .5% in total from the prior year, a closer look reveals the following. The approximate \$121,000 in match expenses that offset match revenue reflected last year, if removed from the comparison, would indicate that total expenses actually increased over the prior year by approximately \$153,000. 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.

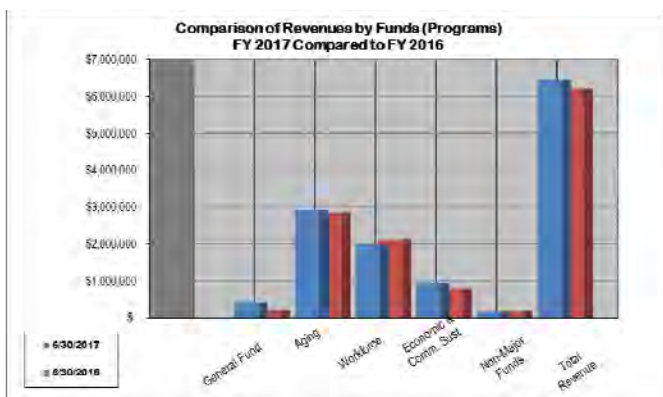
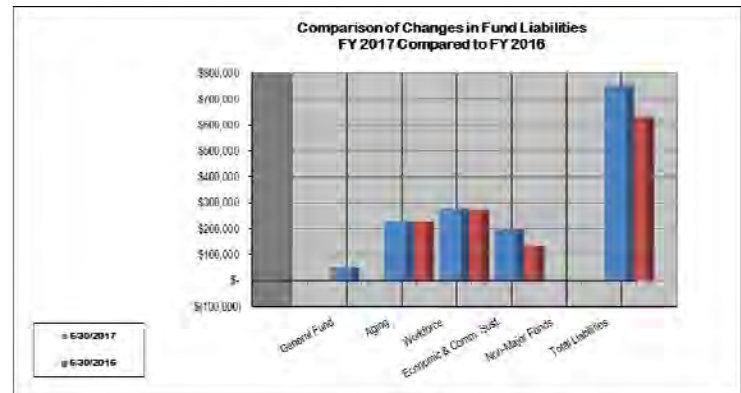
## Analysis of Balances and Transactions of Individual Funds

### Governmental Funds:



Overall, the most significant changes in assets from last year to this year were the increase in cash on hand and in the amounts due to the general fund from other programs. In the General Fund, cash increased by almost \$120,000. Approximately half of this increase was due to an increase in accounts payable in the general fund from the prior year. The other increase in cash was due to the excess revenues over expenses at year end.

Within all the program areas, accounts receivable variances from the prior year to this year were very insignificant. Accounts payable balances in the aging and workforce programs did not vary significantly from the prior year, while accounts payable balances in the Housing and Economic Development area decreased by over \$34,700 from the prior year. The contingent liability for HOME program funds in Clarendon County was properly classified in the audited statements as a liability, increasing liabilities in the Housing and Economic Development area.

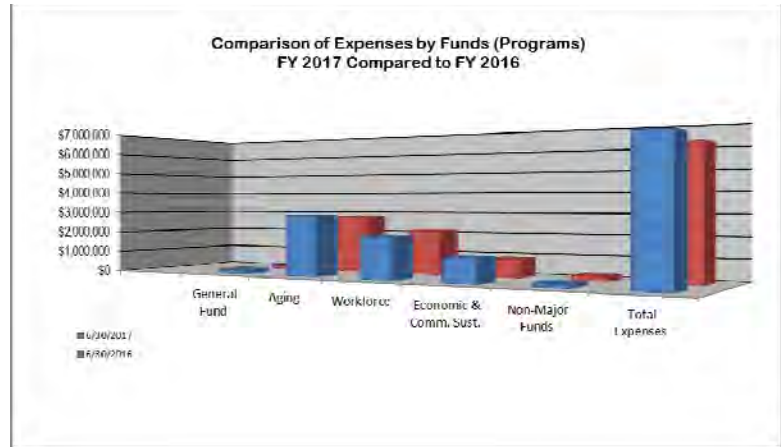


In the COG's accounting system, local funds used for match purposes are applied as revenue in the accounts they match and are netted against local or state revenues received. This netting of revenues means there are no cash matching funds shown as expenses. However, in the audited governmental fund statements, both revenues and expenses include the required match applied. This treatment in the audited financial statements this year slightly skews the

comparison of revenue and expenses from last year to this year.

As noted earlier, local government membership contributions increased by approximately \$122,500, accounting for the majority of the increase in the general fund revenues. General fund expenses increased by approximately \$71,000, primarily in the personnel and operations categories. Matching funds were included in expenses for the general fund, and the increase in these costs was offset by reductions in capital outlay costs when compared to the prior year.

Within the aging program, there was a slight increase – approximately 1.9% - in overall revenues. By state requirement, available federal funds were used first, to the extent possible, increasing the dollar amount of federal funds utilized over the prior year by more than \$363,000. State revenue use decreased by about \$344,000 from the prior year. Earnings on the Veteran’s contract were higher, and matching funds were higher in this year due to the increase in use of federal funds. Overall, expenses in the Aging program increased by approximately 3.2% over last year but still did not exceed revenues. The largest increases in expenses in this program were in personnel costs and payments to service providers.



In the Workforce area, expenditures were down approximately 6.7% over the prior year largely due to reductions in overhead costs and due to attrition in staffing- primarily in the administrative area of the Workforce department. Direct participant support payments (training, OJT contracts, Incumbent Worker training and transportation costs, for example) were up from the prior year by over \$40,000. The youth service provider costs were about 5% less than the prior year. Although federal funding from PY 15 to PY 16 increased by approximately \$370,000, the lower expenses in the current year meant revenues were down in comparison to the prior year. However, because mandatory obligation and expenditure rates were met by June 30, 2017, the unused portion of FY 16 funding was carried over into FY 16-17 and subsequently expended.

Within the Housing and Economic Development (Economic and Community Sustainability –ECS) program, both revenues and expenses increased over the prior year. Although federal funding for HOME programs continues to decrease slightly, some prior year funds have been carried over and available for use. A higher use of HOME federal funds occurred this year because of a slight increase in housing activities, almost \$55,000 expended in the newly implemented Tenant Based Rental Assistance program and the adjustment in expenses to classify the contingent liability for Clarendon County HOME in liabilities. Personnel costs increased, in part, because the planner’s position was filled for the entire year. Due to lags in collecting NIP program payments and the limitations of those reimbursements, this program area was subsidized highly from the general fund in this year.

**Budgetary Analysis**

Within the Required Supplemental Information section of this report, a budgetary comparison schedule for the General Fund is provided on page 34. When comparing the original and final budgets, state revenues were reduced to represent the actual amount of state appropriations provided. Interest income budgeted was increased based on higher earnings during the fiscal year. Expenses originally budgeted for personnel and indirect costs were reduced in the final budget based on expected allocation of staff time to program areas other than local and indirect costs. The only other significant changes from the original to final budgeted expenses were in the Applied as Match and Capital Outlays lines. Projections for match expenses were increased based on spending

trends, and capital outlays were reduced significantly when staff decided not to pursue upgrading the accounting software at this time.

While there were variations in the final budgeted and actual costs in a number of areas, the most significant are as follows: Additional revenues provided by member local governments were budgeted primarily into Economic Development, Housing and Community development programs within the ECS department and within Non-major governmental programs such as 208 water quality and transportation services based on their anticipated use. However, when collected, all supplemental local funding was reported in the local fund, resulting in the \$122,535 variance between budget and actual. Accounting entries to transfer funds needed to subsidize the various program areas are summarized in the "Transfers out" line of the supplemental schedule. The budget for the General Fund is typically for the local, primary office pool and indirect cost pool funds only. Therefore, Service and Special Contract revenues associated with planning contracts and other revenue (training and water quality conformance fees) were budgeted either within ECS or non-major governmental funds. In grouping the accounts for the general fund schedule, a number of local service contract accounts were included, resulting in the actual service contract revenues exceeding the general fund local budget by approximately \$53,000. Actual fees collected for local government training and for water quality conformance fees were also included in the general fund schedule, resulting in a variance over budget of about \$9,000 in revenue.

Actual personnel costs exceeded the budgeted costs by \$58,000 for two main reasons- leave time is budgeted as salary to programs but is accounted for in a leave pool that is included in this general fund account. Also, personnel costs associated with the service contracts not budgeted to the general fund but included in this supplemental report caused personnel costs to exceed the budget in this area. Indirect costs exceeded the general fund final budget by approximately \$17,500 because the allocation basis (personnel costs) was higher than finally budgeted. Consulting/contractual services were approximately \$17,400 less than finally budgeted primarily because only \$8,400 of the \$25,000 budgeted in FY 16-17 for architectural services was expended. In addition, \$800 estimated for year-end document shredding was not expended.

### **Capital Assets and Long-Term Debt Activity**

From last year to this year, the net value of capital assets decreased by almost \$50,000 (approximately 22%), almost entirely due to depreciation of assets. While several extremely old vehicles were disposed of, all of them were fully depreciated, so the disposition did not negatively affect the capital asset total. 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**

Comparisons of federally funded sources from last to this year show an increase in WIOA funding and a slight increase in Aging funding, while HOME funds remained stagnant after declining for several years. Use of federally awarded funds this year was higher than the prior year, primarily because of a change in South Carolina's requirement to use Aging Program federal funds prior to expending state funds. This resulted in the lower use of state funding when compared to the

previous year. Although HOME program funds awarded have been decreasing, the availability of carry over funds allowed for a higher spending level this year.

Given the current trends at the federal level, staff and management are aware that federal funds in any current program could potentially be at risk. For example, the Economic Development Administration's (EDA's) programs have been considered for reduction or elimination, and recently there have been more concerns over funding for the Community Development Block Grant (CDBG) program. The Veterans Directed program was terminated in November by the local VA, and resources redirected to other programs within the VA, eliminating the fee-for-services program administered by SLRCOG. The federally funded insurance counseling program is another source of revenue that is at risk depending on any changes to the Affordable Care Act. Management and staff are currently working with the State office to discuss different funding options for next year. Due to there being a need for services within other programs in the Health and Human Services Department and carryover funds being available, the two staff members that were impacted by the elimination of the Veterans Directed program were reassigned and retained. Insurance program funding is secure through June 30, 2018, which means that the positions associated with this program will remain intact until that time. However, once carryover funding is fully utilized, replacement funding from the same source does not appear likely at this time. In all program areas utilizing federal funding, documentation of a clear need and demonstrated results are critical pieces of data to show the necessity of any program. Even if funding is secured for our current programs in future budgets, staff is well aware that federal and state funding is finite. Staff is actively engaged in exploring new options for different types of funding, even in program areas where we are not currently working to ensure we meet any current and/or future needs of our region.

Member local government support increased through a higher per capita commitment and through supplemental support. These levels of support will be critical in coming years to retain key staff to provide a high quality of professional and expert services, particularly if federal funding decreases. Through continued active engagement between staff and our member local governments, the requests for local service contracts have also increased. We have currently stabilized staffing within the ECS department and have added another planner (two total) since the year ended, increasing the capabilities of that department to better meet the needs of our member local governments. It is management's intent to continue to proactively provide high quality, relevant services and products that add great value to our member local governments. In doing so, opportunities to provide other technical and professional services will occur, and management is committed to actively pursuing those opportunities.

**SANTEE-LYNCHES REGIONAL COUNCIL OF GOVERNMENTS  
STATEMENT OF NET POSITION  
JUNE 30, 2017**

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Current Assets	
Cash and cash equivalents	\$ 2,538,728
Accounts receivable	683,797
Notes receivable	2,818
<b>Total current assets</b>	<u>3,225,343</u>
Noncurrent Assets	
Notes receivable	64,805
Capital Assets	
Depreciable assets, net of accumulated depreciation	114,834
<b>Total noncurrent assets</b>	<u>179,639</u>
	<u>3,404,982</u>
Deferred Outflows of Resources	
Deferred outflows related to pensions	<u>458,893</u>
<b>LIABILITIES</b>	
Current Liabilities	
Accounts payable and accrued liabilities	347,344
Due to Home	69,044
Accrued annual leave	72,901
Insurance and tax escrow	4,031
<b>Total current liabilities</b>	<u>493,320</u>
Non-Current Liabilities	
Net pension liability	<u>2,662,078</u>
	<u>3,155,398</u>
Deferred Inflows of Resources	
Deferred inflows related to pensions	<u>248,452</u>
<b>Net Position</b>	
Invested in capital assets	114,834
Restricted	7,160
Unrestricted	338,031
<b>Total net position</b>	<u>\$ 460,025</u>

See notes to the financial statements.

**SANTEE-LYNCHES REGIONAL COUNCIL OF GOVERNMENTS  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2017**

	Primary Government Revenues			Net (Expense) Revenue and Change in Net Position
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities				
General administration	\$ 60,519	\$ -	\$ -	\$ (60,519)
Program administration	6,163,680	5,820,419	-	(343,261)
Service administration	918	-	-	(918)
<b>Total governmental activities</b>	<b>\$ 6,225,117</b>	<b>\$ 5,820,419</b>	<b>\$ -</b>	<b>(404,698)</b>
General Revenues				
State revenue				41,242
Participating local governments				301,209
Interest income				8,782
Other				109,334
Gain on disposal of asset				2,202
<b>Total general revenues</b>				<b>462,769</b>
<b>Change in net position</b>				<b>58,071</b>
<b>Net Position, beginning of the year</b>				<b>401,954</b>
<b>Net Position, end of year</b>				<b>\$ 460,025</b>

See notes to the financial statements.

**SANTEE-LYNCHES REGIONAL COUNCIL OF GOVERNMENTS  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2017**

	Special Revenue Funds					Total
	General	Aging	Workforce	Housing and Economic Development Projects	Non-Major Governmental Funds	
<b>ASSETS</b>						
Cash and cash equivalents	\$ 2,538,728	\$ -	\$ -	\$ -	\$ -	\$ 2,538,728
Due from other funds	333,868	-	-	-	-	333,868
Accounts receivable	41,101	235,741	278,165	128,790	-	683,797
Other	-	-	-	-	-	-
Notes receivable	-	-	-	67,623	-	67,623
<b>Total assets</b>	<u>2,913,697</u>	<u>235,741</u>	<u>278,165</u>	<u>196,413</u>	<u>-</u>	<u>3,624,016</u>
<b>LIABILITIES AND FUND BALANCES</b>						
Liabilities						
Accounts payable and accrued liabilities	51,128	144,191	149,294	2,731	-	347,344
Due to HOME	-	-	-	69,044	-	69,044
Insurance and tax escrow	-	-	-	4,031	-	4,031
Due to other funds	-	84,390	128,871	120,607	-	333,868
<b>Total liabilities</b>	<u>51,128</u>	<u>228,581</u>	<u>278,165</u>	<u>196,413</u>	<u>-</u>	<u>754,287</u>
Fund Balances						
Restricted	-	7,160	-	-	-	7,160
Unassigned	2,862,569	-	-	-	-	2,862,569
<b>Total fund balances</b>	<u>2,862,569</u>	<u>7,160</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,869,729</u>
<b>Total liabilities and fund balances</b>	<u>\$ 2,913,697</u>	<u>\$ 235,741</u>	<u>\$ 278,165</u>	<u>\$ 196,413</u>	<u>\$ -</u>	<u>\$ 3,624,016</u>

See notes to the financial statements.



**SANTEE-LYNCHES REGIONAL COUNCIL OF GOVERNMENTS  
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCES TO THE STATEMENT  
OF NET POSITION  
YEAR ENDED JUNE 30, 2017**

Fund Balance of Governmental Funds	\$ 2,869,729
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	179,639
Net pension obligations, are not due and payable in the current period and, therefore, are not reported in the funds: Net	(2,662,078)
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds. Deferred outflows of resources related to pensions	458,893
Deferred inflows of resources related to pensions	(248,452)
Long-term liabilities, including accrued annual leave, are not due and payable in the current period and, therefore, are not reported in the governmental funds	<u>(72,901)</u>
<b>Net Position of Governmental Activities</b>	<b><u><u>\$ 524,830</u></u></b>

See notes to the financial statements.

**SANTEE-LYNCHES REGIONAL COUNCIL OF GOVERNMENTS  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2017**

	Special Revenue Funds					Total
	General	Aging	Workforce	Housing and Economic Development Projects	Non-major Governmental Funds	
<b>Revenues</b>						
Federal revenue	\$ 4,417	\$ 1,676,044	\$ 1,879,891	\$ 752,963	\$ 108,889	\$ 4,422,204
State revenue	41,242	812,364	476	-	-	854,082
Participating local governments	301,209	-	-	-	-	301,209
Service and special contracts	53,307	171,960	-	143,833	24,991	394,091
Required match	-	80,010	-	40,647	35,487	156,144
In-kind revenue	-	188,809	-	-	2,475	191,284
Interest income	8,782	-	-	-	-	8,782
Other revenue	9,078	-	96,557	3,699	-	109,334
<b>Total revenues</b>	<b>418,035</b>	<b>2,929,187</b>	<b>1,976,924</b>	<b>941,142</b>	<b>171,842</b>	<b>6,437,130</b>
<b>Expenditures</b>						
General administration	60,215	-	-	-	-	60,215
Program Administration	156,144	2,901,368	1,976,223	1,113,969	166,338	6,314,042
Capital outlay	1,489	1,000	990	-	1,724	5,203
Debt service - interest	921	-	-	-	-	921
<b>Total expenditures</b>	<b>218,769</b>	<b>2,902,368</b>	<b>1,977,213</b>	<b>1,113,969</b>	<b>168,062</b>	<b>6,380,381</b>
<b>Excess revenues over (under) expenditures</b>	<b>199,266</b>	<b>26,819</b>	<b>(289)</b>	<b>(172,827)</b>	<b>3,780</b>	<b>56,749</b>
<b>Other Financing Sources (Uses)</b>						
Proceeds from sale of capital assets	2,900	-	-	-	-	2,900
Transfers in	-	-	289	103,863	-	104,152
Transfers out	(73,553)	(26,819)	-	-	(3,780)	(104,152)
<b>Total other financing sources (uses)</b>	<b>(70,653)</b>	<b>(26,819)</b>	<b>289</b>	<b>103,863</b>	<b>(3,780)</b>	<b>2,900</b>
<b>Net change in fund balance</b>	<b>128,613</b>	<b>-</b>	<b>-</b>	<b>(68,964)</b>	<b>-</b>	<b>59,649</b>
Fund Balances at July 1, 2016	2,733,956	7,160	-	68,964	-	2,810,080
<b>Fund Balances at June 30, 2017</b>	<b>\$ 2,862,569</b>	<b>\$ 7,160</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,869,729</b>

See notes to the financial statements.

**SANTEE-LYNCHES REGIONAL COUNCIL OF GOVERNMENTS  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2017**

Net Change in Fund Balances - Total Governmental Funds \$ 59,649

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

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

Cost of assets capitalized		5,203
Loss on disposal of assets		(695)
Depreciation expense		(54,208)

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

Council pension contributions	\$ 207,331	
Cost of benefits earned net of employee contributions	<u>(154,307)</u>	53,024

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

(4,902)

**Change in Net Position of Governmental Activities \$ 58,071**

See notes to the financial statements.

**SANTEE-LYNCHES REGIONAL COUNCIL OF GOVERNMENTS  
YEAR ENDED JUNE 30, 2017**

**Notes to the Financial Statements**

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**Note 1. Description of Origination and Summary of Significant Accounting Policies**

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

**Reporting entity:** Santee-Lynches Regional Council of Governments 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 19651 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 sub-recipients on many projects. The Council provides contract services to the local governments for obtaining and administering grants.

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

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

**Basis of presentation:** The accounts of the Council are organized on the basis of governmental funds and proprietary funds types, specifically enterprise funds. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

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

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

**Fund financial statements:** The fund financial statements provide information about the Council's funds. Separate statements for each fund category – governmental and fiduciary – are presented. The emphasis of fund financial statements is on major governmental funds and aggregated non-major funds, each displayed in a separate column. The Council presents all major funds.

**SANTEE-LYNCHES REGIONAL COUNCIL OF GOVERNMENTS  
YEAR ENDED JUNE 30, 2017**

**Notes to the Financial Statements**

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

**Fund financial statements (continued):** The Council reports the following major governmental funds:

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

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

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

**The Housing and Economic Development Projects Special Revenue Fund:** 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.

**Measurement focus and basis of accounting:**

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

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

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

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

**Budget:** As required by accounting principles generally accepted in the United States of America, the Council adopted a legal budget for the June 30, 2017, 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.

The Council adopts an annual legal budget, which covers the General fund and certain Special Revenue Funds. The budgets for the General Fund and certain Special Revenue Funds are prepared on the modified accrual basis except for encumbrances which are treated as budgeted expenditures. The statements comparing budgets and actual amounts for these governmental funds include adjustments to those budgetary bases for the differences noted above and for certain other items which are reported in the Council's budget differently than they are reported for accounting principles generally accepted in the United States. Budgetary level of control is exercised at the department level. Any revisions that alter total expenditures of the General Fund and certain Special Revenue Funds must be approved by the Board of Directors. During fiscal year 2017, the Council did approve budgetary expenditure amendments.

**SANTEE-LYNCHES REGIONAL COUNCIL OF GOVERNMENTS  
YEAR ENDED JUNE 30, 2017**

**Notes to the Financial Statements**

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

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

The Aging, Housing and Economic, and Workforce Special Revenue Funds have separate legally adopted budgets.

**Indirect cost allocation:** Cost allocations made by the council are in accordance with the guidelines of 2 C.F.R. Part 225 "*Cost Principles for State and Local Governments*". These guidelines provide that allowable indirect costs are identified and accumulated in an indirect cost pool and distributed to applicable federal, state and local grant activities and programs based upon an appropriate actual indirect cost allocation methodology. Certain employee benefits are accumulated in a fringe benefit cost pool and allocated to grant projects as a percentage of labor costs, referred to as release time. In accordance with 2 C.F.R. Part 225, the cost allocations are subject to subsequent federal audit or review.

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

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

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

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

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

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

**Accrued annual 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.

**SANTEE-LYNCHES REGIONAL COUNCIL OF GOVERNMENTS  
YEAR ENDED JUNE 30, 2017**

**Notes to the Financial Statements**

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

**Deferred compensation agreement:** The Council offers its employees a voluntary deferred compensation plan structured and operated according to provisions of Internal Revenue Code Section 401(k) and 457. The plan is administered by an agency of the State of South Carolina and the Council makes no contributions on behalf of the participants. The Council's liability is limited to remitting amounts deferred and withheld from the employee's wages to the Plan administrator.

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

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

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

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

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

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

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

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

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

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

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

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

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

**SANTEE-LYNCHES REGIONAL COUNCIL OF GOVERNMENTS  
YEAR ENDED JUNE 30, 2017**

**Notes to the Financial Statements**

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

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

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

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

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

**Use of estimates:** The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**New GASB Pronouncements:** GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, was issued by the GASB in June 2015. This Statement replaces the requirements of Statements No. 45 and No. 57. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows and inflows of resources, and expense/expenditures. The effect of implementation of this Statement has not been determined at this time. This Statement is required to be implemented by the Council no later than the fiscal year ending June 30, 2018.

**Note 2. Cash and Investments**

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

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

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

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

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

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



**SANTEE-LYNCHES REGIONAL COUNCIL OF GOVERNMENTS  
YEAR ENDED JUNE 30, 2017**

**Notes to the Financial Statements**

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

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

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

Total cash and investments at June 30, 2017, is as follows:

	Statement of Net Position	Total
Total non-pooled cash and equivalents	<u>\$ 2,538,728</u>	<u>\$ 2,538,728</u>

**Cash Equivalents and Deposits**

Non-pooled cash and cash equivalents at June 30, 2017, consists of the following:

Demand deposits	\$ 1,573,905
Cash on hand	65
LGIP	<u>964,758</u>
Total non-pooled cash and cash equivalents	<u>\$ 2,538,728</u>

Deposits with financial institutions include bank demand deposits.

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

At June 30, 2017, the Council's investments were rated as follows:

Investment Type	Classification	Total
SC Local Government Investment Pool	Level 2	<u>\$ 964,758</u>

The local government investment pool is an 2a7-like pool which is not registered with the Securities and Exchange Commission ("SEC") as an investment company, but has a policy that it will operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. The Pool is included as an investment trust fund in the State of South Carolina Comprehensive Annual Financial Report. At June 30, 2017, the underlying security ratings of the Council's investment in the Local Government Investment Pool (LGIP) is classified in risk category "A" and may be obtained from the LGIP's complete financial statements by writing to the following address:

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

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

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

**SANTEE-LYNCHES REGIONAL COUNCIL OF GOVERNMENTS  
YEAR ENDED JUNE 30, 2017**

**Notes to the Financial Statements**

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

**Custodial credit risk:** Custodial credit risk is the risk that in the event of a bank failure, the Council's cash equivalents and deposits may not be returned to the Council. At year-end, the Council's net carrying amount of deposits was \$1,573,905 and the bank balance was \$1,703,908. Of these deposits, \$945,765 was covered by federal depository insurance, the remainder of \$758,143, is collateralized by a repurchase agreement.

As of June 30, 2017, the Council held the following investments:

Investment Type	Balance Sheet Classification	Carrying Value	% of Investment Portfolio
SC Local Government Investment Pool	Cash and Equivalents	<u>\$ 964,758</u>	100%

**Foreign currency risk:** Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. The Council does not maintain deposits that are denominated in a currency other than the United States dollar; therefore, the Council is not exposed to this risk.

**Concentration of credit risk:** The Council's investment policy does not allow for an investment in any one issuer that is in excess of 5 percent (5%) when investments are needed.

**Note 3. Note Receivables**

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 HOME eligible projects within Clarendon County. The outstanding balance of the receivable at June 30, 2017, was \$67,623. Maturities of principal payments due from the borrower are as follows for the years ending June 30:

2018	\$ 2,818
2019	2,954
2020	2,982
2021	3,014
2022	3,044
2023 and thereafter	52,811
<b>Total</b>	<u>\$ 67,623</u>

**Note 4. Capital Assets**

The following is a summary of changes in capital assets for the year ended June 30, 2017:

Governmental Activities:	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
<u>Capital Assets, Being Depreciated:</u>				
Furniture and Fixtures	\$ 455,534	\$ 5,206	\$ (6,037)	\$ 454,703
Vehicles	107,737	-	(46,526)	61,211
Building and Improvements	12,626	-	-	12,626
Total Capital Assets, Being Depreciated	<u>575,897</u>	<u>5,206</u>	<u>(52,563)</u>	<u>528,540</u>
<u>Less Accumulated Depreciation For:</u>				
Furniture and Fixtures	(307,870)	(47,248)	5,339	(349,779)
Vehicles	(97,829)	(4,954)	46,526	(56,257)
Building and Improvements	(5,664)	(2,006)	-	(7,670)
Total Accumulated Depreciation	<u>(411,363)</u>	<u>(54,208)</u>	<u>51,865</u>	<u>(413,706)</u>
Total Capital Assets, Being Depreciated, Net	<u>\$ 164,534</u>	<u>\$ (49,002)</u>	<u>\$ (698)</u>	<u>\$ 114,834</u>

Depreciation expense of \$54,208 was unallocated in the primary government.

**SANTEE-LYNCHES REGIONAL COUNCIL OF GOVERNMENTS  
YEAR ENDED JUNE 30, 2017**

**Notes to the Financial Statements**

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**Note 5. Long-Term Liabilities**

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

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017	Due Within One Year
Accrued annual leave	\$ 67,999	\$ 117,504	\$ 112,602	\$ 72,901	\$ 72,901
Net Pension Liability	\$ 2,658,012	\$ 4,066	\$ -	\$ 2,662,078	\$ -

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

**Note 6. Leases**

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

2018	169,680
2019	25,481
2020	12,730
2021	2,808
2022	936
<b>Total</b>	<b>\$ 211,635</b>

During the year ended June 30, 2017, the Council paid \$213,989 under operating leases.

**Note 7. Related Party Transactions**

**Member local government dues:** All member governments are required to pay dues to the Council. Dues are determined annually and are recognized as revenues when assessed because they are measurable and are collectible within the current period. Dues for the year were \$301,209.

**Related Party:** 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 \$48,717 for the year ended June 30, 2017. The Corporation owed the Council \$4,073 as of June 30, 2017, for services provided.

**Note 8. Contingencies**

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

**SANTEE-LYNCHES REGIONAL COUNCIL OF GOVERNMENTS  
YEAR ENDED JUNE 30, 2017**

**Notes to the Financial Statements**

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**Note 9. Employee Retirement Plan**

**South Carolina Retirement System**

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

**Plan Descriptions**

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

**Membership**

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

**Benefits**

Benefit terms are prescribed in Title 9 of the South Carolina Code of Laws. PEBA does not have the authority to establish or amend benefit terms without legislative change in the code of laws. Key elements of the benefit calculation include the benefit multiplier, years of service, and average final compensation. A brief summary of benefit terms for each system is presented below.

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

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

**SANTEE-LYNCHES REGIONAL COUNCIL OF GOVERNMENTS  
YEAR ENDED JUNE 30, 2017**

**Notes to the Financial Statements**

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

**Contributions**

Contributions are prescribed in Title 9 of the South Carolina Code of Laws. Upon recommendation by the actuary valuation, the PEBA Board may adopt and present to the Budget and Control Board for approval an increase in the SCRS employer and employee contribution, 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 or 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.

Required employee contribution rates for fiscal year 2016-2017 are as follows:

**SCRS**

Employee Class Two	8.66% of earnable compensation
Employee Class Three	8.66% of earnable compensation

Required employer contribution rates for fiscal year 2016-2017 are as follows:

**SCRS**

Employer Class Two	11.41% of earnable compensation
Employer Class Three	11.41% of earnable compensation
Employer Incidental Death Benefit	0.15% of earnable compensation

The Council's contributions to the SCRS for the last three fiscal years were as follows:

**SCRS**

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Employer Contributions	\$ 141,317	\$ 133,479	\$ 143,231

The governmental unit contributed 100% of the required contributions for the current year and each of the two preceding years.

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

At June 30, 2017, the Council reported a liability of \$2,662,078 for its proportionate share of the net pension liability. The net pension liability of each defined benefit plan was determined based on the most recent actuarial valuation as of July 1, 2015, using membership as of that date projected forward to the end of the fiscal year, and financial information of the pension trust funds as of June 30, 2016. The Council's proportion of the net pension liability was based on a projection of the Council's long-term share of contributions to the pension plan relative to the projected contributions of all participating governmental units, actuarially determined. At June 30, 2017, the Council's proportions were .012463 percent for SCRS. For the year ended June 30, 2017, the Council recognized pension expense (benefit) of \$(53,024) for SCRS. At June 30, 2017, the Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**SCRS**

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 27,596	\$ -
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	223,966	2,891
Changes in Proportions and Differences Between District Contributions and Proportionated Share of Contributions	-	245,561
Direct Contributions Subsequent to the Measurement Date	207,331	-
<b>Totals</b>	<u>\$ 458,893</u>	<u>\$ 248,452</u>

**SANTEE-LYNCHES REGIONAL COUNCIL OF GOVERNMENTS  
YEAR ENDED JUNE 30, 2017**

**Notes to the Financial Statements**

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

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

The amount of \$207,331 for SCRS, reported as deferred outflows of resources related to pensions resulting from Council contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as collective deferred (inflows)/outflows of resources to be recognized in pension expense:

**Year ended June 30:**

2017	\$	(20,975)
2018		(35,399)
2019		17,233
2020		42,251
	<u>\$</u>	<u>3,110</u>

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

The following provides a summary of the actuarial assumptions and methods used in the July 1, 2015, valuations for SCRS:

	<u>SCRS</u>
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Investment rate of return	7.50%
Projected salary increases	3.5% to 12.5%
Benefits 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 July 1, 2015, valuations for SCRS is as follows:

<u>Former Job Class</u>	<u>Males</u>	<u>Females</u>
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%

**SANTEE-LYNCHES REGIONAL COUNCIL OF GOVERNMENTS  
YEAR ENDED JUNE 30, 2017**

**Notes to the Financial Statements**

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

**Net Pension Liability**

The net pension liability (NPL) is calculated separately for each system and represents that particular system's total pension liability determined in accordance with GASB No. 67 less that System's fiduciary net position. NPL totals, as of June 30, 2016, for SCRS is presented below.

	<b>Total Pension Liability</b>	<b>Plan Fiduciary Net Position</b>	<b>Employers' Net Pension Liability</b>	<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>
SCRS	\$ 565,274,504	\$ 299,066,664	\$ 266,170,451	52.91%

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

**Long-Term Expected Rate of Return**

The long-term expected rate of return on pension plan investments, as used in the July 1, 2015, actuarial valuations, was based upon the 30 year capital market outlook at the end of the third quarter 2015 as developed by the Retirement Systems Investment Commission in collaboration with its investment consultant, Aon Hewitt. The long-term expected rate of returns 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 real rates of investment return, along with the expected inflation rate, form the basis for the target asset allocation adopted by the investment commission beginning January 1, 2016. The long-term expected rate of return is calculated by weighting the expected future real rates of return by the target allocation percentage and then adding the actuarial expected inflation which is summarized in the table below. For actuarial purposes, the 7.50 percent assumed annual investment rate of return 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. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Expected Arithmetic Real Rate of Return</u>	<u>Long-Term Expected Portfolio Real Rate of Return</u>
<b>Global Equity</b>	<b>43.0%</b>		
Global Public Equity	34.0%	6.52%	2.22%
Private Equity	9.0%	9.30%	0.84%
<b>Real Assets</b>	<b>8.0%</b>		
Real Estate	5.0%	4.32%	0.22%
Commodities	3.0%	4.53%	0.13%
<b>Opportunistic</b>	<b>20.0%</b>		
GTAA/Risk Parity	10.0%	3.90%	0.39%
HF (Low Beta)	10.0%	3.87%	0.39%
<b>Diversified Credit</b>	<b>17.0%</b>		
Mixed Credit	5.0%	3.52%	0.17%
Emerging Markets Debt	5.0%	4.91%	0.25%
Private Debt	7.0%	4.47%	0.31%
<b>Conservative Fixed Income</b>	<b>12.0%</b>		
Core Fixed Income	10.0%	1.72%	0.17%
Cash and Short Duration (Net)	2.0%	0.71%	0.01%
<b>Total Expected Real Return</b>	<b>100.00%</b>		<b>5.10%</b>
Inflation for Actuarial Purposes			2.75%
<b>Total Expected Nominal Return</b>			<b>7.85%</b>

**SANTEE-LYNCHES REGIONAL COUNCIL OF GOVERNMENTS  
YEAR ENDED JUNE 30, 2017**

**Notes to the Financial Statements**

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

**Discount Rate**

The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that the funding policy specified in the South Carolina State Code of Laws will remain unchanged in the future years. Based on those assumptions, each System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity Analysis**

The following table presents the collective net pension liability of the participating employers calculated using the discount rate of 7.50 percent, as well as what the Council's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

	<u>1% Decrease</u> 6.50%	<u>Current</u> <u>Discount Rate</u> 7.50%	<u>1% Increase</u> 8.50%
SCRS	\$ 3,320,870	\$ 2,662,078	\$ 2,113,659

**Pension Plan Fiduciary Net Position**

Detailed information regarding the fiduciary net position of the plans administered by PEBA is available in the separately issued CAFR containing financial statements and required supplementary information for SCRS. The CAFR of the Pension Trust Funds is publicly available on PEBA's Retirement Benefits' website at [www.retirement.sc.gov](http://www.retirement.sc.gov), or a copy may be obtained by submitting a request to PEBA, PO Box 11960, Columbia, SC 29211-1960.

**Payables to the Pension Plan**

As of June 30, 2017, the Council had \$27,151 in payables outstanding to the pension plans for its legally required contributions.

**Note 10. Interfund Activity**

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

	<u>Receivables</u>	<u>Payable</u>
Due to/Due from		
General fund	\$ 333,868	\$ -
Aging fund	-	84,390
Workforce fund	-	128,871
Housing and Economic Development fund	-	120,607
<b>Total</b>	<u>\$ 333,868</u>	<u>\$ 333,868</u>



**SANTEE-LYNCHES REGIONAL COUNCIL OF GOVERNMENTS  
YEAR ENDED JUNE 30, 2017**

**Notes to the Financial Statements**

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**Note 10. Interfund Activity (Continued)**

**Interfund transfers:** The following summarizes interfund transfers for the fiscal year ending June 30, 2017:

	<u>Transfer In</u>	<u>Transfer Out</u>
General fund	\$ -	\$ 73,553
Aging fund	-	26,819
Workforce fund	289	-
Housing and Economic Development fund	103,863	-
Non-major governmental funds	-	3,780
<b>Total</b>	<u><u>\$ 104,152</u></u>	<u><u>\$ 104,152</u></u>

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

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

The Council uses the following governmental fund balance accounts:

**Restricted** - An account used to segregate a portion of fund balance restricted for aging program

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

**Note 12. Risk Management**

The Council is exposed to various risks of loss related to torts; thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Council pays an annual premium to a private insurer for its insurance coverage.

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

**Note 13. Post-Employment Benefits Other Than Pensions**

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

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

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

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

**SANTEE-LYNCHES REGIONAL COUNCIL OF GOVERNMENTS  
YEAR ENDED JUNE 30, 2017**

**Notes to the Financial Statements**

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**Note 13. Post-Employment Benefits Other Than Pensions (Continued)**

**Plan description:** In accordance with the South Carolina Code of Laws and the annual Appropriations Act, the employer contribution surcharge was 5.33% for 2017 and 2016, and 5.0% for 2015, of annual covered payroll. The Council contributed amounts equal to the required contribution to the SCRS for retiree healthcare benefits of approximately \$66,014, \$65,210 and \$66,619 for the years ended June 30, 2017; 2016; and 2015, respectively. BLTD benefits are funded through a per person premium charged to State agencies, public school councils, and other participating local governments. The monthly premium per active employee paid to EIP was \$3.22 for the fiscal years ended June 30, 2017 and 2016.

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

**Note 14. 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 \$23,481 during the year ended June 30, 2017 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, 2017, there were no liabilities which exceeded the coverage available through the SCIRF and separately purchased carriers.

**Note 15. Subsequent Events**

Subsequent events have been evaluated through January 18, 2018, the date these financial statements were available to be issued. There were no material events that required recognition or additional disclosure in these financial statements.

**SANTEE-LYNCHES REGIONAL COUNCIL OF GOVERNMENTS  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF THE COUNCIL'S PROPORTIONATE SHARE OF THE  
 NET PENSION LIABILITY  
 LAST TEN FISCAL YEARS**

**SOUTH CAROLINA RETIREMENT SYSTEM**

	2017	2016	2015	2014
Council's proportion of the net pension liability	0.012463%	0.014015%	0.014307%	0.014307%
Council's proportionate share of the net pension liability	\$ 2,662,078	\$ 2,658,012	\$ 2,463,191	\$ 2,566,165
Council's covered-employee payroll	\$ 1,238,539	\$ 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	214.94%	199.49%	186.70%	241.08%
Plan fiduciary net position as a percentage of the total pension liability	52.91%	56.99%	59.92%	56.39%

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

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

**SANTEE-LYNCHES REGIONAL COUNCIL OF GOVERNMENTS  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF THE COUNCIL'S CONTRIBUTIONS  
LAST TEN FISCAL YEARS**

	2017	2016	2015	2014
<u>SOUTH CAROLINA RETIREMENT SYSTEM PLAN</u>				
Contractually required contribution	\$ 144,318	\$ 133,479	\$ 143,231	\$ 137,867
Contributions in relation to the contractually required contribution	(144,318)	(133,479)	(143,231)	(137,867)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Council's covered-employee payroll	\$ 1,238,539	\$ 1,223,454	\$ 1,332,381	\$ 1,319,301
Contributions as a percentage of covered-employee payroll	11.65%	10.91%	10.75%	10.45%

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

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

**SANTEE-LYNCHES REGIONAL COUNCIL OF GOVERNMENTS  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND  
YEAR ENDED JUNE 30, 2017**

	Budget			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
<b>REVENUES</b>				
Federal revenue	\$ -	\$ -	\$ 4,417	\$ 4,417
State revenue	52,300	41,242	41,242	-
Participating local governments	178,674	178,674	301,209	122,535
Service and special contracts	-	-	53,307	53,307
Interest income	1,200	8,000	8,782	782
Other revenue	-	-	9,078	9,078
<b>Total Revenues</b>	<u>232,174</u>	<u>227,916</u>	<u>418,035</u>	<u>190,119</u>
<b>EXPENDITURES</b>				
Direct Personnel Costs	255,807	232,420	290,538	(58,118)
Indirect Cost Allocations	(331,355)	(311,896)	(329,447)	17,551
Support Services				
Operations and Maintenance	77,803	78,262	74,851	3,411
Development and Training	9,680	10,380	6,878	3,502
Travel and Transportation	2,300	6,900	2,758	4,142
Consulting and Services	76,300	32,050	14,637	17,413
Applied as match	100,946	147,234	156,144	(8,910)
Capital Outlays	23,000	1,000	1,489	(489)
Debt service - interest	1,100	1,830	921	909
<b>Total Expenditures</b>	<u>215,581</u>	<u>198,180</u>	<u>218,769</u>	<u>(20,589)</u>
<b>Excess Revenues Over(Under) Expenditures</b>	16,593	29,736	199,266	169,530
Other Financing Sources (Uses)				
Proceeds from sale of capital assets	-	-	2,900	2,900
Transfers out	-	-	(73,553)	(73,553)
<b>Total Other Financing Sources (Uses)</b>	<u>-</u>	<u>-</u>	<u>(70,653)</u>	<u>(70,653)</u>
<b>Net Change In Fund Balance</b>	16,593	29,736	128,613	98,877
<b>Fund Balance at beginning of the year</b>	<u>-</u>	<u>2,733,956</u>	<u>2,733,956</u>	<u>-</u>
<b>Fund Balance at end of the year</b>	<u>\$ 16,593</u>	<u>\$ 2,763,692</u>	<u>\$ 2,862,569</u>	<u>\$ 98,877</u>

**SANTEE-LYNCHES REGIONAL COUNCIL OF GOVERNMENTS  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE - AGING SPECIAL REVENUE FUND  
YEAR ENDED JUNE 30, 2017**

	Budget			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
<b>REVENUES</b>				
Federal revenue	\$ 2,828,442	\$ 3,142,643	\$ 1,676,044	\$ (1,466,599)
State revenue	310,130	254,164	812,364	558,200
Participating local governments	-	-	-	-
Service and special contracts	70,584	165,768	171,960	6,192
Required match	76,696	61,100	80,010	18,910
In-kind revenue	168,500	169,500	188,809	19,309
<b>Total Revenues</b>	<u>3,454,352</u>	<u>3,793,175</u>	<u>2,929,187</u>	<u>(863,988)</u>
<b>EXPENDITURES</b>				
Direct Personnel Costs	535,043	551,981	581,066	(29,085)
Indirect Cost Allocations	116,778	113,288	132,065	(18,777)
Support Services				
Operations and Maintenance	127,142	117,455	102,651	14,804
Development and Training	2,678	3,478	475	3,003
Travel and Transportation	21,500	16,332	7,825	8,507
Consulting and Services	3,729	9,350	-	9,350
Payments to service providers	2,224,840	2,472,310	1,887,529	584,781
Direct participant support	251,142	335,981	189,754	146,227
Applied as match	168,500	169,500	-	169,500
Capital Outlays	3,000	3,500	1,003	2,497
<b>Total Expenditures</b>	<u>3,454,352</u>	<u>3,793,175</u>	<u>2,902,368</u>	<u>890,807</u>
<b>Excess Revenues Over(Under) Expenditures</b>	-	-	26,819	26,819
Other Financing Sources (Uses)				
Transfers in			(26,819)	(26,819)
<b>Net Change In Fund Balance</b>	-	-	-	-
<b>Fund Balance, beginning of the year</b>	-	7,160	7,160	-
<b>Fund Balance, end of year</b>	<u>\$ -</u>	<u>\$ 7,160</u>	<u>\$ 7,160</u>	<u>\$ -</u>

**SANTEE-LYNCHES REGIONAL COUNCIL OF GOVERNMENTS  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE - HOUSING AND ECONOMIC DEVELOPMENT PROJECTS SPECIAL REVENUE FUND  
YEAR ENDED JUNE 30, 2017**

	Budget			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
<b>REVENUES</b>				
Federal revenue	\$ 383,719	\$ 668,868	\$ 752,963	\$ 84,095
Participating local governments	90,000	68,810	-	(68,810)
Service and special contracts	218,587	148,556	143,833	(4,723)
Required match	3,000	88,637	40,647	(47,990)
Other revenue	800	2,000	3,699	1,699
<b>Total Revenues</b>	<u>696,106</u>	<u>976,871</u>	<u>941,142</u>	<u>(35,729)</u>
<b>EXPENDITURES</b>				
Direct Personnel Costs	303,128	311,559	296,158	15,401
Indirect Cost Allocations	66,160	63,944	67,039	(3,095)
Support Services				
Operations and Maintenance	69,496	65,151	66,448	(1,297)
Development and Training	270	1,000	242	758
Travel and Transportation	8,426	2,875	2,255	620
Consulting and Services	24,750	25,950	18,725	7,225
Payments to service providers	219,484	500,000	663,102	-
Capital Outlays	4,392	6,392	-	6,392
<b>Total Expenditures</b>	<u>696,106</u>	<u>976,871</u>	<u>1,113,969</u>	<u>26,004</u>
<b>Excess Revenues Over(Under) Expenditures</b>	-	-	(172,827)	(172,827)
Other Financing Sources (Uses)				
Transfers In	-	-	103,863	103,863
<b>Net Change In Fund Balance</b>	-	-	(68,964)	68,964
<b>Fund Balance at beginning of year</b>	-	-	68,964	(68,964)
<b>Fund Balance at end of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

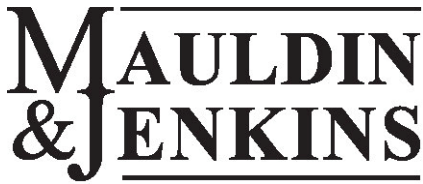
**SANTEE-LYNCHES REGIONAL COUNCIL OF GOVERNMENTS  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE - WORKFORCE SPECIAL REVENUE FUND  
YEAR ENDED JUNE 30, 2017**

	Budget		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
<b>REVENUES</b>				
Federal revenue	\$ 1,825,854	\$ 1,853,008	\$ 1,879,891	\$ 26,883
State revenue	-	-	476	476
Other revenue	100,183	89,775	96,557	6,782
<b>Total Revenues</b>	<u>1,926,037</u>	<u>1,942,783</u>	<u>1,976,924</u>	<u>34,141</u>
<b>EXPENDITURES</b>				
Direct Personnel Costs	533,260	484,362	461,430	22,932
Indirect Cost Allocations	116,388	99,411	105,791	(6,380)
Support Services				
Operations and Maintenance	227,292	205,753	190,876	14,877
Development and Training	2,966	3,966	2,332	1,634
Travel and Transportation	4,224	2,125	1,311	814
Consulting and Services	500	500	-	500
Payments to service providers	575,000	610,000	614,645	(4,645)
Direct participant support	464,606	533,865	599,838	(65,973)
Capital Outlays	1,801	2,801	990	1,811
<b>Total Expenditures</b>	<u>1,926,037</u>	<u>1,942,783</u>	<u>1,977,213</u>	<u>(34,430)</u>
<b>Excess Revenues Over(Under) Expenditures</b>	-	-	(289)	(289)
Other Financing Sources (Uses)				
Transfers In	-	-	289	289
<b>Net Change In Fund Balance</b>	-	-	-	-
<b>Fund Balance at beginning of year</b>	-	-	-	-
<b>Fund Balance at end of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>



**SANTEE-LYNCHES REGIONAL COUNCIL OF GOVERNMENTS  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE 1 - GOVERNMENTAL FUNDS - DETAIL OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
YEAR ENDED JUNE 30, 2017**

	General	Aging	Workforce	Housing and Economic Development	Non-major Governmental Funds	
<b>REVENUES</b>						
Federal revenue	\$ 4,417	\$ 1,676,044	\$ 1,879,891	\$ 752,963	\$ 108,889	\$ 4,422,204
State revenue	41,242	812,364	476	-	-	854,082
Participating local governments	301,209	-	-	-	-	301,209
Service and special contracts	53,307	171,960	-	143,833	24,991	394,091
Required match	-	80,010	-	40,647	35,487	156,144
In-kind revenue	-	188,809	-	-	2,475	191,284
Interest income	8,782	-	-	-	-	8,782
Other revenue	9,078	-	96,557	3,699	-	109,334
<b>Total Revenues</b>	<b>418,035</b>	<b>2,929,187</b>	<b>1,976,924</b>	<b>941,142</b>	<b>171,842</b>	<b>6,437,130</b>
<b>EXPENDITURES</b>						
Direct Personnel Costs	290,538	581,066	461,430	296,158	108,156	1,737,348
Indirect Cost Allocations	(329,447)	132,065	105,791	67,039	24,552	-
Support Services						
Operations and Maintenance	74,851	102,651	190,876	66,448	19,959	454,785
Development and Training	6,878	475	2,332	242	111	10,038
Travel and Transportation	2,758	7,825	1,311	2,255	1,886	16,035
Consulting and Services	14,637	-	-	18,725	9,200	42,562
Payment to service providers	-	1,887,529	614,645	663,102	-	3,165,276
Direct participant support	-	189,754	599,838	-	2,475	792,067
Applied as match	156,144	-	-	-	-	156,144
Capital Outlays	1,489	1,003	990	-	1,723	5,205
Debt service - interest	921	-	-	-	-	921
<b>Total Expenditures</b>	<b>218,769</b>	<b>2,902,368</b>	<b>1,977,213</b>	<b>1,113,969</b>	<b>168,062</b>	<b>6,380,381</b>
<b>Excess Revenues Over(Under) Expenditures</b>	<b>199,266</b>	<b>26,819</b>	<b>(289)</b>	<b>(172,827)</b>	<b>3,780</b>	<b>56,749</b>
Other Financing Sources (Uses)						
Proceeds from sale of capital assets	2,900	-	-	-	-	2,900
Transfers In	-	-	289	103,863	-	104,152
Transfers Out	(73,553)	(26,819)	-	-	(3,780)	(104,152)
<b>Total Other Financing Sources (Uses)</b>	<b>(70,653)</b>	<b>(26,819)</b>	<b>289</b>	<b>103,863</b>	<b>(3,780)</b>	<b>2,900</b>
<b>Net Change In Fund Balance</b>	<b>128,613</b>	<b>-</b>	<b>-</b>	<b>(68,964)</b>	<b>-</b>	<b>59,649</b>
<b>Fund Balance at beginning of year</b>	<b>2,733,956</b>	<b>7,160</b>	<b>-</b>	<b>68,964</b>	<b>-</b>	<b>2,810,080</b>
<b>Fund Balance at end of year</b>	<b>\$ 2,862,569</b>	<b>\$ 7,160</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,869,729</b>



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

**INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
Santee-Lynches Regional Council of Governments  
Columbia, South Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Santee-Lynches Regional Council of Governments as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Council's basic financial statements, and have issued our report thereon dated January 18, 2018.

**Internal Control Over Financial Reporting**

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

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

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

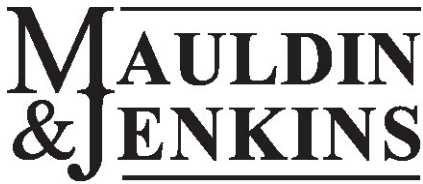
**Compliance and Other Matters**

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

**Purpose of this Report**

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

Columbia, South Carolina  
January 18, 2018



**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

**INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
Santee-Lynches Regional Council of Governments  
Columbia, South Carolina

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

We have audited Santee-Lynches Regional Council of Governments' (Council) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Council's major federal programs for the year ended June 30, 2017. The Council's major federal programs are identified in the summary of auditor's results section of the accompanying *Schedule of Findings and Questioned Costs*.

***Management's Responsibility***

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

***Auditor's Responsibility***

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

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

**Opinion on Each Major Federal Program**

In our opinion, the Council complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

**Report on Internal Control Over Compliance**

Management of Santee-Lynches Regional Council of Governments is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Santee-Lynches Regional Council of Governments' internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Santee-Lynches Regional Council of Governments' internal control over compliance.

To the Board of Directors  
Santee-Lynches Regional Council of Governments  
Page 2

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

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

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

*Mauldin & Jenkins, LLC*

Columbia, South Carolina  
January 18, 2018

**SANTEE-LYNCHES REGIONAL COUNCIL OF GOVERNMENTS  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
PERIOD ENDING JUNE 30, 2017**

Federal Grantor/Pass-Through Grantor Program Title	Federal CFDA Number	Pass through Grantor Number	Federal Disbursements/ Expenditures
<b>U.S. Department of Transportation, Federal Transit Administration</b>			
Passed through SC Department of Transportation			
Division of Planning - Federal Highway Funds			
State Planning and Research Funds (SPR)	20.205	N/A	\$ 85,000
Total Passed through SCDOT			<u>85,000</u>
Total U.S. Department of Transportation			<u>85,000</u>
<b>U.S. Department of Commerce</b>			
Direct Programs			
Economic Development Administration	11.302	ED16ATL3020018	79,476
Total U.S. Department of Commerce			<u>79,476</u>
<b>U.S. Environmental Protection Agency</b>			
Passed through S.C. Department of Health & Environmental Control			
Water Quality Management Planning	66.454	EQ-6-409	5,793
Water Quality Management Planning	66.454	EQ-7-395	4,417
Total U.S. Environmental Protection Agency			<u>10,210</u>
<b>U.S. Department of Housing &amp; Urban Development</b>			
HOME - Federal (Administrative)	14.239	M-14-DC-45-0206	31,538
HOME - Federal (Administrative)	14.239	M-15-DC-45-0206	26,503
		M-13-DC-45-0206/ M-14-DC-45-0206/ M-15-DC-45-0206	611,690
HOME Federal (Projects)	14.239		611,690
Total U.S. Department of Housing & Urban Development			<u>669,731</u>
<b>US Department of Health &amp; Human Services</b>			
Passed through Lt. Governor's Office on Aging			
Title III-D Preventive Health (SIIID15)	93.043	R06MG17- Svc	8,643
Title III-D Medication Management (SIIID16)	93.043	R06MG17- Svc	17,460
			<u>26,103</u>
Title III-B Planning & Administration (SIIIB16)	93.044	*	R06MG17-Admin 38,092
Title III-B Supportive Services (SIIIB15)	93.044	*	R06MG17- Svc 134,866
Title III-B Supportive Services (SIIIB16)	93.044	*	R06MG17- Svc 342,516
Title III-B Supportive Services- legal services (SIIIB15)	93.044	*	R06MG17- Svc 957
Title III-B Supportive Services- legal services (SIIIB16)	93.044	*	R06MG17- Svc 3,484
Title III-B Supportive Services at AAA (SIIIB14)	93.044	*	R06MG17- Svc 5,911
Title III-B Supportive Services at AAA (SIIIB15)	93.044	*	R06MG17- Svc 14,282
Title III-B Information and Assistance - service salaries (SIIIB16)	93.044	*	R06MG17- Svc 32,518
Title III-B Ombudsman (SIIIB15)	93.044	*	R06MG17- Admin 33,541
Title III-B Ombudsman (SIIIB16)	93.044	*	R06MG17- Admin 22,212
			<u>628,379</u>
Title III C-1 Planning and Administration (IIIC116)	93.045	*	R06MG17- Admin 51,934
Title III-C1 Group Dining (IIIC115)	93.045	*	R06MG17- Svc 22,758
Title III-C1 Group Dining (IIIC116)	93.045	*	R06MG17- Svc 163,402
Title III C-2 Planning and Administration (IIIC216)	93.045	*	R06MG17- Admin 26,886
Title III-C2 Home Delivered Meals (IIIC215)	93.045	*	R06MG17- Svc 44,621
Title III-C2 Home Delivered Meals (IIIC216)	93.045	*	R06MG17- Svc 285,067
			<u>594,668</u>
SMP HCFAC (Grant #E0401HCFAC15) #90MP0236-01-00	93.048	R6IC17	11,072
Title III-E Family Caregiver at AAA - (SIIIE15)	93.052	R06MG17- Svc	24,857
Title III-E Family Caregiver at AAA - (SIIIE16)	93.052	R06MG17- Svc	27,469
Title III-E P & A (SIIIE16)	93.052	R06MG17- Admin	17,256
Title III-E National Family Caregiver Services (SIIIE15)	93.052	R06MG17- Svc	62,327
Title III-E National Family Caregiver Services (SIIIE16)	93.052	R06MG17- Svc	43,559
			<u>175,468</u>
Nutrition Services Incentive Program (SNSIP15)	93.053	*	R06MG17- Svc 26,609
Nutrition Services Incentive Program (SNSIP16)	93.053	*	R06MG17- Svc 126,501
			<u>153,110</u>
MIPPA Grant - E0401MIPPA14 (Gr #14AASCMSHI)	93.071	R6IC17	30,297
MIPPA Grant - E0401MPAAA14 (Gr #14AASCMAAA)	93.071	R6IC17	14,957
			<u>45,254</u>

**SANTEE-LYNCHES REGIONAL COUNCIL OF GOVERNMENTS  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
PERIOD ENDING JUNE 30, 2017**

Federal Grantor/Pass-Through Grantor Program Title	Federal CFDA Number	Pass through Grantor Number	Federal Disbursements/ Expenditures
<b>US Department of Health &amp; Human Services (Continued)</b>			
Passed through Lt. Governor's Office on Aging (Continued)			
SHIAP Grant- E0401SHIAP14 (#90SA0015-02-04)	93.324	R6IC17	\$ 1,650
SHIAP Grant- E0401SHIAP16 (#90SA0104-01-00)	94.324	R6IC17	39,873
			41,523
Total U.S. Department of Health & Human Services			1,675,577
<b>US Department of Labor</b>			
Passed through S.C. Department of Employment & Workforce			
	17.258/		
WIA/WIOA Administration- PY 15	17.278/17.259	15A010/15DW010/15Y010	39,503
	17.258/		
WIA/WIOA Administration- PY 16	17.278/17.259	16A010/16DW010/16Y010	114,161
WIA/WIOA Adult - Program Funds Only - PY 15	17.258	15A010	27,866
WIA/WIOA Adult - Program Funds Only - PY 16	17.258	16A010	529,918
WIA/WIOA Youth- Program Funds Only - 15	17.259	15Y010	39,290
WIA/WIOA Youth- Program Funds Only - 16	17.259	16Y010	574,177
WIOA Incumbent Worker Training grant (through WIOA Youth Program funds)	17.259	15IWT10	2,975
WIOA Incumbent Worker Training grant (through WIA/WIOA DW Formula Grants)	17.278	16IWT10	29,978
WIA/WIOA Dislocated Worker - Program Funds Only - PY 15	17.278	15DW010	67,013
WIA/WIOA Dislocated Worker - Program Funds Only - PY 16	17.278	16DW010	445,010
WIA/WIOA DW Formual Grants- Incentives PY 15	17.278	15INC10	10,000
			10,000
Total U.S. Department of Labor			1,879,891
<b>US Department of Agriculture</b>			
Passed through S.C. Forestry Commission			
Landscape Scale Restoration (LSR)			
Urban & Community Forestry Financial Assistance Grant Program	10.664	2015U06	18,096
Total Passed through SC Forestry Commission			18,096
<b>Total Expenditures of Federal Awards</b>			<b>\$ 4,417,981</b>

\* Audited as major program

Summary of Significant Accounting Policies:

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Santee-Lynches Regional Council of Governments under programs of the federal government for the year ended June 30, 2017. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Because the schedule presents only a selected portion of the operations of Santee - Lynches Regional Council of Governments, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Santee - Lynches Regional Council of Governments.

Note 2. Summary of Significant Accounting Principles

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

**SANTEE-LYNCHES REGIONAL COUNCIL OF GOVERNMENTS  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 YEAR ENDED JUNE 30, 2017**

**I. Summary of Auditor’s Results:**

***Financial Statements***

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

***Federal Awards***

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

Type of auditor’s report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported  
 In accordance with section 2 CRF 200.516(a)? None Disclosed

<u>U.S. Department of Health and Human Services:</u>	<u>CFDA#</u>	<u>Expenditure</u>
Aging – Title III-B	93.044	\$ 628,379
Aging – Title III-C	93.045	594,668
Aging – Nutrition Services Incentive Program	93.053	153,110
Total		\$ <u>1,376,157</u>

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

Santee-Lynches Regional Council of Governments qualifies as a low risk auditee Yes

**II. Findings 2017 Financial Statement Audit** None Reported

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

**SANTEE-LYNCHES REGIONAL COUNCIL OF GOVERNMENTS  
SCHEDULE OF PRIOR AUDIT FINDINGS  
YEAR ENDED JUNE 30, 2017**

There were no prior audit findings.



**SANTEE-LYNCHES REGIONAL COUNCIL OF GOVERNMENTS  
SCHEDULE OF CORRECTIVE ACTION PLAN  
YEAR ENDED JUNE 30, 2017**

No corrective action plan is required for the year ended June 30, 2017.