

**SOUTH CAROLINA APPALACHIAN
COUNCIL OF GOVERNMENTS**

AUDITED FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2023

**SOUTH CAROLINA APPALACHIAN
COUNCIL OF GOVERNMENTS**

**AUDITED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023**

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
South Carolina Appalachian Council of Governments
Greenville, South Carolina

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the South Carolina Appalachian Council of Governments (the "Council"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Council's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Council, as of June 30, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Council and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Council's ability to continue as a

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going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Council's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Council's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and pension liability information as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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

The Board of Directors
South Carolina Appalachian Council of Governments
November 13, 2023

in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Council's basic financial statements. The accompanying individual program schedules identified in the table of contents and the schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. 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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the individual program schedules and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 13, 2023, on our consideration of the Council's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Council's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Council's internal control over financial reporting and compliance.

Mckinley, Cooper & Co., LLC

Greenville, South Carolina
November 13, 2023

SOUTH CAROLINA APPALACHIAN COUNCIL OF GOVERNMENTS

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2023

Management of the South Carolina Appalachian Council of Governments presents the following overview of the financial performance of the Council for the year ended June 30, 2023. This information should be read in conjunction with the audited financial statements and the accompanying notes.

Financial Highlights

- The position of the Council at the close of the most recent fiscal year was \$(1,128,013). The net position of the Council increased by \$320,693 from the previous year.
- As of the close of the fiscal year, the Council's governmental funds reported combined ending fund balances of \$2,906,984, an increase of \$259,086 from the prior year. A total of \$1,253,987 is nonspendable or assigned, resulting in an unassigned balance of \$1,652,997.
- The Council's fiscal obligation for accumulated annual leave and salary-related fringe benefits was \$242,339.
- The Council recorded an adjustment to the Government-wide financial statements to record net pension liability with the implementation of GASB Statement No. 68. The adjustment reduced net position by \$4,700,973 which consists of current pension liability netted against deferred outflows and inflows of resources. The adjustment did not affect the cash flow or current period operations of the Council.

Overview of the Financial Statements

The Council's basic financial statements consist of three parts: government-wide financial statements, fund financial statements, and notes to the financial statements.

Government-wide Financial Statements

The government-wide statements present a view of the Council's finances as a whole. There are two government-wide financial statements:

Statement of Net Position: This statement presents information on all of the Council's assets and liabilities, both short-term (current) and long-term (non-current). It also reports the differences between assets and liabilities as net position. Over time, increases or decreases in net position may indicate whether the Council's financial position is improving or deteriorating.

Statement of Activities: This statement presents information showing how the Council's overall net position changed during the year.

The government-wide financial statements are shown on pages 9-10 of this report.

Fund Financial Statements

The fund financial statements provide more detailed information about the Council's funds, focusing on its most significant or "major" funds – not the entity as a whole. Funds are accounting devices used to keep track of specific sources of funding and spending for particular purposes.

Governmental funds are used to account for the same Council activities reported in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on how money flows in and out of the funds and the balances left at year-end that are available for spending. These funds are reported based on the modified accrual method of accounting, which measures cash and all other financial assets that can readily be converted to cash. Governmental fund statements provide a short-term view of the Council's financial operations.

Because the focus of governmental funds is narrower than that of government-wide financial statements, it may be useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. Both the governmental fund balance and statement of revenues, expenditures, and changes in funds balances provide a reconciliation to facilitate this comparison.

The Council's governmental funds consist of the General Fund and Special Revenue Fund, which are reported as major funds. The General Fund is the general operating fund used to account for all financial resources except those required to be accounted for in another fund. The Special Revenue Fund is used to account for the proceeds of specific revenue sources that are restricted to specific purposes. Information is presented separately in the governmental balance sheet and statement of revenues, expenditures, and changes in fund balances for each of these funds.

The fund financial statements are shown on pages 11-15 of this report.

Notes to Financial Statements

The notes to the financial statements provide required disclosures and other information that are essential to a full understanding of material data provided in the statements. These notes present information about the accounting policies, significant account balances, and activities of the Council.

Other Information

In addition to the financial statements and accompanying notes, this report also presents certain supplemental schedules.

Government-wide Financial Analysis

The government-wide financial statements are condensed in the following two tables:

Table 1: Condensed Statement of Net Position

Table 2: Change in Net Position

Table 1 – Condensed Statement of Net Position

	Governmental Activities (Total)	
	June 30, 2023	June 30, 2022
Assets		
Current and other assets	\$ 5,379,372	\$ 5,186,424
Capital assets, net	720,623	715,745
Total assets	<u>6,099,995</u>	<u>5,902,169</u>
Deferred Outflows of Resources	<u>712,075</u>	<u>840,497</u>
Liabilities		
Current liabilities	2,472,388	2,538,526
Noncurrent liabilities	5,333,317	4,799,236
Total liabilities	<u>7,805,705</u>	<u>7,337,762</u>
Deferred Inflows of Resources	<u>134,378</u>	<u>853,610</u>
Net Position		
Net investment in capital assets	720,623	715,745
Unrestricted	(1,848,636)	(2,164,451)
Total net position	<u>\$ (1,128,013)</u>	<u>\$ (1,448,706)</u>

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The liabilities of the Council exceeded assets by \$1,128,013 as of June 30, 2023. The Council's net position increased by \$320,693 for the fiscal year ended June 30, 2023.

Table 2 - Change in Net Position

	Governmental Activities	
	Fiscal Year	Fiscal Year
	2023	2022
Revenues		
Program revenues		
Charges for services	\$ 744,884	\$ 680,133
Operating grants and contributions	11,097,950	12,165,837
General revenues	1,046,565	703,806
Total revenues all sources	<u>12,889,399</u>	<u>13,549,776</u>
Program Expenses		
Administration	117,245	130,164
Government services	425,925	333,672
Grant administrative services	573,707	419,081
Aging services	8,606,786	9,096,830
Planning and economic development services	894,931	873,767
Workforce services	1,950,112	2,376,106
Total expenses	<u>12,568,706</u>	<u>13,229,620</u>
Increase (decrease) in net position	<u>\$ 320,693</u>	<u>\$ 320,156</u>

Financial Analysis of Council's Funds

As noted earlier, the Council uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds: The focus of the Council's governmental funds is to provide information on near-term inflows, outflows and balances of usable resources. Such information is useful in assessing the Council's financing requirements. Specifically, unreserved fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The General Fund is the chief operating fund of the Council. At the end of the fiscal year, total fund balance of the General Fund was \$2,906,984, of which \$78,009 is nonspendable, \$1,175,978 has been assigned for equipment replacement and facility related needs. \$1,652,997 is unassigned.

General Fund Budgetary Highlights: During the fiscal year, the Council revised the budget to adjust the estimates used to prepare the original budget, to add or delete funding sources used in the original budget, and to add or delete projected expenditures based on changing funding sources.

Operating revenues exceeded expenditures by \$259,086, a decrease of \$1,646 over the final budget projection of \$260,732.

Capital Assets

The Council's capital assets, net of accumulated depreciation, consisted of the following at June 30, 2023 and 2022:

	2023	2022
Land	\$ 400,961	\$ 400,961
Land Improvements	6,095	6,785
Buildings	198,070	218,992
Furniture and equipment	46,231	23,614
Grant fund assets	2,227	2,895
Automobiles	67,039	62,498
Total capital assets	<u>\$ 720,623</u>	<u>\$ 715,745</u>

Major capital asset transactions during the year included additions of \$66,227. The additions consisted of two vehicles, and boardroom technology upgrades.

Long-term Obligations

The Council's long-term obligations are made up of the following at June 30, 2023 and 2022:

	2023	2022
Accrued compensated absences	<u>\$ 242,339</u>	<u>\$ 231,320</u>
	242,339	231,320
Less: current portion	<u>(187,692)</u>	<u>(159,029)</u>
Total long-term obligations	<u>\$ 54,647</u>	<u>\$ 72,291</u>

Requests for Financial Information

This report is designed to provide a general overview of the Council's finances and to show accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional information should be directed to:

Steve Pelissier, Executive Director
or Don Zimmer, Finance Director
South Carolina Appalachian Council of Governments
30 Century Circle
Greenville, SC 29607

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SOUTH CAROLINA APPALACHIAN COUNCIL OF GOVERNMENTS

STATEMENT OF NET POSITION
JUNE 30, 2023

Full Accrual
All assets & liabilities.
- short-term and long-term

	Primary Government Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 3,182,093
Due from other governments	
Federal, state, and local	2,117,690
Due from other sources	1,580
Prepaid items	78,009
<u>Capital assets, not being depreciated:</u>	
Land	400,961
<u>Capital assets, net of accumulated depreciation:</u>	
Land Improvements	6,095
Buildings	198,070
Furniture and equipment	46,231
Grant fund assets	2,227
Automobiles	67,039
Total assets	<u>6,099,995</u>
DEFERRED OUTFLOWS OF RESOURCES	
Difference between expected and actual expenditures related to pensions	225,114
Contributions subsequent to measurement date related to pensions	486,961
Total deferred outflows of resources	<u>712,075</u>
LIABILITIES	
Accounts payable and other accrued liabilities	814,262
Unearned revenue	1,470,434
<u>Noncurrent liabilities:</u>	
Due within one year	187,692
Due in more than one year	54,647
<u>Net pension liability</u>	<u>5,278,670</u>
Total liabilities	<u>7,805,705</u>
DEFERRED INFLOWS OF RESOURCES	
Difference between expected and actual expenditures related to pensions	134,378
Total deferred inflows of resources	<u>134,378</u>
NET POSITION	
Net investment in capital assets	720,623
Unrestricted	(1,848,636)
Total net position	<u>\$ (1,128,013)</u>

} 5,301,363
↓
Current Ratio
2.14

} 2,472,388

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

SOUTH CAROLINA APPALACHIAN COUNCIL OF GOVERNMENTS

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2023**

	General	Special Revenue	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 2,767,086	\$ 415,007	\$ 3,182,093
Due from other governments			
Federal, state, and local	-	2,117,690	2,117,690
Due from other funds	94,819	-	94,819
Due from other sources	80	1,500	1,580
Prepaid items	78,009	-	78,009
Total assets	\$ 2,939,994	\$ 2,534,197	\$ 5,474,191
LIABILITIES			
Accounts payable and accrued expenses	\$ 33,010	\$ 968,944	\$ 1,001,954
Due to other funds	-	94,819	94,819
Unearned revenue	-	1,470,434	1,470,434
Total liabilities	33,010	2,534,197	2,567,207
FUND BALANCES			
Nonspendable			
Prepaid items	78,009	-	78,009
Assigned for			
Equipment replacement	50,000	-	50,000
Facility related reserve	1,125,978	-	1,125,978
Unassigned	1,652,997	-	1,652,997
Total fund balances	2,906,984	-	2,906,984
Total liabilities and fund balances	\$ 2,939,994	\$ 2,534,197	\$ 5,474,191

Accumulation over
life of entity

Can be
reassigned by
the Council if
needed.

13% of
total governmental
expenditures
or 47 days of
expenditures

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

SOUTH CAROLINA APPALACHIAN COUNCIL OF GOVERNMENTS

**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2023**

Total fund balances - governmental funds	\$ 2,906,984
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	720,623
Some liabilities, including net pension obligations, are not due and payable in the current period and, therefore, are not reported in the funds.	(5,333,317)
Deferred outflows and inflows of resources are applicable to future periods and, therefore, are not reported in the funds.	
Deferred outflows of resources	712,075
Deferred inflows of resources	(134,378)
Net position of government activities	<u><u>\$ (1,128,013)</u></u>

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

SOUTH CAROLINA APPALACHIAN COUNCIL OF GOVERNMENTS

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2023**

	<u>General</u>	<u>Special Revenue</u>	<u>Total Governmental Funds</u>
REVENUES			
Intergovernmental			
Federal	\$ -	\$ 8,440,993	\$ 8,440,993
State of South Carolina	379,014	2,656,957	3,035,971
Local	539,700	-	539,700
Contracts and fees	60,622	744,884	805,506
Interest and other	67,229	-	67,229
Total revenues	<u>1,046,565</u>	<u>11,842,834</u>	<u>12,889,399</u>
EXPENDITURES			
Current			
Management activities	37,628	28,665	66,293
Government services	-	427,664	427,664
Grant administrative services	-	579,043	579,043
Aging services	-	8,630,166	8,630,166
Planning & economic development services	-	905,737	905,737
Workforce services	-	1,955,183	1,955,183
Capital outlay	66,227	-	66,227
Total expenditures	<u>103,855</u>	<u>12,526,458</u>	<u>12,630,313</u>
Excess (deficiency) of revenues over (under) expenditures	<u>942,710</u>	<u>(683,624)</u>	<u>259,086</u>
OTHER FINANCING SOURCES (USES)			
Operating transfers from (to) other funds	<u>(683,624)</u>	<u>683,624</u>	<u>-</u>
Net change in fund balance	<u>259,086</u>	<u>-</u>	<u>259,086</u>
Fund balances - beginning	<u>2,647,898</u>	<u>-</u>	<u>2,647,898</u>
Fund balances - ending	<u>\$ 2,906,984</u>	<u>\$ -</u>	<u>\$ 2,906,984</u>

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

SOUTH CAROLINA APPALACHIAN COUNCIL OF GOVERNMENTS

**RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2023**

Net change in fund balances - total governmental funds \$ 259,086

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives and reported as depreciation expense. This is the change in capital assets, net of depreciation. 4,878

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of the governmental funds. Neither transaction has any effect on net discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. 17,644

Governmental funds report pension contributions as expenditures, however, in the statement of activities, the cost of pension benefits earned, net of employee contributions is reported as pension expense.

Pension contributions of the Council	486,961
Cost of benefits earned, net of employee contributions	<u>(447,876)</u>

Change in net position of governmental activities \$ 320,693

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

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SOUTH CAROLINA APPALACHIAN COUNCIL OF GOVERNMENTS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND AND ANNUALLY BUDGETED MAJOR SPECIAL REVENUE FUND
YEAR ENDED JUNE 30, 2023

	General Fund		Variance with Final Budget	Special Revenue Fund		Variance with Final Budget
	Budgeted Amounts			Special Revenue Fund		
	Original	Final		Budgeted Amounts	Final	
Revenues						
Intergovernmental:						
Federal	\$ -	\$ -	\$ -	\$ 8,440,933	\$ 8,440,993	\$ 60
State of South Carolina	98,256	379,000	379,014	2,672,137	2,656,957	(15,180)
Local	539,700	539,700	539,700	-	-	-
Contracts and fees	60,000	60,000	60,622	725,000	744,884	19,884
Interest and other	2,500	65,000	67,229	-	-	-
Total revenues	<u>700,456</u>	<u>1,043,700</u>	<u>1,046,565</u>	<u>11,838,070</u>	<u>11,842,834</u>	<u>4,764</u>
Expenditures						
Current						
Management activities	35,000	35,000	37,628	28,641	28,665	(24)
Government services	-	-	-	427,308	427,664	(356)
Grant administrative services	-	-	-	731,568	579,043	(482)
Aging services	-	-	-	10,903,426	8,630,166	(7,179)
Planning & economic development services	-	-	-	1,144,316	904,984	(753)
Workforce services	-	-	-	2,470,197	1,955,183	(1,626)
Capital outlay	10,000	70,000	66,227	-	-	-
Total expenditures	<u>45,000</u>	<u>105,000</u>	<u>103,855</u>	<u>15,826,038</u>	<u>12,526,458</u>	<u>(10,420)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>655,456</u>	<u>938,700</u>	<u>942,710</u>	<u>(405,054)</u>	<u>(683,624)</u>	<u>(5,656)</u>
Other financing sources (uses)						
Operating transfers from (to) other funds	<u>(405,054)</u>	<u>(677,968)</u>	<u>(683,624)</u>	<u>405,054</u>	<u>677,968</u>	<u>5,656</u>
Revenues and other financing sources over expenditures	<u>\$ 250,402</u>	<u>\$ 260,732</u>	<u>259,086</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balances - beginning			<u>2,647,898</u>			
Fund balances - ending			<u>\$ 2,906,984</u>			

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

**SOUTH CAROLINA APPALACHIAN
COUNCIL OF GOVERNMENTS**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The South Carolina Appalachian Council of Governments (the "Council") was formed by the General Assembly of the State of South Carolina in 1971. The purpose of the Council is to increase the capacity of local governments in the Appalachian region of South Carolina to guide and promote the development of the region to optimize the quality of life in the six counties of Anderson, Cherokee, Greenville, Oconee, Pickens, and Spartanburg. The Council strives to accomplish this purpose through a comprehensive planning and research program, the promotion of cooperative actions among local governments, the provision of technical assistance and information, the administration of grant-in-aid programs, and assistance to member governments as their representatives determine to be appropriate within the scope of South Carolina Act 363.

The accounting policies of the Council conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the significant accounting policies.

B. Basis of Presentation - Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities* are normally supported by intergovernmental revenues and other non-exchange transactions.



The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Revenues that are not classified as program revenues, including member dues, are reported instead as *general revenues*.

C. Basis of Presentation - Fund Financial Statements

The fund financial statements provide information about the Council's funds. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column.

The government reports the following major governmental funds:

The *general fund* is the general operating fund of the Council. It is used to account for all financial resources except those required to be accounted for in another fund.

The *special revenue fund* is used to account for the proceeds of specific revenue sources that are legally restricted to specified purposes.

D. Measurement Focus and Basis of Accounting

All funds of the Council are maintained during the year using the modified accrual basis of accounting.

Government-wide Financial Statements. The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are 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. Revenue from grants 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 the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, and claims and judgments, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the Council funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when the program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the Council's policy to first apply cost-reimbursement grant resources to such programs and then general revenues. The Council considers all revenues available if they are collected within 60 days after year-end. Grant revenues that are unearned at year-end are recorded as unearned revenues. Those revenues susceptible to accrual are member dues, investment earnings, and federal and state restricted intergovernmental revenues. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been satisfied.

During the course of operations, the Council has activity between funds for various purposes. Any residual balances outstanding at year-end are reported as due from/to other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

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

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates. The estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Accordingly, actual results could differ from those estimates.

E. Assets, Liabilities and Net Position/Fund Balance

1. *Cash and Equivalents*

The Council’s cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

2. *Prepaid Items*

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/ expenses when consumed rather than when purchased.

3. *Capital Assets*

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. Minimum capitalization costs are \$5,000 for all asset categories. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend assets lives are not capitalized.

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Building and improvements	10-20
Furniture and equipment	10
Computer equipment	3
Automobiles	3-5

4. *Compensated Absences*

Employees are granted compensated annual leave in varying amounts as services are provided. They may accumulate, subject to certain limitations, unused annual leave earned and, upon retirement, termination, or death, may be compensated for the authorized, unused annual leave earnings accumulated to their credit. It is the Council’s policy to recognize compensated absences as an expense in the period earned rather than the period such benefit is paid. The balance of vested compensated absences earned and not taken by June 30, 2023, in the amount of \$242,339 is included in accrued liabilities as of June 30, 2023.

5. *Long-term Obligations*

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net assets.

In fund financial statements, the face amount of debt issued is reported as other financing sources.

6. *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 future periods and so will *not* be recognized as an outflow of resources (expense/expenditure) until then.

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 future periods and so will *not* be recognized as an inflow of resources (revenue) until that time.

7. *Unearned Revenues*

Unearned revenues arise from the receipt of funds prior to expenditure for the stated purpose of such funds. The unearned revenue is recognized as revenue when the related expenditure is made.

8. *Net Position*

Sometimes the Council will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied.

It is the Council's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

Classifications of net position in government-wide statements are net investment in capital assets, restricted, and unrestricted. Restricted net position represents constraints on resources that are either externally imposed by creditors, grantors, contributors, laws, or regulations of other governments or imposed by law through state statute.

9. *Pensions*

In the government-wide financial statements, pensions are required to be recognized and disclosed using the accrual basis of accounting (see the required supplementary information immediately following the notes to the financial statements for more information), regardless of the amount recognized as pension expenditures on the modified accrual basis of accounting. The Council recognizes a net pension liability for each qualified pension plan in which it participates, which represents the excess of the total pension liability over the fiduciary net position of the qualified pension plan, or the Council's proportionate share thereof in the case of a cost-sharing multiple-employer plan, measured as of the Council's fiscal year-end. Changes in the net pension liability during the period are recorded as pension expense, or as deferred outflows or inflows of resources depending on the nature of the change, in the period incurred. Those changes in net pension liability that are recorded as deferred outflows or inflows of resources that arise from changes in actuarial assumptions or other inputs and differences between expected or actual experience are amortized over the weighted average remaining

service life of all participants in the respective qualified pension plan and recorded as a component of pension expense beginning with the period in which they are incurred. Projected earnings on qualified pension plan investments are recognized as a component of pension expense. Differences between projected and actual investment earnings are reported as deferred outflows or inflows of resources and amortized as a component of pension expense on a closed basis over a five-year period beginning with the period in which the difference occurred.

10. *Fund Balance Policies*

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The Council itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

Fund balance is classified in five categories as follows:

Nonspendable

Nonspendable fund balances include amounts that are not in spendable form or are legally required to remain intact.

Restricted

Restricted fund balances include amounts that have external restrictions by either grantors, debt covenants, laws, or other governments.

Committed

Committed fund balances include amounts that are committed to a specific purpose by Board resolution.

Assigned

Assigned fund balances include amounts that are constrained by limitations resulting from intended uses as established by the Board of Directors or management.

Unassigned

Unassigned fund balance includes amounts that have not been assigned to any purpose.

Unless specifically designated otherwise, fund expenditures and encumbrances are from restricted fund balance to the extent of restricted fund balance revenue, followed by committed fund balance, assigned fund balance, and unassigned fund balance, respectively.

11. *Indirect Cost Plan*

The Council follows the provisions of OMB Circular A-87 that provides for the identification of allowable indirect costs and the accumulation and distribution of these costs to the applicable federal, state, and local grants and programs based on the benefits the programs received for the services the costs represent.

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position.

The governmental fund balance sheet includes a reconciliation between fund balance - total governmental funds and net position – governmental activities as reported in the government-wide statement of net position. The net adjustment of (\$4,034,997) consists of several elements as follows:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds (total capital assets on government-wide statement in governmental activities column):	\$ 2,769,592
Less: accumulated depreciation	2,048,969
Net capital assets	<u>720,623</u>
Liabilities that, because they are not due and payable in the current period, do not require current resources to pay and are therefore not recorded in the fund statements:	
Long-term compensated absences	(54,647)
Net pension liability	<u>(5,278,670)</u>
	<u>(5,333,317)</u>
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	712,075
Deferred inflows of resources related to pensions	<u>(134,378)</u>
	<u>577,697</u>
Total adjustment	<u><u>\$ (4,034,997)</u></u>

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balance and the government-wide statement of activities.

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. There are several elements of that total adjustment of \$61,607 as follows:

Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of activities.	\$ 66,227
Depreciation expense, the allocation of those assets over their useful lives, that is recorded on the statement of activities but not in the fund statements.	(61,349)
Expenses reported in the statement of activities that do not require the use of current resources to pay are not recorded as expenditures in the fund statements:	
Compensated absences are accrued in the government-wide statements but not in the fund statements because they do not use current resources.	17,644
Governmental Funds report pension contributions as expenditures. However, in the statement of activities, the cost of pension benefits earned net of employee contributions is reported as pension expense:	
Pension contributions of the Council	486,961
Cost of benefits earned, net of employee contributions	<u>(447,876)</u>
Total Adjustments	<u>\$ 61,607</u>

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Practices

Budgets for the various areas of Council activity are adopted by the Board of Directors annually to provide for the operation of the Council. Budgets are adopted on the same basis of accounting used for preparation of the financial statements. The Board of Directors approves changes within the budget during the year. The budget disclosed in these financial statements is presented as amended. The Council has operated within budget requirements prescribed by the various grantor agencies.

Excess of Expenditures Over Appropriations

During the fiscal year ended June 30, 2023, the Council's budget to actual within the Special Revenue Fund is as follows:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Special Revenue Fund			
Management activities	\$ 28,641	\$ 28,665	\$ (24)
Government services	427,308	427,664	(356)
Grant administrative services	578,561	579,043	(482)
Aging services	8,622,987	8,630,166	(7,179)
Planning and economic services	904,984	905,737	(753)
Workforce services	1,953,557	1,955,183	(1,626)

Program expenditure deficiencies or excesses to budget have correlating program revenue deficiencies or excesses.

IV. DETAIL NOTES ON ALL FUNDS

A. Deposits and Investments

The State of South Carolina General Statutes permit the Council to invest in certain types of financial instruments. In addition, the State has a Local Government Investment Pool (where the fair value of the position in the pool is the same as the value of the pool shares) which invests in the types of instruments allowed under state laws.

Cash is maintained in demand deposits or savings accounts, certificates of deposits, repurchase agreements, or U.S. Government Securities. There were no deposit or investment transactions during the year that were in violation of either the state statutes or the policy of the Council.

Following are the components of the Council's book values for cash and investments at June 30, 2023:

Cash	\$	911,231
Cash equivalents		
South Carolina Local Government Investment Fund		<u>2,270,862</u>
	\$	<u>3,182,093</u>

The Council's cash equivalents are comprised of funds deposited with the South Carolina Local Government Investment Pool. The pool is a money market fund which is collateralized by underlying securities held by third party banks for the fund.

The Council's bank balances totaled \$3,384,480 at June 30, 2023, and were insured as follows:

Amount insured by FDIC	\$	250,000
Amount collateralized with securities held by pledging financial institutions trust department or agent not in the entity's name		3,134,480
Uncollateralized		-
	\$	<u>3,384,480</u>

Interest rate risk. The Council manages its exposure to declines in fair values by limiting its investments to the State's investment pools which do not normally have maturity dates and can be withdrawn on demand.

Credit risk. As of June 30, 2023, the Council's investment with the S.C. Local Government Investment Pool is overseen by the State, which invests in instruments allowed under state laws.

Concentration of credit risk. The Council's investment policy currently does not involve investment in any individual issuers.

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the Council's deposits may not be returned to it. The Council's policy is that all deposits in excess of federal insurance amounts be collateralized with securities held by the pledging financial institution's trust department or agent in the Council's name. As of June 30, 2023, all deposits are either insured or fully collateralized.

Custodial credit risk – investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the Council will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Council’s investment in the state investment pool is not subject to custodial credit risk.

B. Grants, Other Receivables and Unearned Revenues from Federal, State and Local Governments

Amounts due from other governments and unearned revenues consist of the following at June 30, 2023:

Federal	\$	550,030
State		(193,807)
Local		291,033
Total	\$	<u>647,256</u>

C. Capital Assets

The following is a summary of changes in capital assets:

Primary Government	July 1, 2022	Increases	Decreases	June 30, 2023
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 400,961	\$ -	\$ -	\$ 400,961
Total capital assets not being depreciated	400,961	-	-	400,961
Capital assets being depreciated:				
Land improvements	70,417	-	-	70,417
Buildings	1,584,409	-	-	1,584,409
Furniture and equipment	215,736	31,008	-	246,744
Grant fund assets	202,524	-	-	202,524
Automobiles	313,929	35,219	(84,611)	264,537
Total capital assets being depreciated	2,387,015	66,227	(84,611)	2,368,631
Less accumulated depreciation for:				
Land improvements	63,632	690	-	64,322
Buildings	1,365,417	20,922	-	1,386,339
Furniture and equipment	192,122	8,391	-	200,513
Grant funded assets	199,629	668	-	200,297
Automobiles	251,431	30,678	(84,611)	197,498
Total accumulated depreciation	2,072,231	61,349	(84,611)	2,048,969
Total capital assets being depreciated, net	314,784	4,878	-	319,662
Governmental activities capital assets, net	\$ 715,745	\$ 4,878	\$ -	\$ 720,623

capital assets are 86.5% depreciated

Depreciation expense was charged to the functions/programs of the primary government as follows:

Administration	\$ 60,682
Planning & economic development services	667
	<u>\$ 61,349</u>

A. Long-term Debt

The following is a summary of changes in general long-term debt for the year ended June 30, 2023:

Governmental Activities	Balance	Additions	Reductions	Balance	Due Within
	June 30, 2022			June 30, 2023	One Year
Compensated absences payable	\$ 231,320	\$ 28,664	\$ 17,645	\$ 242,339	\$ 187,692
Total	<u>\$ 231,320</u>	<u>\$ 28,664</u>	<u>\$ 17,645</u>	<u>\$ 242,339</u>	<u>\$ 187,692</u>

B. Fund Balance Classifications and Assignments

The nonspendable fund balance is the portion of the fund balance that does not represent cash available for expenditure. The amount nonspendable, \$78,009, represents prepaid operating expenditures for fiscal year 2024 which have been paid during the fiscal year 2023.

The Council elected to set aside an assigned amount of \$1,175,978 for various purposes. The amount set aside for replacement of equipment and building maintenance and repairs are \$50,000 and \$1,125,978, respectively.

C. Custodial Funds

The Council was not holding any assets in a trustee capacity for other entities as of June 30, 2023.

D. Unemployment Insurance

The Council has elected to provide its own unemployment insurance coverage rather than making payments to the state unemployment reserve fund. The amount of any benefits that would become due in the future and therefore be required to be reimbursed by the Council is not determinable. The Council budgets for unemployment claims based on historical claims. Unemployment claims paid during the year ended June 30, 2023, were \$0.

The Council is of the opinion that the ultimate liability above what has been recorded, if any, at June 30, 2023, will not have a material effect on the financial position of the Council.

V. OTHER INFORMATION

A. Employee Retirement Systems

The South Carolina Public Employee Benefit Authority (PEBA), created July 1, 2012, is the state agency responsible for the administration and management of the various Retirement Systems and retirement programs of the state of South Carolina, including the State Optional Retirement Program and the S.C.

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

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

PEBA issues an Annual Comprehensive Financial Report (ACFR) containing financial statements and required supplementary information for the Systems' Pension Trust Funds. The ACFR is publicly available through PEBA's website at www.peba.sc.gov, or a copy may be obtained by submitting a request to PEBA, 202 Arbor Lake Drive, Columbia, SC 29223. PEBA is considered a division of the primary government of the state of South Carolina and therefore, retirement trust fund financial information is also included in the annual comprehensive financial report of the state.

Plan Description

- The South Carolina Retirement System (SCRS), a cost-sharing multiple-employer defined benefit pension plan, was established 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 and other benefits for teachers and employees of the state and its political subdivisions. SCRS covers employees of state agencies, public school districts, higher education institutions, other participating local subdivisions of government and individuals newly elected to the South Carolina General Assembly at or after the 2012 general election.
- The State Optional Retirement Program (ORP) is a defined contribution plan that is offered as an alternative to certain newly hired employees of state agencies, institutions of higher education, public school districts and individuals first elected to the S.C. General Assembly at or after the general election in November 2012. State ORP participants direct the investment of their funds into an account administered by one of four third party service providers. PEBA assumes no liability for state ORP benefits. Rather, the benefits are the liability of the four third party service providers. For this reason, state ORP assets are not part of the retirement systems' trust funds for financial statement purposes.
- The South Carolina Police Officers Retirement System (PORS), a cost-sharing multiple-employer defined benefit pension plan, was established July 1, 1962, pursuant to the provisions of Sections 9-11-20 of the South Carolina Code of Laws for the purpose of providing retirement and other benefits to

police officers and firefighters. PORS also covers peace officers, coroners, probate judges and magistrates.

In addition to the plans described above, PEBA also administers three single employer defined benefit pension plans, which are not covered in this report. They are the Retirement System for Members of the General Assembly of the State of South Carolina (GARS), the Retirement System for Judges and Solicitors of the State of South Carolina (JSRS), and the South Carolina National Guard Supplemental Retirement Plan (SCNG).

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.
- State ORP – As an alternative to membership in SCRS, certain newly hired state, public school, and higher education employees and individuals first elected to the S.C. General Assembly at or after the November 2012 general election have the option to participate in the State ORP. Contributions to the State ORP are at the same rates as SCRS. A direct remittance is required from the employer to the member's account with the ORP service provider for the employee contribution and a portion of the employer contribution (5 percent). A direct remittance is also required to SCRS for the remaining portion of the employer contribution and an incidental death benefit contribution, if applicable, which is retained by SCRS.
- PORS – To be eligible for PORS membership, an employee must be required by the terms of his employment, by election or appointment, to preserve public order, protect life and property, and detect crimes in the state; to prevent and control property destruction by fire; be a coroner in a full-time permanent position; or be a peace officer employed by the Department of Corrections, the Department of Juvenile Justice or the Department of Mental Health. Probate judges and coroners may elect membership in PORS. Magistrates are required to participate in PORS for service as a magistrate. PORS members, other than magistrates and probate judges, must also earn at least \$2,000 per year and devote at least 1,600 hours per year to this work, unless exempted by statute. 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 a legislative change in the code of laws. Key elements of the benefit calculation include the benefit multiplier, years of service, and average final compensation/current annual salary. A brief summary of the benefit terms for the 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 credible service equals at least 90 years. Both Class Two and Class Three members are eligible to receive a reduced deferred annuity at age 60 if they satisfy the five- or eight-year earned service requirement, respectively. An incidental death benefit is also available to beneficiaries of active and retired members of employers who participate in the death benefit program.

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

- PORS - 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 55 or with 25 years of service regardless of age. 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 at age 55 or with 27 years of service regardless of age. Both Class Two and Class Three members are eligible to receive a deferred annuity at age 55 with five or eight years of earned service, respectively. An incidental death benefit is also available to beneficiaries of active and retired members of employers who participate in the death benefit program. Accidental death benefits are also provided upon the death of an active member working for a covered employer whose death was a natural and proximate result of an injury incurred while in the performance of duty.

The retirement allowance of eligible retirees or their surviving annuitants is increased by the lesser of one percent or five hundred dollars every July 1. Only those annuitants in receipt of a benefit on July 1 of the preceding year are eligible to receive the increase.

Contributions

Actuarial valuations are performed annually by an external consulting actuary to ensure applicable contribution rates satisfy the funding parameters specified in Title 9 of the South Carolina Code of Laws. Under these provisions, SCRS and PORS contribution requirements must be sufficient to maintain an amortization period for the financing of the unfunded actuarial accrued liability (UAAL) over a period that does not exceed the number of years scheduled in state statute. Legislation in 2017 increased, but also established a ceiling for SCRS and PORS employee contribution rates. Effective July 1, 2017, employee rates were increased to a capped rate of 9.00 percent for SCRS and 9.75 percent for PORS. The legislation also increased employer contribution rates beginning July 1, 2017 for both SCRS and PORS by two percentage points and further scheduled employer contribution rates to increase by a minimum of one percentage point each year in accordance with the state statute. The General Assembly postponed the one percent increase in the SCRS and PORS employer contribution rates that was scheduled to go into effect beginning July 1, 2020. In accordance with the legislative funding schedule, employer contribution rates will continue to increase by 1 percentage point each year until reaching 18.56 percent for SCRS and 21.24

percent for PORS but may be increased further, if the scheduled contributions are not sufficient to meet the funding periods set for the applicable year. The board shall increase the employer contribution rates as necessary to meet the amortization period set in statute.

Pension reform legislation modified statute such that the employer contribution rates for SCRS and PORS to be further increased, not to exceed one-half of one percent in any one year, if necessary, in order to improve the funding of the plans. The statute set rates intended to reduce the unfunded liability of SCRS and PORS to the maximum amortization period of 20 years from 30 years over a ten-year schedule, as determined by the annual actuarial valuations of the plan. Finally, under the revised statute, the contribution rates for SCRS and PORS may not be decreased until the plans are at least 85 percent funded.

Required employee and employer contribution rates¹ are as follows:

	<u>Fiscal Year 2023¹</u>	<u>Fiscal Year 2022¹</u>
SCRS		
Employee Class Two	9.00%	9.00%
Employee Class Three	9.00%	9.00%
State ORP		
Employee	9.00%	9.00%
PORS		
Employee Class Two	9.75%	9.75%
Employee Class Three	9.75%	9.75%

¹Calculated on earnable compensation as defined in Title 9 of the South Carolina Code of Laws.

Required employer contribution rates¹ are as follows:

	<u>Fiscal Year 2023¹</u>	<u>Fiscal Year 2022¹</u>
SCRS		
Employee Class Two	16.41%	15.41%
Employee Class Three	16.41%	15.41%
Employer Incidental Death Benefit	0.15%	0.15%
State ORP		
Employer Contribution (2)	16.41%	15.41%
Employer Incidental Death Benefit	0.15%	0.15%
PORS		
Employee Class Two	18.84%	17.84%
Employee Class Three	18.84%	17.84%
Employer Incidental Death Benefit	0.20%	0.20%
Employer Accidental Death Program	0.20%	0.20%

¹Calculated on earnable compensation as defined in Title 9 of the South Carolina Code of Laws.

²Of this employer contribution, 5% of earnable compensation must be remitted by the employer direct to the ORP service provider to be allocated to the member's account with the remainder of the employer contribution remitted to the SCRS.

Actuarial Assumptions and Methods

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

The June 30, 2022, total pension liability (TPL), net pension liability (NPL), and sensitivity information shown in this report were determined by PEBA's consulting actuary, Gabriel, Roeder, Smith & Company (GRS) and are based on an actuarial valuation performed as of July 1, 2021. The total pension liability was rolled-forward from the valuation date to the plans' fiscal year end, June 30, 2022, using generally accepted actuarial principles. There was no legislation enacted during the 2022 legislative session that had a material change in the benefit provisions for any of the systems.

The following table provides a summary of the actuarial assumptions and methods used to calculate TPL as of June 30, 2022:

	SCRS	PORS
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Investment rate of return ¹	7.00%	7.00%
Projected salary increases	3.0% to 11.0% (varies by service) ¹	3.5% to 10.5% (varies by service) ¹
Benefit adjustments	Lesser of 1% or \$500 annually	Lesser of 1% or \$500 annually
¹ Includes inflation at 2.25%		

The post-retiree mortality assumption is dependent upon the member's job category and gender. The base mortality assumptions, the 2020 Public Retirees of South Carolina Mortality table (2020 PRSC), was developed using the Systems' mortality experience. The base rates are adjusted for future improvement in mortality using 80% of Scale UMP projected from the year 2020.

Assumptions used in the determination of the June 30, 2022, TPL are as follows.

Former Job Class	Males	Females
Educators	2020 PRSC Males multiplied by 95%	2020 PRSC Females multiplied by 94%
General Employees and Members of the General Assembly	2020 PRSC Males multiplied by 97%	2020 PRSC Females multiplied by 107%
Public Safety and Firefighters	2020 PRSC Males multiplied by 127%	2020 PRSC Females multiplied by 107%

Net Pension Liability

The NPL is calculated separately for each system and represents that particular system's TPL determined in accordance with GASB No. 67 less that system's fiduciary net position. NPL totals, as of June 30, 2022, for SCRS and PORS are presented below:

<u>System</u>	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Employers' Net Position Liability (Asset)</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u>
SCRS	\$ 56,454,779,872	\$ 32,212,626,932	\$ 24,242,152,940	57.1%
PORS	\$ 8,937,686,946	\$ 5,938,707,767	\$ 2,998,979,179	66.4%

The TPL is calculated by the Systems' actuary, and each plan's fiduciary net position is reported in the Systems' financial statements. The NPL is disclosed in accordance with the requirements of GASB 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 is based upon 20-year capital market assumptions. The long-term expected rates of return represent assumptions developed using an arithmetic building block approach primarily based on consensus expectations and market-based inputs. Expected returns are net of investment fees.

The expected returns, along with the expected inflation rate, form the basis for the target asset allocation adopted at the beginning of the 2022 fiscal year. The long-term expected rate of return is produced by weighting the expected future real rates of return by the target allocation percentage and adding expected inflation and is summarized in the table below. For actuarial purposes, the 7 percent assumed annual investment rate of return used in the calculation of TPL includes a 4.75 percent real rate of return and a 2.25 percent inflation component.

<u>Allocation/Exposure</u>	<u>Policy Target</u>	<u>Expected Arithmetic Real Rate of Return</u>	<u>Long-term Expected Portfolio Real Rate of Return</u>
Public Equity	46.0%	6.79%	3.12%
Bonds	26.0%	-0.35%	-0.09%
Private Equity ¹	9.0%	8.75%	0.79%
Private Debt ¹	7.0%	6.00%	0.42%
Real Assets	12.0%		
Real Estate ¹	9.0%	4.12%	0.37%
Infrastructure ¹	3.0%	5.88%	0.18%
Total Expected Return ²	100.0%		4.79%
Inflation for Actuarial Purposes			2.25%
			7.04%

¹RSIC staff and consultant will notify the Commission if the collective exposure to Private Equity, Private Debt and Private Real Assets exceeds 30 percent of total plan assets.

²Portable Alpha Strategies, which are not included in Policy Target, will be capped at 12% of total assets; hedge funds (including all hedge funds used in portable alpha implementation) are capped at 15% of total assets.

Discount Rate

The discount rate used to measure the TPL was 7%. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers in SCRS and PORS will be made based on the actuarially determined rates based on provisions in the South Carolina Code of Laws. Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL.

Sensitivity Analysis

The following table presents the NPL calculated using the discount rate of 7 percent, as well as what the NPL would be if it were calculated using a discount rate that is 1.00 percent lower (6 percent) or 1.00 percent higher (8 percent) than the current rate.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate			
System	1.00% Decrease (6%)	Current Discount Rate (7%)	1.00% Increase (8%)
SCRS	\$ 6,767,982	\$ 5,278,670	\$ 4,040,608

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

At June 30, 2023, the Council reported a liability of \$5,278,670 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Council's portion 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 members, actuarially determined.

For the year ended June 30, 2023, the Council recognized pension expense of \$4,581 for its participation in the Plan. The expense amount includes actual employer contributions, changes in deferred outflows and/or inflows of resources related to changes in the employer's proportionate share of the collective pension liability, and differences between actual employer contributions and proportionate share of total employer contributions as reported by PEBA for the year ended June 30, 2022.

At June 30, 2023, the Council 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	\$ 45,862	\$ 23,004
Changes of assumptions	169,299	-
Net difference between projected and actual earnings on pension plan investments	8,141	-
Changes in proportionate share and differences between Council contributions and proportionate share of total employer plan contributions	1,812	111,374
Council contributions subsequent to the measurement date	486,961	-
Total	<u>\$ 712,075</u>	<u>\$ 134,378</u>

Of the Council's deferred outflows of resources relating to pensions, \$486,961 resulted from contributions to the SCRS subsequent to the measurement date and will be recognized as a reduction of the net pension liability and an increase in pension expense in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as a net increase (net reduction) in pension expense as follows:

Year Ended December 31,	SCRS
2023	\$ 54,991
2024	26,137
2025	(128,057)
2026	137,665
Total	<u>\$ 90,736</u>

Additional Financial and Actuarial Information

Information contained in these Notes to the Schedules of Employer and Nonemployer Allocations and Schedules of Pension Amounts by Employer (Schedules) was compiled from the Systems' audited financial statements for the fiscal year ended June 30, 2022, and the accounting valuation report as of June 30, 2022. Additional financial information supporting the preparation of the Schedules (including the unmodified audit opinion on the financial statements and required supplementary information) is available in the Systems' separately issued ACFR. The ACFR of the Pension Trust Funds is publicly available on PEBA's Retirement Benefits' website at www.retirement.sc.gov, or a copy may be obtained by submitting a request to PEBA, PO Box 11960, Columbia, SC 29211-1960.

B. Post-employment Plan Benefits

The Council provides death benefits to employees through the incidental death benefit option for members of the SCRS. The beneficiaries of those employees who die in active service after one year of credited service

are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the budgeted salary of the deceased member. The Council has no liability beyond the payment of monthly contributions. Contributions are determined as a percentage of monthly covered payroll. The Council does not determine the number of eligible participants. For the year ended June 30, 2023, the Council made contributions to the State for death benefits representing .15% of covered payroll.

Upon the death of a retiree, a benefit will be paid to the designated beneficiary of an amount based on the years of credit services as follows:

10 –19 years of service credits	\$	2,000
20 –27 years of service credits	\$	4,000
28 or more years of service credits	\$	6,000

C. Contingencies

The Council must apply for annual renewals of contracts and grants. Funding is subject to both increases and reductions at the discretion of contractors, and some agreements also call for termination by either party contingent upon certain conditions.

Amounts received or receivable for grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of the expenditures which may be disallowed by the grantor cannot be determined at this time although the Council expects such amounts, if any, to be immaterial.

D. Risk Management

The Council is exposed to various risks related to torts, theft and destruction of assets, error and omissions, injuries to employees, and natural disaster. The Council, along with other government agencies in the state, is insured under the State of South Carolina Insurance Reserve Fund, a public entity risk pool currently operating as a common risk management and insurance fund. The Council pays annual premiums to the Insurance Reserve Fund for its general insurance coverage. The Insurance Reserve Fund is self-sustaining through member premiums and by purchases of commercial insurance coverage on a portion of its liabilities. The Council continues to carry insurance for other risks of loss including workers compensation and employee health, dental, group life and accident insurance. The state accumulated assets to cover risks that its members incur in their normal operations. Specifically, the state assumes substantially all of the risk of the above.

E. Subsequent Events

Subsequent events have been evaluated through the date of the auditor’s report, which is the date the financial statements were available to be issued.

SOUTH CAROLINA APPALACHIAN COUNCIL OF GOVERNMENTS

SCHEDULE OF PENSION PLAN CONTRIBUTIONS
SOUTH CAROLINA RETIREMENT SYSTEM
LAST 9 FISCAL YEARS

	2023	2022	2021	2020	2019	2018	2017	2016	2015
SCRS									
Contractually required contribution	\$ 486,961	\$ 429,721	\$ 384,187	\$ 391,776	\$ 351,491	\$ 302,667	\$ 250,113	\$ 239,045	\$ 224,007
Contributions in relation to the contractually required contribution	(486,961)	(429,721)	(384,187)	(391,776)	(351,491)	(302,667)	(250,113)	(239,045)	(224,007)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Council's covered-employee payroll	\$ 2,775,077	\$ 2,594,932	\$ 2,469,067	\$ 2,518,293	\$ 2,414,090	\$ 2,232,057	\$ 2,192,047	\$ 2,191,060	\$ 2,083,785
Contributions as a percentage of covered payroll	17.4%	16.4%	15.4%	15.4%	14.4%	13.4%	11.4%	10.9%	10.7%

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.

SOUTH CAROLINA APPALACHIAN COUNCIL OF GOVERNMENTS

SCHEDULE OF COUNCIL'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
SOUTH CAROLINA RETIREMENT SYSTEM
LAST 9 FISCAL YEARS

	2023	2022	2021	2020	2019	2018	2017	2016	2015
SCRS									
Council's portion of the net pension liability	0.022%	0.022%	0.023%	0.022%	0.022%	0.022%	0.023%	0.022%	0.022%
Council's proportionate share of the net pension liability	\$ 5,278,670	\$ 4,736,945	\$ 5,766,697	\$ 5,220,180	\$ 4,826,242	\$ 4,890,872	\$ 4,832,880	\$ 4,214,889	\$ 3,843,281
Council's covered-employee payroll	\$ 2,775,077	\$ 2,594,932	\$ 2,469,067	\$ 2,518,293	\$ 2,414,090	\$ 2,232,057	\$ 2,192,047	\$ 2,191,060	\$ 2,083,785
Council's proportionate share of the net pension liability as a percentage of its covered-employee payroll	190.22%	182.16%	233.56%	207.29%	199.92%	219.12%	220.47%	192.37%	184.44%
Plan fiduciary net position as a percentage of the total pension liability	57.10%	60.70%	50.70%	54.40%	54.10%	53.30%	52.91%	57.00%	59.92%

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.

SOUTH CAROLINA APPALACHIAN COUNCIL OF GOVERNMENTS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION RELATED TO PENSIONS
FOR THE YEAR ENDED JUNE 30, 2023

Method and Assumptions Used in Calculations of Actuarially Determined Contributions: The actuarially determined contribution rates in the schedule of contributions are calculated as of June 30, 2022, one year prior to the end of the fiscal year in which contributions are reported. The actuarial methods and assumptions used to determine the contractually required contributions for the year ended June 30, 2023 reported in that schedule can be found in Note V. (A.) of the basic financial statements.

SOUTH CAROLINA APPALACHIAN COUNCIL OF GOVERNMENTS

**SUPPLEMENTAL SCHEDULE
REVENUE AND EXPENDITURES FOR TRANSPORTATION PROGRAMS
YEAR ENDED JUNE 30, 2023**

	Intermodal Transportation	Totals
Revenues:		
Federal Funds	\$ 125,000	\$ 125,000
Local Funds	31,250	31,250
Total revenues	156,250	156,250
Expenditures:		
Personnel	84,305	84,305
Fringe Benefits	33,507	33,507
Travel Expense	2,429	2,429
Professional activities	65	65
Equipment Repairs and Maintenance	5,680	5,680
Indirect Cost Pool	30,264	30,264
Total expenditures	156,250	156,250
Excess(deficiency) of revenues over expenditures	\$ -	\$ -

SOUTH CAROLINA APPALACHIAN COUNCIL OF GOVERNMENTS
SCHEDULE OF REVENUES AND EXPENDITURES - AGING PROGRAM
YEAR ENDED JUNE 30, 2023

	Center for Medicare & Medicaid Services											
	Title III-B Aging Program Planning & Administration	HCBS Aging Program Planning & Administration	Assessments	Title III-B	Ombudsman Regional Program	Volunteer Program Title VII	Senior's Insurance Program	Information & Referral Assistance	Planning & Administration	Family Caregiver Staff	Respite Association	Total In-House
Revenues												
Federal Funds	\$ 486,677	\$ 6,144	\$ -	\$ 491,992	\$ -	\$ 98,659	\$ 200,844	\$ 171,774	\$ 109,229	\$ 184,948	\$ -	\$ 1,979,470
State Funds Department On Aging	-	-	-	-	167,464	-	-	-	36,809	61,690	6,009	271,952
State Funds Home & Community Based Service	135,226	1,084	124,056	-	-	-	-	30,413	-	-	-	334,958
COC Support from General Fund	543,983	44,299	430,239	491,992	167,464	98,659	200,844	202,087	145,638	246,598	6,009	2,584,960
Total Revenues												
Expenditures												
Personnel	279,112	22,758	225,696	209,959	86,610	49,021	117,620	111,666	62,666	136,108	3,338	1,334,585
Fringe	106,465	8,648	97,426	102,561	37,546	25,691	39,946	44,383	29,862	60,570	1,536	554,534
Travel	18,851	-	14,093	10,256	6,890	1,472	-	465	5,396	-	-	57,403
Supplies	1,119	-	3,132	3,632	118	717	13	1,995	3,943	-	-	54,387
Consulting	1,422	-	-	-	-	-	-	-	-	-	-	1,422
Postage	735	-	691	160	1	527	210	2,347	1,912	-	-	1,422
Printing	4,446	-	4,406	3,431	1,912	337	388	561	5,776	-	-	6,583
Telephones/Cell Phone	-	-	2,320	4,780	-	-	-	-	-	-	-	21,227
Membership Dues/Fees	3,465	-	208	202	165	-	-	-	8,304	-	-	7,100
Conference/Meetings	11,443	-	-	2,160	2,319	156	-	35	4,233	-	-	12,344
COC Meeting Expense	7,401	-	63	372	290	2,808	-	-	50	-	-	20,366
Bank Charges	847	-	-	-	-	-	-	-	1,126	-	-	10,984
Training	2,300	-	-	31	-	-	-	(100)	-	-	-	1,973
Computer/Software	425	5,155	-	-	-	-	-	-	-	-	-	2,231
Advertising	3,000	-	-	3,688	-	-	-	-	-	-	-	5,580
Legal Fees	-	-	-	240	-	-	-	-	-	-	-	5,688
Miscellaneous	-	-	-	-	-	-	-	-	-	-	-	280
Infect Cost Pool	102,872	7,738	82,204	87,590	31,613	17,930	42,697	41,225	22,350	49,519	1,135	487,273
Total Expenditures	543,983	44,299	430,239	491,992	167,464	98,659	200,844	202,087	145,638	246,598	6,009	2,584,960
Excess (deficiency) of revenues over expenditures	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

SOUTH CAROLINA APPALACHIAN COUNCIL OF GOVERNMENTS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2023

For COGs this is a significant part of operations and the audit

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
AGING PROGRAMS				
<u>U.S. Department of Health and Human Services</u>				
Passed through S.C. Department On Aging				
Aging Cluster				
Title III-B Assessment Services	93.044	R01 MG23 - SVC	\$ -	\$ 176,791
Title III-B Ombudsman	93.044	R01 MG23 - ADMIN	-	455,187
Title III-B Planning and Administration	93.044	R01 MG23 - ADMIN	-	301,414
Title III-B Planning and Administration- ARP	93.044	R01 ARP23	-	43,775
Title III-B Support Services	93.044	R01 MG23 - SVC	652,150	652,150
Title III-B Support Services- ARP	93.044	R01 ARP23	295,838	431,393
Title III-B Legal Services	93.044	R01 MG23 - SVC	117,343	117,343
Title III-B Support Services - IR&A	93.044	R01 MG23 - SVC	-	171,774
Title III-B COVID Vaccine	93.044	COVID-VAC-01	-	3,000
Title III-C1 Planning and Administration	93.045	R01 MG23 - ADMIN	-	59,796
Title III-C1 Services	93.045	R01 MG23 - SVC	407,287	407,287
Title III-C1 Services- ARP	93.045	R01 ARP23	76,157	76,157
Title III-C2 Planning and Administration	93.045	R01 MG23 - ADMIN	-	694
Title III-C2 Services	93.045	R01 MG23 - SVC	1,118,815	1,118,815
Title III-C2 Services-ARP	93.045	R01 ARP23	643,665	643,665
Nutrition Services Incentive Program (NSIP)	93.053	R01 MG23 - SVC	216,996	216,996
Total Aging Cluster			3,528,251	4,876,237
Other Aging Programs				
Title VII - Long Term Care Ombudsman	93.042	R01 MG23 - ADMIN	-	98,659
Ombudsman CARES	93.042	CARES FCG OMB-01	-	36,805
			-	135,464
Title III-D	93.043	R01 MG23 - SVC	67,425	67,425
Title III-D- ARP	93.043	R01 ARP23	15,226	15,226
			82,651	82,651
Title III-E Family Care Giver Planning & Administration	93.052	R01 MG23 - RESP	-	102,812
Title III-E Family Care Giver Planning & Administration- ARP	93.052	R01 ARP23	-	6,416
Title III-E Family Care Giver Staff - Salaries	93.052	R01 MG23 - RESP	-	184,949
Title III-E Family Care Giver Services	93.052	R01 MG23 - RESP	278,487	278,487
Title III-E Family Care Giver Services- ARP	93.052	R01 ARP23	105,350	105,350
			383,837	678,014
MIPPA 5B06	93.071	R01 IC 23	-	32,207
MIPPA 5B04	93.071	R01 IC 23	-	31,041
MIPPA 5B05	93.071	R01 IC 23	-	13,311
			-	76,559
State Health Insurance Assistance Program 4B83	93.324	R01 IC 23	-	124,285
Total U.S. Department of Health and Human Services			3,994,739	5,973,210

(continued)

SOUTH CAROLINA APPALACHIAN COUNCIL OF GOVERNMENTS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (continued)
YEAR ENDED JUNE 30, 2023

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
WORKFORCE DEVELOPMENT PROGRAMS				
<u>U.S. Department of Labor</u>				
Passed through S.C. Department of Employment and Workforce				
WIOA Cluster				
Administration - Adult	17.258	21A001	\$ -	\$ 2,908
Administration - Adult	17.258	22A001	-	40,209
Adult	17.258	21A001	57,721	161,847
Adult	17.258	22A001	136,190	189,747
Administration - Adult/DW Engage, Build, & Serve Grant	17.258	22EBA01	-	23,620
Adult/DW Engage, build, & Serve Grant	17.258	22EBA01	86,543	91,901
Administration - Youth	17.259	22Y001	-	43,813
Administration - Youth	17.259	23Y001	-	6,434
Youth Activities	17.259	21Y001	94,153	138,834
Youth Activities	17.259	22Y001	287,339	384,488
Youth LWDA Resiliency Grant	17.259	21LRY01	37,716	43,152
Administration - Youth Engage, Build, & Serve Grant	17.259	22EY01	-	13,091
Youth Engage, build, & Serve Grant	17.259	22EY01	55,077	56,293
Incumbent Worker Training	17.278	20IWT01	46,326	48,326
Administration - Dislocated Worker	17.278	21DW001	-	8,119
Administration - Dislocated Worker	17.278	22DW001	-	49,168
Dislocated Worker	17.278	20DW001	28,911	76,580
Dislocated Worker	17.278	21DW001	48,065	68,555
Dislocated Worker - Set Aside for Adult	17.278	21DW001	155,695	155,695
Dislocated Worker - Set Aside for Adult	17.278	22DW001	140,076	140,076
Adult/DW LWDA Resiliency Grant	17.278	20RRIWT10	183,824	212,326
Total WIOA Cluster			<u>1,357,636</u>	<u>1,955,182</u>
Total U.S. Department of Labor			<u>1,357,636</u>	<u>1,955,182</u>
OTHER PROGRAMS				
<u>Appalachian Regional Commission</u>				
Local Development District Administration	23.009	SC-709-C55-22	-	110,142
Local Development District Administration	23.009	SC-709-C56-23	-	110,142
			<u>-</u>	<u>220,284</u>
<u>Environmental Protection Agency</u>				
Passed through S.C. Department of Health and Environmental Control				
Water Quality Management Planning	66.454	EQ-3-485	-	22,318
<u>U.S. Department of Commerce/Economic Development Administration</u>				
District Planning Grant	11.302	ED22ATL3020017	-	35,000
District Planning Grant	11.302	ED22ATL3020017	-	35,000
			<u>-</u>	<u>70,000</u>
<u>U.S. Department of Housing and Urban Development</u>				
Passed through Cherokee County, SC				
CDBG Planning Grant	14.228	4-RP-21-001	-	49,999

(continued)

SOUTH CAROLINA APPALACHIAN COUNCIL OF GOVERNMENTS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (continued)
YEAR ENDED JUNE 30, 2023

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
OTHER PROGRAMS (continued)				
<u>U.S. Department of Transportation</u>				
Passed through S.C. Department of Transportation Office of Planning				
Highway Planning and Construction Cluster				
Intermodal Transportation Plan	20.205	N/A	\$ -	\$ 125,000
			-	125,000
<u>Department of the Treasury</u>				
Passed through the Rural Infrastructure Authority				
Coronavirus State and Local Fiscal Recovery Funds	21.027	N/A	-	25,000
			-	25,000
Total Other Programs			-	512,601
Total Expenditures of Federal Awards			\$ 5,352,375	\$ 8,440,993

See accompanying notes to the schedule of expenditures of federal awards.

SOUTH CAROLINA APPALACHIAN COUNCIL OF GOVERNMENTS

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2023**

NOTE 1 – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of South Carolina Appalachian Council of Governments under programs of the federal government for the year ended June 30, 2023. The information in this Schedule is presented on the modified accrual basis of accounting and in accordance with the requirements of the Uniform Guidance. Because the Schedule presents only a selected portion of the operations of the South Carolina Appalachian Council of Governments, it is not intended to and does not present the financial position or changes in net position of the South Carolina Appalachian Council of Governments.

NOTE 2 – COST PRINCIPLES

Expenditures are recognized following the cost principles contained in 2 CFR Part 200, Cost Principles for States, Local Governments, and Indian Tribes, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Matching costs, i.e., the non-federal share of certain program costs, are not included in the Schedule.

NOTE 3 – INDIRECT COST RATE

The South Carolina Appalachian Council of Governments has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE 4 – SUBRECIPIENTS

Of the federal expenditures presented in the Schedule, the Council provided federal awards to subrecipients, which are disclosed in the following schedule.

SOUTH CAROLINA APPALACHIAN COUNCIL OF GOVERNMENTS

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2023

Program Description	Federal CFDA Number	Contractors	Amount Provided to Contractor	Total Amount Provided to Contractors
AGING PROGRAMS				
<u>U.S. Department of Health and Human Services</u>				
<u>Passed Through SC Department On Aging</u>				
Title III-B Support Services	93.044	Able Care	\$ 181,992	
		SCACoG	256,325	
		SC Legal Services	117,343	
		Senior Action	288,172	
		Senior Centers of Cherokee County	98,026	
		Meals on Wheels of Anderson	36,288	
		Senior Solutions-Anderson/Oconee	55,560	
		Spartanburg Regional Foundation	31,625	\$ 1,065,331
Title III-C1 Congregate Meals	93.045	Pickens County MOW	21,331	
		Senior Action	253,163	
		Senior Centers of Cherokee County	49,187	
		Meals on Wheels of Anderson	37,502	
		Senior Solutions-Anderson/Oconee	45,010	
		Spartanburg Regional Foundation	77,250	483,443
Title III-C2 Home Delivered Meals	93.045	Pickens County MOW	377,887	
		Senior Action	225,438	
		Senior Centers of Cherokee County	140,890	
		Meals on Wheels of Anderson	592,995	
		Senior Solutions-Anderson/Oconee	352,924	
		Spartanburg Regional Foundation	72,347	1,762,481
NSIP	93.053	Pickens County MOW	21,788	
		Senior Action	45,452	
		Senior Centers of Cherokee County	19,420	
		Meals on Wheels of Anderson	52,269	
		Senior Solutions-Anderson/Oconee	56,177	
		Spartanburg Regional Foundation	21,890	216,996
Title III-D Preventive Health	93.043	Pickens County MOW	20,546	
		Meals on Wheels of Anderson	2,250	
		Senior Action	49,312	
		Senior Centers of Cherokee County	2,760	
		Senior Solutions-Anderson/Oconee	6,000	
		Spartanburg Regional Foundation	1,783	82,651
Title III-E Family Caregiver Services	93.052	Pass Through to Vendors	383,837	383,837
Total Paid to Contractors by Aging Programs				3,994,739

(continued)

SOUTH CAROLINA APPALACHIAN COUNCIL OF GOVERNMENTS

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (continued)
YEAR ENDED JUNE 30, 2023

Program Description	Federal CFDA Number	Contractors	Amount Provided to Contractor	Total Amount Provided to Contractors
WORKFORCE DEVELOPMENT PROGRAMS				
<u>U.S. Department of Labor</u>				
Passed through S.C. Department of Employment and Workforce				
Adult	17.258	Eckerd	\$ 193,911	\$ 193,911
Adult/DW Engage, Build, & Serve Grant	17.258	Eckerd Sargent Metal Fabricators, Inc.	86,293 250	86,543
Youth	17.259	Eckerd	381,492	381,492
Youth LWDA Resiliency Grant	17.259	Eckerd	37,716	37,716
Youth Engage, Build, & Serve Grant	17.259	Eckerd	55,077	55,077
Incumbent Worker Training	17.259	Chromart North America MCG Mechanical, Inc. Mergon Corporation PMi2, Inc Reliable Automatic Sprinkler Co. Robert Bosch, LLC	4,237 2,374 2,700 12,206 2,311 22,498	46,326
Dislocated Worker	17.278	Eckerd	76,976	76,976
Dislocated Worker Set Aside for Adult	17.278	Eckerd	295,771	295,771
Adult/DW LWDA Resiliency Grant	17.278	Eckerd	183,824	183,824
Total Paid to Contractors by Workforce Development Programs				1,357,636
Total Paid to Contractors				\$ 5,352,375

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

The Board of Directors
South Carolina Appalachian Council of Governments
Greenville, 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 South Carolina Appalachian Council of Governments, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise South Carolina Appalachian Council of Governments' basic financial statements, and have issued our report thereon dated November 13, 2023.

Report on Internal Control Over Financial Reporting

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

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

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S.C. Association of Certified Public Accountants



The Board of Directors
South Carolina Appalachian Council of Governments
November 13, 2023

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.

Report on Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of South Carolina Appalachian 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 South Carolina Appalachian Council of Governments' internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Mckinley, Cooper & Co., LLC

Greenville, South Carolina
November 13, 2023

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

The Board of Directors
South Carolina Appalachian Council of Governments
Greenville, South Carolina

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited South Carolina Appalachian Council of Governments' compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of South Carolina Appalachian Council of Governments' major federal programs for the year ended June 30, 2023. South Carolina Appalachian Council of Governments' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, South Carolina Appalachian Council of Governments, 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, 2023.

Basis for Opinion on Each Major Federal Program

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;¹ and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of South Carolina Appalachian Council of Governments and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of South Carolina Appalachian Council of Governments' compliance with the compliance requirements referred to above.

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The Board of Directors
South Carolina Appalachian Council of Governments
November 13, 2023

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to South Carolina Appalachian Council of Governments' federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on South Carolina Appalachian Council of Governments' compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about South Carolina Appalachian Council of Governments' compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding South Carolina Appalachian Council of Governments' compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of South Carolina Appalachian Council of Governments' internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 South Carolina Appalachian Council of Governments' internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

The Board of Directors
South Carolina Appalachian Council of Governments
November 13, 2023

Report on Internal Control over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

McKinley, Cooper & Co., LLC

Greenville, South Carolina
November 13, 2023

SOUTH CAROLINA APPALACHIAN COUNCIL OF GOVERNMENTS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2023

Good summary Page of how the COG is doing with controls + compliance over federal funds
Unmodified opinion

I. Summary of Auditor's Results

Financial Statements

Type of Auditor's Report issued on whether the financial statements audited were prepared in accordance with GAAP:

Internal control over financial reporting:

- Material weakness(es) identified? ___ Yes X No
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? ___ Yes X None
- reported
- Noncompliance material to financial statements noted ___ Yes X No

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? ___ Yes X No
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? ___ Yes X None

Reported

Type of Auditor's Report issued on compliance for major federal programs: **Unmodified opinion**

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a) (Uniform Guidance)? ___ Yes X No

Identification of Major Federal Programs:

17.258,17.259,17.278 WIOA Cluster

The dollar threshold used to distinguish between Type A and B programs: \$750,000

South Carolina Appalachian Council of Governments qualified as low-risk auditee? X Yes ___ No

II. Financial Statement Findings

None Reported.

III. Major Federal Award Findings and Questioned Costs

None Reported.

SOUTH CAROLINA APPALACHIAN COUNCIL OF GOVERNMENTS

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

YEAR ENDED JUNE 30, 2023

There were no federal award-related audit findings in the prior year.