

**UPPER SAVANNAH COUNCIL OF GOVERNMENTS**  
**AUDITED FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2020**

# UPPER SAVANNAH COUNCIL OF GOVERNMENTS

## AUDITED FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2020

### TABLE OF CONTENTS

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	<u>PAGE</u>
Independent Auditor's Report	1-3
Management's Discussion and Analysis	4-7
<b>Basic Financial Statements</b>	
Government-wide Financial Statements	
Statement of Net Position	8
Statement of Activities	9
Fund Financial Statements	
Balance Sheet – Governmental Funds	10
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	11
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	12
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Governmental Funds	13
Statement of Fiduciary Net Position – Fiduciary Funds	14
Statement of Changes in Fiduciary Net Position – Fiduciary Funds	15
Notes to Financial Statements	16-37
<b>Required Supplementary Information</b>	
Schedule of Pension Plan Contributions	38
Schedule of the Council's Proportionate Share of the Net Pension Liability	39
Notes to Pension Required Supplementary Information	40
Schedule of Changes in Total OPEB Liability and Related Ratios	41
Schedule of Net OPEB Liability	42
<b>Other Supplementary Information</b>	
Schedule of Revenues, Expenditures, and Changes in Fund Balance – General Fund	43
Combining Balance Sheet Schedule – Special Revenue Projects	44
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Special Revenue Projects	45
<b>Single Audit Section</b>	
Schedule of Expenditures of Federal Awards	46-47
Notes to the Schedule of Expenditures of Federal Awards	48
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 <i>Government Auditing Standards</i>	49-50
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	51-52
Schedule of Findings and Questioned Costs	53
Summary Schedule of Prior Audit Findings	54

Independent Auditor's Report

Board of Directors  
Upper Savannah Council of Governments  
Greenwood, South Carolina

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Upper Savannah Council of Governments (the "Council"), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Council's basic financial statements as listed in the table of contents.

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

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

**Auditor's Responsibility**

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

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

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



## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Upper Savannah Council of Governments as of June 30, 2020, and the respective changes in financial position and the budgetary comparison for the governmental funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, pension plan schedules, and OPEB schedules, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Council's basic financial statements. The accompanying other supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The accompanying other supplementary information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying other supplementary information 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.

Board of Directors  
Upper Savannah Council of Governments  
February 15, 2021

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

In accordance with *Government Auditing Standards*, we have also issued our report dated February 15, 2021, on our consideration of the Council's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Council's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Council's internal control over financial reporting and compliance.

***McKinley, Cooper & Co., LLC***

Greenville, South Carolina  
February 15, 2021

## Management's Discussion and Analysis

As management of the Upper Savannah Council of Governments (the "Council"), we offer readers of the Council's financial statements this narrative overview and analysis of the financial activities of the Council for the fiscal year ended June 30, 2020.

### Financial Highlights

- The net position of the Council was (\$3,847,881) at the close of the most recent fiscal year.
- The Council's total net position decreased by \$189,186 from the prior fiscal year.
- As of the close of the current fiscal year, the Council's governmental funds reported combined ending fund balances of \$1,483,108, an increase of \$62,416 from the prior fiscal year.
- At the end of the current fiscal year, unassigned fund balance for the governmental funds was \$1,483,108, or 26 percent of total governmental fund expenditures.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Council's basic financial statements. The Council's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the Council's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the Council's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Council is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Council, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Council can be divided into two categories: governmental funds and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Council maintains two individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and the special revenue fund. Both funds are considered to be major funds.

The Council adopts an annual appropriated budget for its governmental funds. A budgetary comparison statement has been provided to demonstrate compliance with this budget.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the Council's own programs. The accounting used for fiduciary funds is much like that used for the governmental funds.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

### **Government-wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The Council's net position decreased by \$189,186 during the current fiscal year.

The following table presents a summary of the Council's net position as of June 30, 2020, with comparative data for fiscal year 2019:

### Condensed Statement of Net Position

	Governmental Activities	
	June 30, 2020	June 30, 2019
Current Assets	\$ 2,449,589	\$ 2,153,152
Capital Assets	270,033	324,422
Total Assets	2,719,622	2,477,574
Deferred Outflows of Resources	1,124,139	702,631
Current Liabilities	966,481	732,460
Net Pension Liability	2,901,018	2,988,573
Net OPEB Liability	3,558,116	2,785,723
Total Liabilities	7,425,615	6,506,756
Deferred Inflows of Resources	266,027	332,144
Net Investment in Capital Assets	270,033	324,422
Unrestricted Net Position	(4,117,914)	(3,983,117)
Total Net Position	\$ (3,847,881)	\$ (3,658,695)

The following table presents a summary of the Council's activities for the year ended June 30, 2020, with comparative totals for fiscal year 2019:

### Condensed Statement of Activities

	Governmental Activities	
	June 30, 2020	June 30, 2019
Revenues		
Charges for services	\$ 608,802	\$ 641,139
Operating grants and contributions	4,695,571	4,970,115
Intergovernmental		
State	40,964	40,964
Local	153,028	152,631
Other	64,837	67,775
Total revenues	5,563,202	5,872,624
Expenses		
Employment and training	1,583,160	1,767,084
Economic development	35,119	32,138
Local government planning	125,238	144,232
Aging services	2,492,653	2,534,205
Nonmajor funds	4,033	5,658
Service contracts	385,674	389,020
General government	1,126,511	1,003,255
Total expenses	5,752,388	5,875,592
(Decrease) in net position	\$ (189,186)	\$ (2,968)



## **Financial Analysis of the Government'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 *spendable* resources. Such information is useful in assessing the Council's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The general fund is the chief operating fund of the Council. At the end of the current fiscal year, the entire fund balance of \$1,483,108 is unassigned.

The fund balance of the Council's general fund increased by \$62,416 during the current fiscal year.

### **General Fund Budgetary Highlights**

The Council adopts a balanced budget with budgeted expenditures equaling budgeted revenues.

### **Capital Asset Administration**

Capital assets. The Council's investment in capital assets for its governmental activities as of June 30, 2020, amounts to \$270,033 (net of accumulated depreciation). This investment in capital assets includes leasehold improvements, machinery and equipment, and automobiles. The total decrease of \$54,389 in net capital assets is the result of asset additions of \$0 and depreciation expense of \$54,389.

Additional information on the Council's capital assets can be found in the notes of this report.

### **Economic Factors and Next Year's Budgets and Rates**

The Council derives a majority of its revenue from federal government programs either directly or passed through state agencies. Trends in federal spending impact program activities and delivery as well as overall financial stability. As the national economy has improved, federal stimulus spending in the major programs the Council administers has declined. Federal budget reform to reduce spending will also continue to impact the Council's revenue in the foreseeable future. Revenues received from local and state governments have tended to be less volatile. The uncertainties must be considered in the budget process.

### **Requests for Information**

This financial report is designed to provide a general overview of the Council's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Upper Savannah Council of Governments, 430 Helix Road, Greenwood, South Carolina 29646.

**UPPER SAVANNAH COUNCIL OF GOVERNMENTS**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2020**

	<u>Primary Government</u>
	<u>Governmental</u>
	<u>Activities</u>
<b>ASSETS</b>	
Cash	\$ 493,651
SC Local Government Investment Pool	187,268
Investments	741,639
Prepaid Expenses	9,846
Due from Other Governments/Providers	1,017,185
Capital Assets, net of accumulated depreciation	
Leasehold Improvements	174,883
Machinery and Equipment	82,444
Automobiles	12,706
Total Assets	<u>2,719,622</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred Outflows Related to Pensions	285,477
Deferred Outflows Related to OPEB	838,662
Total Deferred Outflows of Resources	<u>1,124,139</u>
<b>LIABILITIES</b>	
Accounts Payable	523,339
Employee Funds Withheld	177,426
Unearned Revenue	220,928
Due to Upper Savannah Development Corporation	44,788
Net Pension Liability	2,901,018
Net OPEB Liability	3,558,116
Total Liabilities	<u>7,425,615</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred Inflows Related to Pensions	210,587
Deferred Inflows Related to OPEB	55,440
Total Deferred Inflows of Resources	<u>266,027</u>
<b>NET POSITION</b>	
Net Investment in Capital Assets	270,033
Unrestricted	(4,117,914)
Total Net Position	<u>\$ (3,847,881)</u>

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

**UPPER SAVANNAH COUNCIL OF GOVERNMENTS**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2020**

Function/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	
Primary Government				
Governmental Activities				
Employment and Training	\$ 1,583,160	\$ -	\$ 1,760,020	\$ 176,860
Economic Development	35,119	-	77,266	42,147
Local Government Planning	125,238	-	85,000	(40,238)
Aging	2,492,653	-	2,773,285	280,632
Non Major Funds	4,033	-	-	(4,033)
Service Contracts	385,674	608,802	-	223,128
General Government	1,126,511	-	-	(1,126,511)
Total Governmental Activities	<u>\$ 5,752,388</u>	<u>\$ 608,802</u>	<u>\$ 4,695,571</u>	<u>(448,015)</u>
General Revenues				
Participating Local Governments				153,028
State Aid to Council of Governments				40,964
Other				64,837
Total General Revenues				<u>258,829</u>
Change in Net Position				(189,186)
Net position, beginning				(3,658,695)
Net position, ending				<u>\$ (3,847,881)</u>

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

**UPPER SAVANNAH COUNCIL OF GOVERNMENTS**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2020**

	General	Special Revenue	Total Governmental Funds
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 272,703	\$ 220,948	\$ 493,651
SC Local Government Investment Pool	187,268	-	187,268
Investments	741,639	-	741,639
Prepaid Expenses	9,846	-	9,846
Due from Other Governments and Providers	226,920	790,265	1,017,185
Due from Other Funds	414,076	-	414,076
Total Assets	<u>\$ 1,852,452</u>	<u>\$ 1,011,213</u>	<u>\$ 2,863,665</u>
<b>LIABILITIES AND FUND BALANCE</b>			
<b>LIABILITIES</b>			
Accounts Payable	\$ 147,130	\$ 376,209	\$ 523,339
Employee Funds Withheld	177,426	-	177,426
Due to Other Funds	-	414,076	414,076
Deferred Revenue	-	220,928	220,928
Due to Upper Savannah Development Corporation	44,788	-	44,788
Total Liabilities	<u>369,344</u>	<u>1,011,213</u>	<u>1,380,557</u>
<b>FUND BALANCE</b>			
Unassigned	<u>1,483,108</u>	-	<u>1,483,108</u>
Total Fund Balances	<u>1,483,108</u>	-	<u>1,483,108</u>
Total Liabilities and Fund Balance	<u>\$ 1,852,452</u>	<u>\$ 1,011,213</u>	

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

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds.	270,033
Certain long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental fund financial statements, but are reported in the governmental activities of the Statement of Net Position.	
Net pension liability	(2,901,018)
Net OPEB liability	(3,558,116)
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.	74,890
Deferred outflows and inflows of resources related to OPEB are applicable to future periods and, therefore, are not reported in the funds.	<u>783,222</u>
Total Net Position - Governmental Activities	<u>\$ (3,847,881)</u>

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

**UPPER SAVANNAH COUNCIL OF GOVERNMENTS**  
**STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS**  
**YEAR ENDED JUNE 30, 2020**

	General	Special Revenue	Total Governmental Funds
<b>REVENUES</b>			
Federal and State Funds	\$ -	\$ 3,834,678	\$ 3,834,678
State Funds Aging	-	422,371	422,371
State Match Aging	-	438,522	438,522
Service Contracts	-	608,802	608,802
Participating Local Governments	153,028	-	153,028
State Aid to Councils of Governments	40,964	-	40,964
In-kind Revenue	54,389	-	54,389
Other	59,227	5,610	64,837
Total Revenues	307,608	5,309,983	5,617,591
<b>EXPENDITURES</b>			
Direct Salaries and Release	383,366	903,994	1,287,360
Fringe Benefits	161,519	380,870	542,389
Travel and Meetings	6,702	9,912	16,614
Transportation Costs	5,128	-	5,128
Office Supplies and Printing	8,742	1,454	10,196
Office Equipment Lease and Rental	21,459	-	21,459
Maintenance and Service Agreements	92,898	4,732	97,630
Telephone and Internet	17,798	210	18,008
Dues and Subscriptions	19,803	2,461	22,264
Advertising and Outreach	98	3,400	3,498
Insurance	20,919	1,770	22,689
Audit Fees	14,000	-	14,000
Direct Services	-	663,031	663,031
Miscellaneous	5,752	2,327	8,079
WIOA Board	-	627	627
Postage	3,510	29	3,539
Bank Service Charges	2,125	-	2,125
Services Rendered	19,012	3,780	22,792
Bad Debt	195	-	195
Computer Software	1,239	-	1,239
Contract Passthrough	-	2,492,776	2,492,776
Utilities	16,005	-	16,005
Board	26,507	-	26,507
Indirect Costs Allocated	(923,820)	923,820	-
Admin Costs - Off Site	(9,757)	9,757	-
Office Building	197,008	-	197,008
Depreciation	54,389	-	54,389
COVID-19 Supplies	231	5,397	5,628
Total Expenditures	144,828	5,410,347	5,555,175
Excess of Revenues Over (Under) Expenditures	162,780	(100,364)	62,416
<b>OTHER FINANCING SOURCES (USES)</b>			
Operating Transfers In	-	100,364	100,364
Operating Transfers (Out)	(100,364)	-	(100,364)
Total Other Financing Sources (Uses)	(100,364)	100,364	-
Net Change in Fund Balances	62,416	-	62,416
Fund Balances, beginning	1,420,692	-	1,420,692
Fund Balances, ending	\$ 1,483,108	\$ -	\$ 1,483,108

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

**UPPER SAVANNAH 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, 2020**

<b>Net Change in Fund Balances - Total Governmental Funds</b>	<b>\$ 62,416</b>
Amounts reported for Governmental Activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures. However, for governmental activities, those costs are shown in the Statement of Net Position and allocated over the estimated useful lives as depreciation expense in the Statement of Activities. This is the amount by which depreciation exceeded capital outlays in the current period.	(54,389)
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.	50,097
Changes in the Council's net OPEB liability, related deferred outflows of resources, and deferred inflows of resources for the current year related to other post-employment benefits are not reported in the governmental funds but are reported in the Statement of Activities.	<u>(247,310)</u>
<b>Change in Net Position of Governmental Activities</b>	<b><u><u>\$ (189,186)</u></u></b>

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

**UPPER SAVANNAH COUNCIL OF GOVERNMENTS**  
**GOVERNMENTAL FUNDS**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**  
**YEAR ENDED JUNE 30, 2020**

	Budgeted Amounts		Actual	Variance With
	Original	Final	Amounts	Final Budget
<b>REVENUES</b>				
Federal and State Funds	\$ 5,370,765	\$ 5,370,765	\$ 4,669,060	\$ (701,705)
Service Contracts	571,200	571,200	635,313	64,113
Participating Local Governments	153,027	153,027	153,028	1
State Aid to Councils of Governments	40,965	40,965	40,964	(1)
In-Kind Revenue	45,000	45,000	54,389	9,389
Other	41,700	41,700	64,837	23,137
Total Revenues	<u>6,222,657</u>	<u>6,222,657</u>	<u>5,617,591</u>	<u>(605,066)</u>
<b>EXPENDITURES</b>				
Direct Salaries and Release	1,293,635	1,293,635	1,287,360	6,275
Fringe Benefits	530,000	530,000	542,389	(12,389)
Travel and Meetings	28,500	28,500	16,614	11,886
Office Supplies and Printing	12,000	12,000	10,196	1,804
Telephone and Internet	19,600	19,600	18,008	1,592
Computer Software	1,800	1,800	1,239	561
Dues and Subscriptions	25,000	25,000	22,264	2,736
Insurance	23,000	23,000	22,689	311
Bank Service Charges	2,100	2,100	2,125	(25)
Postage	4,000	4,000	3,539	461
Services Rendered	20,000	20,000	22,792	(2,792)
Advertising and Outreach	6,000	6,000	3,498	2,502
Audit Fees	15,000	15,000	14,000	1,000
Utilities	17,000	17,000	16,005	995
Board	35,000	35,000	26,507	8,493
Aging Committee	400	400	-	400
Aging Direct Services	815,865	815,865	556,978	258,887
WIOA Board	2,000	2,000	627	1,373
Workforce Development Direct Services	52,000	52,000	106,053	(54,053)
Furniture and Equipment - Non Capital	1,500	1,500	-	1,500
Furniture and Equipment - Capital	2,000	2,000	-	2,000
COVID - PPE	-	-	5,627	(5,627)
Depreciation	45,000	45,000	54,389	(9,389)
Office Building	189,980	189,980	197,008	(7,028)
Office Equipment Lease and Rental	21,000	21,000	21,459	(459)
Maintenance and Service Agreements	106,000	106,000	97,630	8,370
Auto Payments	4,800	4,800	-	4,800
Transportation Costs	19,000	19,000	5,128	13,872
Miscellaneous	7,000	7,000	8,080	(1,080)
Bad Debt	-	-	195	(195)
Contract Pass-through	2,923,477	2,923,477	2,492,776	430,701
Total Expenditures	<u>6,222,657</u>	<u>6,222,657</u>	<u>5,555,175</u>	<u>667,482</u>
Excess of Revenues Over Expenditures	<u>-</u>	<u>-</u>	<u>62,416</u>	<u>62,416</u>
<b>OTHER FINANCING SOURCES</b>				
Transfer in	-	-	-	-
Total Other Financing Sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	-	-	62,416	62,416
Fund Balances, beginning	1,420,692	1,420,692	1,420,692	-
Fund Balances, ending	<u>\$ 1,420,692</u>	<u>\$ 1,420,692</u>	<u>\$ 1,483,108</u>	<u>\$ 62,416</u>

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

**UPPER SAVANNAH COUNCIL OF GOVERNMENTS**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**JUNE 30, 2020**

	Expendable Trust Revolving Loan Funds
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 18,007
SC Local Government Investment Pool	558,201
Investments	196,923
Note Receivable	7,601,574
Less Allowance for Doubtful Accounts	(155,000)
Total Assets	<u>8,219,705</u>
<b>LIABILITIES</b>	
Due to Other Governments/Providers	<u>89,389</u>
Total Liabilities	<u>89,389</u>
<b>NET POSITION</b>	
Held in Trust	<u><u>\$ 8,130,316</u></u>

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



**UPPER SAVANNAH COUNCIL OF GOVERNMENTS**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**YEAR ENDED JUNE 30, 2020**

	Expendable Trust		Total
	EDA	SSED	Expendable
	RLF	RLF	Trust
<b>ADDITIONS</b>			
Contributions			
Interest	\$ 23,186	\$ 123,421	\$ 146,607
Loan Fees	605	276	881
Total Additions	23,791	123,697	147,488
<b>DEDUCTIONS</b>			
Administrative Expenses			
Fees	15,254	270,000	285,254
Service Charges	38	-	38
RLF-EDA Loan Write Off	(200)	-	(200)
Internal Transfer to Community Foundation	-	159,200	159,200
Total Deductions	15,092	429,200	444,292
Change in Net Position	8,699	(305,503)	(296,804)
Net Position, beginning	617,068	7,810,052	8,427,120
Net Position, ending	\$ 625,767	\$ 7,504,549	\$ 8,130,316

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

# UPPER SAVANNAH COUNCIL OF GOVERNMENTS

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **Reporting Entity**

Upper Savannah Council of Governments (the "Council") is a political subdivision created by the legislature of the State of South Carolina. The Council provides a forum for local governments in the Piedmont area of South Carolina to discuss and implement programs that benefit the area. The Council provides technical assistance to the various county and municipal governments who participate in the Council. The Council serves as an intermediary between the funding source and contract subrecipients on several projects. The Council provides contract services to the local governments for obtaining and administering grants.

The financial statements of the Council include all of the operations of the Council. No other organizations are included in the financial statements, and the Council is not included in any other governmental "reporting entity" as defined by the GASB pronouncement. The criteria used to determine whether or not an organization is included in the financial statements are financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, accountability for fiscal matters, scope of public service, and financing relationships.

#### **Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) 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 taxes and intergovernmental revenues.

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. Other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

#### **Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

The government reports the following major governmental funds:

The *general fund* is the government’s primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *special revenue fund* is used to account for revenues derived from specific sources (other than major capital projects) which are earmarked, because of legal or regulatory provisions or administrative action, to finance specific projects.

Additionally, the Council reports the following fund types:

*Fiduciary funds* account for assets held by the government in a trustee capacity or as an agent on behalf of others. Trust funds account for assets held by the government under the terms of a formal trust agreement.

The *expendable trust funds* are accounted for in essentially the same manner as the governmental fund types, using the same measurement focus and basis of accounting. Expendable trust funds account for assets where both the principal and interest may be spent.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

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.

**Indirect Cost Allocation Plan**

The Council has adopted an indirect cost allocation plan under the provisions of 2 CFR part 200 (“Uniform Guidance”) whereby allowable indirect costs are identified and accumulated in an indirect cost pool and distributed to applicable federal, state, and local grant activities and programs based upon actual indirect cost rates.

The actual indirect cost rate for the year ended June 30, 2020 was computed as follows:

Total Indirect Administrative Costs	=	\$ 923,820	=	
Direct Salaries and Fringe Benefits Charged to Grants, Programs, and Activities		\$ 1,194,152		0.77362

Prior approval of the allocation plan was not required by the Council’s federal cognizant agency. However, in accordance with the Uniform Guidance, the plan is subject to subsequent federal audit or review.

## Assets, Liabilities, and Net Position

### *Cash, Cash Equivalents, and Investments*

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.

State statutes authorize the Council to invest in obligations of the U.S. Treasury and its agencies, obligations of the State of South Carolina or any of its political units, banks and savings and loan associations to the extent secured by the FDIC, certificates of deposit and repurchase agreements where the certificates or agreements are collateralized by obligations of the United States or its agencies or by obligations of the State of South Carolina or any of its political units and no load open-end or closed-end management type registered investment companies or investment trusts whose sole investments are in obligations of the U.S. Treasury and its agencies, or in obligations of the State of South Carolina or any of its political units, or in collateralized repurchase agreements.

Deposits (cash and money market accounts) are carried at cost, which approximates fair value.

All investments are recorded at fair value based on quoted market prices. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties. Management's intent is to hold all investments to maturity.

### *Short-term Interfund Receivables/Payables*

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

### *Notes Receivable*

Noncurrent portions of long-term notes receivable are reported as advances and are offset equally by a fund balance reserve account which indicates that they do not constitute expendable available financial resources and therefore are not available for appropriation.

### *Prepaid Items*

Payments made to vendors for services that will benefit periods beyond the end of the fiscal year are recorded as prepaid items.

### *Capital Assets*

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant, equipment and automobiles are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Leasehold improvements	7-40
Machinery and equipment	5-7
Automobiles	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 position.

### *Unearned Revenue*

The Council reports deferred revenue on its balance sheet. Unearned revenues arise when resources are received by the Council before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods when the Council has a legal claim to the resources, the liability for unearned revenue is removed from the balance sheet and revenue is recognized.

### *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 a cost-sharing multiple-employer plan, measured as of the Council's fiscal yearend. 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.

### **Estimates**

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. Actual results could differ from those estimates.

### **Fund Balance Classifications**

Fund balance is classified in five categories: Nonspendable, Restricted, Committed, Assigned, and Unassigned. Nonspendable fund balances include amounts that are not in spendable form or are legally required to remain intact. Restricted fund balances include amounts that have external restrictions by either grantors, debt covenants, laws, or other governments. Committed fund balances include amounts that are committed to a specific purpose by the Board of Directors. Assigned fund balances include amounts that are constrained by limitations resulting from intended uses as established by the Board of Directors. 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.

Below are the fund balance classifications for the governmental funds at June 30, 2020:

	General Fund	Other Governmental Funds	Total Governmental Funds
Fund Balances			
Unassigned			
Other	\$ 1,483,108	\$ -	\$ 1,483,108
Total Fund Balances	<u>\$ 1,483,108</u>	<u>\$ -</u>	<u>\$ 1,483,108</u>

### **Interfund Transactions**

Quasi-external transactions are accounted for as revenues, expenditures, or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

### **Fair Value Measurement and Application**

The Council categorizes its fair value measurement within the fair value hierarchy established by generally accepted accounting principles and in accordance with GASB Statement No. 72. The hierarchy is based on the valuation inputs used to measure fair value of an asset and gives the highest priority level to Level 1 inputs and the lowest priority to Level 3 inputs. The three levels of the fair value hierarchy are as follows:

Level 1 – Inputs to the valuation methodology are unadjusted quoted process for identical assets or liabilities in active markets that the Council can access at the measurement date.

Level 2 – Inputs to the valuation methodology, other than quoted prices included in Level 1 that are observable for an asset or liability, either directly or indirectly and include:

- Quoted prices for similar assets and liabilities in active markets.
- Quoted prices for identical or similar assets or liabilities in inactive markets.
- Inputs other than quoted market prices that are observable for the asset or liability.
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 – Inputs to the valuation methodology that are unobservable for an asset or liability.

Inputs refer broadly to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information, volatility statistics, specific and broad credit data, liquidity statistics and other factors. Accounting standards require that the fair value determination be based on a maximum use of observable inputs (Levels 1 and 2) and minimum use of unobservable inputs (Level 3). The Council considers observable data to be that market data which is readily available, regularly distributed or updated, reliable and verifiable, not proprietary and provided by independent sources that are actively involved in the relevant market.

The valuation methodologies described above may produce a fair value calculation that may not be indicative of future net realizable values or reflective of future fair values. The Council believes that the valuation methods used are appropriate and consistent with GAAP. The use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date. There have been no significant changes from the prior year in the methodologies used to measure fair value.

## **NOTE 2 – 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 \$(5,330,989) 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 are reported on the government-wide statement in governmental activities column):	\$ 627,034
Less: accumulated depreciation	357,001
Net capital assets	<u>270,033</u>
Liabilities that, because they are not due and payable in the current period, do not require current resources to pay and, therefore, are not recorded in the fund statements:	
Net pension liability	(2,901,018)
Net OPEB liability	(3,558,116)
	<u>(6,459,134)</u>
Deferred outflows and inflows of resources related to pensions and OPEB are applicable to future periods and, therefore, are not reported in the funds:	
Deferred outflows of resources related to pensions	285,477
Deferred outflows of resources related to OPEB	838,662
Deferred inflows of resources related to pensions	(210,587)
Deferred inflows of resources related to OPEB	(55,440)
	<u>858,112</u>
Total adjustments	<u>\$ (5,330,989)</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 (\$251,602) as follows:

Capital outlay expenditures recorded in the fund statements but capitalized as assets in the Statement of Activities.	\$ -
Depreciation expense, the allocation of those assets over their useful lives, that is recorded in the Statement of Activities but not in the fund statements.	(54,389)
Changes in the Council's proportionate share of the net pension liability, deferred outflows of resources, and deferred inflows of resources for the current year for its participation in the State retirement plans are not reported in the governmental funds but are reported in the Statement of Activities.	50,097
Changes in the Council's net OPEB liability, deferred outflows of resources, and deferred inflows of resources for the current year related to other post-employment benefits are not reported in the governmental funds but are reported in the Statement of Activities.	<u>(247,310)</u>
Total adjustments	<u>\$ (251,602)</u>

### **NOTE 3 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

#### **Budgetary Information**

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. A single annual appropriated budget is adopted for the general fund and the special revenue funds combined. All annual appropriations lapse at fiscal yearend. The budget was not amended during the year.

### **NOTE 4 – DETAILED NOTES ON ALL FUNDS**

#### **Deposits and Investments**

The Council's cash is maintained in demand deposits, savings accounts, and money market accounts. The Council currently holds investments in the following types of financial instruments:

- Bank certificates of deposit are generally low-risk savings instruments that pay interest at a fixed rate that is typically higher than the rates offered for a regular savings account. Bank CDs are considered low-risk because they are FDIC-insured.
- Agency securities are securities that are generally backed by mortgage loans, and due to their creation from particular corporations that are sponsored by the U.S. government, they enjoy credit protection based on either an implicit or explicit guarantee from the U.S. government.
- Money market mutual funds are generally open-ended funds that invest in short term debt securities (including obligations of the United States and related agencies) that generally have a weighted average maturity of 60 days or less and do not invest more than 5% in any one issuer, except for government securities and repurchase agreements.
- South Carolina Local Government Investment Pool ("LGIP" or "Pool") investments are invested with the South Carolina State Treasurer's Office, which established the South Carolina Pool pursuant to Section 6-6-10 of the South Carolina Code. The Pool is an investment trust fund, in which public monies in excess of current needs, which are under the custody of any Council treasurer or any governing body of a political subdivision of the State, may be deposited. In accordance with GASB Statement No. 31 *"Accounting and Financial Reporting for Certain Investments and for External Investment Pools"*, investments are carried at fair value determined annually based upon quoted market prices for identical or similar investments or observable inputs other than quoted market prices. The total fair value of the Pool is apportioned to the entities with funds



invested on an equal basis for each share owned, which are acquired at a cost of \$1.00. Funds may be deposited by Pool participants at any time and may be withdrawn upon 24 hours' notice. Financial statements for the Pool may be obtained by writing the Office of State Treasurer, Local Government Investment Pool, P.O. Box 11778, Columbia, South Carolina 29211-1960.

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.

## Deposits

**Custodial Credit Risk for Deposits:** Custodial credit risk for deposits is the risk that, in the event of a bank failure, the Council's deposits might not be recovered. The Council's policy is that all deposits in excess of federal insurance amounts be collateralized with securities held by the pledging financial institution in the Council's name. As of June 30, 2020, none of the Council's bank balances of \$569,380, which had a carrying value of \$511,593, were exposed to custodial credit risk.

## Investments

As of June 30, 2020, the Council had the following investments:

Investment Type	Fair Value Level (1)	Fair Value
South Carolina Pooled Investment Fund	Not Applicable	\$ 745,469
Bank CDs	Level 1	128,413
Agency Securities	Level 2	113,519
Money Market Mutual Funds	Level 1	183,706
Mutual Funds and Exchange Traded Funds (Fiduciary)	Level 1	512,924
Total		<u>\$ 1,684,031</u>

(1) See Note 1 for details of the Council's value hierarchy

**Interest Rate Risk:** The Council's investment policy is to mitigate interest rate risk and ensure the preservation of capital in the overall portfolio. The policy does not place a limit on its investment maturities to help manage the Council's exposure to fair value losses from increasing interest rates. Investments in securities in agencies related to the U.S. government and bank CDs earn interest at a stated fixed rate and are normally held until maturity when the full principal and interest amount is paid to the Council. All of the Council's investments had maturities of less than five years as of June 30, 2020.

**Credit Risk for Investments:** The Council's investment policy requires that the portfolio consist largely of securities with active secondary or resale markets. In addition, a portion of the portfolio may be placed in the South Carolina Pooled Investment Fund. This fund is unrated. The investments in agency securities and money market mutual funds are related to the U.S. government and earn the highest credit ratings from both Moody's and S&P.

**Custodial Credit Risk for Investments:** Custodial credit risk for investments is the risk that, in the event of a bank failure, the government 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 policy requires that securities be held by a third-party custodian in the name of the Council. As of June 30, 2020, none of the Council's security investments were exposed to custodial credit risk.

**Concentration of Credit Risk:** The Council's investment policy places no limit on the amount it may invest in any one issuer. Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds and external investment pools are excluded from this disclosure requirement. No other investments exceeded 6% of the total as of June 30, 2020.

### Reconciliation to the Financial Statements

A reconciliation of cash and investments as shown in the statements of net position is as follows:

Description	Amount
Cash on hand	\$ 65
Carrying value of deposits	511,593
Fair value of investments	1,684,031
Total cash on hand, deposits, and investments	<u>\$ 2,195,689</u>
Statement of Net Position	
Cash and cash equivalents	\$ 493,651
SC Local Government Investment Pool	187,268
Investments	741,639
Total cash and investments - governmental activities	<u>1,422,558</u>
Statement of Fiduciary Net Position	
Cash and cash equivalents	18,007
SC Local Government Investment Pool	558,201
Investments - Expendable Trust	196,923
Total cash and investments - fiduciary funds	<u>773,131</u>
Total cash and investments	<u>\$ 2,195,689</u>

### Capital Assets

Capital asset activity for the year ended June 30, 2020 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental activities</b>				
Capital assets, not being depreciated:				
Construction in progress	\$ -	\$ -	\$ -	\$ -
Total capital assets, not being depreciated	-	-	-	-
Capital assets, being depreciated:				
Leasehold improvements	265,525	-	-	265,525
Machinery and equipment	255,203	-	(7,441)	247,762
Automobiles	113,747	-	-	113,747
Total capital assets, being depreciated	634,475	-	(7,441)	627,034
Less accumulated depreciation for:				
Leasehold improvements	(72,564)	(18,077)	-	(90,641)
Machinery and equipment	(140,569)	(32,191)	7,441	(165,319)
Automobiles	(96,920)	(4,121)	-	(101,041)
Total accumulated depreciation	(310,053)	(54,389)	7,441	(357,001)
Total capital assets, being depreciated, net	324,422	(54,389)	-	270,033
Governmental activities, capital assets, net	\$ 324,422	\$ (54,389)	\$ -	\$ 270,033

In the fund financial statements, depreciation is charged to operations as allowable indirect costs with corresponding amounts recognized as in-kind revenue. This is a departure from accounting principles generally accepted in the United States of America applicable to governmental fund accounting but is made necessary by the requirements of the funding agencies in order for the Council to obtain reimbursement for its capital expenditures. Management is of the opinion that the effect to the financial statements is immaterial over time.

### Notes Receivable

Notes receivable at June 30, 2020 are as follows:

Revolving Loan Funds	\$ 7,601,574
Less: Reserve for Doubtful Accounts	(155,000)
Total, Net of Reserve for Doubtful Accounts	<u>\$ 7,446,574</u>
Current Portion	\$ 394,462
Noncurrent Portion	7,052,112
	<u>\$ 7,446,574</u>

These notes are reported as part of the expendable trust.

### NOTE 5 – EMPLOYEE BENEFITS – RETIREMENT

The South Carolina Public Employee Benefit Authority (PEBA), which was created July 1, 2012 and governed by an 11-member Board, 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. The Retirement Funding and Administration Act of 2017, which became effective July 1, 2017, increased the employer and employee contribution rates, established a ceiling on the SCRS and PORS employee contribution rates, lowered the assumed rate of return, required a scheduled reduction of the funding periods, and addressed various governance issues including the assignment of the PEBA Board as custodian of the retirement trust funds and assignment of the RSIC and PEBA as co-trustees of the assets of the retirement trust funds. By law, the State Fiscal Accountability Authority (SFAA), consists of five elected officials, also review 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 a Comprehensive Annual Financial Report (CAFR) containing financial statements and required supplementary information for the Systems' Pension Trust Funds. The CAFR is publicly available through the Retirement Benefits' link on PEBA's website at [www.peba.sc.gov](http://www.peba.sc.gov), or a copy may be obtained by submitting a request to PEBA, 202 Arbor Lake Drive, Columbia, SC 29223. PEBA is considered a division of the primary government of the state of South Carolina and therefore, retirement trust fund financial information is also included in the comprehensive annual financial report of the state.

## **Plan Descriptions**

- The South Carolina Retirement System (SCRS), a cost-sharing multiple-employer defined benefit pension plan, was established effective July 1, 1945, pursuant to the provisions of Section 9-1-20 of the South Carolina Code of Laws for the purpose of providing retirement allowances and other benefits for teachers and employees of the state and its political subdivisions. SCRS covers employees of state agencies, public school districts, higher education institutions, other participating local subdivision of government and individuals newly elected to the South Carolina General Assembly at or after the 2012 general elections.
- The State Optional Retirement Program (State ORP) is a defined contribution plan that is offered as an alternative to SCRS to certain newly hired employees of state agencies, institutions of higher education, public school districts and individuals first elected to the 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 record keepers.
- The South Carolina Police Officers Retirement System (PORS), a cost-sharing multiple-employer defined benefit pension plan, was established effective 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 for police officers and firemen. 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, newly hired state, public school, and higher education employees and individuals newly elected to the S.C. General Assembly beginning with the November 2012 general election have the option to participate in the State ORP. PEBA assumes no liability for State ORP benefits. Rather, the benefits are the liability of the four third party record keepers. For this reason, State ORP assets are not part of the retirement systems' trust funds for financial statement purposes. Contributions to the State ORP are at the same rates as SCRS. A direct remittance is required from the employer to the member's account with the ORP vendor for the employee contribution and a portion of the employer contribution (5 percent). A direct remittance is also required to SCRS for the remaining portion of the employer contribution and an incidental death benefit contribution, if applicable, which is retained by SCRS.
- 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, 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 through July 1, 2022. If the scheduled contributions are not sufficient to meet the funding periods set in state statute, the board shall increase the employer contribution rates as necessary to meet the funding periods set for the applicable year. The maximum funding period of SCRS and PORS is scheduled to be reduced over a ten-year schedule from 30 years beginning fiscal year 2018 to 20 years by fiscal year 2028.

Additionally, the Board is prohibited from decreasing the SCRS and PORS contribution rates until the funded ratio is at least 85 percent. If the most recent annual actuarial valuation of the Systems for funding purposes shows a ratio of the actuarial value of system assets to the actuarial accrued liability of the system (the funded ratio) that is equal to or greater than 85 percent, then the board, effective on the following July first, may decrease the then current contribution rates upon making a finding that the decrease will not result in a funded ratio of less than 85 percent. If contribution rates are decreased pursuant to this provision, and the most recent annual actuarial valuation of the system shows a funded ratio of less than 85 percent, then effective on the following July first, and annually thereafter as necessary, the board shall increase the then current contribution rates until a subsequent annual actuarial valuation of the system shows a funded ratio that is equal to or greater than 85 percent.

Required employee contribution rates<sup>1</sup> are as follows:

	<u>Fiscal Year 2020<sup>1</sup></u>	<u>Fiscal Year 2019<sup>1</sup></u>
<b>SCRS</b>		
Employee Class Two	9.00%	9.00%
Employee Class Three	9.00%	9.00%
<b>State ORP</b>		
Employee	9.00%	9.00%
<b>PORS</b>		
Employee Class Two	9.75%	9.75%
Employee Class Three	9.75%	9.75%

Required employer contribution rates<sup>1</sup> are as follows:

	<u>Fiscal Year 2020<sup>1</sup></u>	<u>Fiscal Year 2019<sup>1</sup></u>
<b>SCRS</b>		
Employee Class Two	15.41%	14.41%
Employee Class Three	15.41%	14.41%
Employer Incidental Death Benefit	0.15%	0.15%
<b>State ORP</b>		
Employee <sup>2</sup>	15.41%	14.41%
Employer Incidental Death Benefit	0.15%	0.15%
<b>PORS</b>		
Employee Class Two	17.84%	16.84%
Employee Class Three	17.84%	16.84%
Employer Incidental Death Benefit	0.20%	0.20%
Employer Accidental Death Program	0.20%	0.20%

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

(2) Of this employer contribution, 5% of earnable compensation must be remitted by the employer directly to the ORP vendor to be allocated to the member's account with the remainder of the employer contribution remitted to the SCRS.

### **Actuarial Assumptions and Methods**

Actuarial valuations of the plan involves 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 one in each five-year period. An experience report on the Systems was most recently issued as of June 30, 2015.

The June 30, 2019, total pension liability (TPL), net pension liability (NPL), and sensitive information shown in this report were determined by our consulting actuary, Gabriel, Roeder, Smith and Company (GRS) and are based on an actuarial valuation performed as of July 1, 2018. The total pension liability was rolled-forward from the valuation date to the plans' fiscal year end, June 30, 2019, using generally accepted actuarial principles.

The following table provides a summary of the actuarial assumptions and methods used to calculate the TPL as of June 30, 2019:

	SCRS	PORS
	Entry age normal	Entry age normal
Actuarial Cost Method	7.25%	7.25%
Investment rate of return <sup>1</sup>	3.0% to 12.5% (varies by service) <sup>1</sup>	3.5% to 9.5% (varies by service) <sup>1</sup>
Projected salary increases	Lesser of 1% or \$500 annually	Lesser of 1% or \$500 annually
Benefit adjustments		
<sup>1</sup> Includes inflation at 2.25%		

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

Assumptions used in the determination of the June 30, 2019, TPL are as follows:

Former Job Class	Males	Females
Educators	2016 PRSC Males multiplied by 92%	2016 PRSC Females multiplied by 98%
General Employees and Members of the General Assembly	2016 PRSC Males multiplied by 100%	2016 PRSC Females multiplied by 111%
Public Safety and Firefighters	2016 PRSC Males multiplied by 125%	2016 PRSC Females multiplied by 111%

### Net Pension Liability

The NPL is calculated separately for each system and represents that particular system's TPL determined in accordance with GASB No. 67 less that System's fiduciary net position. NPL totals, as of June 30, 2019, for SCRS and PORS are presented below:

System	Total Pension Liability	Plan Fiduciary Net Position	Employers' Net Position Liability (Asset)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
SCRS	\$ 50,073,060,256	\$ 27,238,916,138	\$ 22,834,144,118	54.4%
PORS	\$ 7,681,749,768	\$ 4,815,808,554	\$ 2,865,941,214	62.7%

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 rate 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 revised target asset allocation adopted beginning at the beginning of the 2019 fiscal year. The long-term expected rate of return is produced by weighting the expected future real rates of return by the target allocation percentage and adding expected inflation and is summarized in the table below. For actuarial purposes, the 7.25 percent assumed annual investment rate of return used in the calculation of the TPL includes a 5.00 percent real rate of return and a 2.25 percent inflation component.

<b>Asset Class</b>	<b>Target Asset Allocation</b>	<b>Expected Arithmetic Real Rate of Return</b>	<b>Long-term Expected Portfolio Real Rate of Return</b>
<b>Global Equity</b>	<b>51.0%</b>		
Global public equity	35.0%	7.29%	2.55%
Private equity	9.0%	7.67%	0.69%
Equity option strategies	7.0%	5.23%	0.37%
<b>Real Assets</b>	<b>12.0%</b>		
Real estate (private)	8.0%	5.59%	0.45%
Commodities (REITs)	1.0%	8.16%	0.08%
Infrastructure (Private)	2.0%	5.03%	0.10%
Infrastructure (Public)	1.0%	6.12%	0.06%
<b>Opportunistic</b>	<b>8.0%</b>		
Global Tactical Asset Allocation	7.0%	3.09%	0.22%
Other opportunistic strategies	1.0%	3.82%	0.04%
<b>Credit</b>	<b>15.0%</b>		
High yield Bonds/Bank Loans	4.0%	3.14%	0.13%
Emerging markets debt	4.0%	3.31%	0.13%
Private debt	7.0%	5.49%	0.38%
<b>Rate Sensitive</b>	<b>14.0%</b>		
Core fixed income	13.0%	1.62%	0.21%
Cash and short duration (net)	1.0%	31.00%	0.00%
Total expected real return	100.0%		5.41%
Inflation for actuarial purposes			2.25%
Total expected nominal return			7.66%

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

At June 30, 2020, the Council reported a liability of \$2,901,018 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, 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, 2020, the Council recognized pension expense totaling \$149,242, which consisted of contributions to the System of \$199,339 and a reduction of expense of \$50,097, as a result of the decrease in net pension liability related to GASB 68 requirements. At June 30, 2020, the Council reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,994	\$ 20,840
Changes of assumptions	58,460	-
Net difference between projected and actual earnings on pension plan investments	25,684	-
Changes in proportionate share and differences between Council contributions and proportionate share of total employer plan contributions	-	189,747
Council contributions subsequent to the measurement date	199,339	-
Total	<u>\$ 285,477</u>	<u>\$ 210,587</u>

\$(199,339) reported as deferred outflows of resources related to pensions resulting from Council contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020.

The following schedule reflects the amortization of the net balance of remaining deferred outflows/(inflows) of resources at the measurement date. Average remaining service lives of all employees provided with pensions through the pension plan at the measurement date was 4.026 years for SCRS.

Measurement Period Ending June 30,	
2020	\$ (30,911)
2021	(30,911)
2022	(30,911)
2023	(30,911)
2024	(805)
Net Balance of Deferred Outflows/(Inflows) of Resources	<u>\$ (124,449)</u>

### Discount Rate

The discount rate used to measure the TPL was 7.25 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers in SCRS 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 Systems' fiduciary net position was projected to be available to make all the projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL.

## Sensitivity Analysis

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

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

System	1.00% Decrease (6.25%)	Current Discount Rate (7.25%)	1.00% Increase (8.25%)
SCRS	\$ 3,654,676	\$ 2,901,018	\$ 2,272,047

### *Pension Plan Fiduciary Net Position*

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

## **NOTE 6 – POST-EMPLOYMENT BENEFITS**

### **Plan Description and Funding Policy**

The Council maintains an Investment Trust for Retiree Health Plan and eligible retirees are allowed to continue coverage in accordance with the Council's Other Postemployment Benefits (OPEB) Substantive Plan, a single-employer defined benefit plan. It is the Council's policy to periodically review its medical coverage in order to provide the most favorable yet affordable benefits and premiums for Council employees and retirees.

The required contributions are based on projected pay-as-you-go financing requirements. For fiscal year 2020, the Council contributed \$0 to the plan. As of June 30, 2019, there were approximately five retirees receiving health benefits from the Council's plan. The Council's plan does not issue a stand-alone financial report.

### **Relationship Between Valuation Date, Measurement Date and Reporting Date**

The Valuation Date is July 1, 2019. This is the date as of which the actuarial valuation is performed. The Measurement Date is June 30, 2020. This is the date as of which the net OPEB liability is determined. The Reporting Date is June 30, 2020. This is the plan's and/or employer's fiscal year ending date.

### **Significant Changes**

There have been no significant changes between the valuation date and fiscal yearend.

### **Participant Data as of July 1, 2018**

Actives	25
Retirees	5
Beneficiaries	-
Spouses of Retirees	-
Total	<u>30</u>

## Total OPEB Liability

Total OPEB Liability	June 30, 2020
Total OPEB Liability	\$ 3,558,116
Covered payroll	1,369,580
Total OPEB liability as a % of covered payroll	259.80%

The total OPEB liability was determined by an actuarial valuation as of the valuation date, calculated based on the discount rate and actuarial assumptions below, and was then projected forward to the measurement date. Any significant changes during this period have been reflected as prescribed by GASB 74 and 75.

### Discount Rate

Discount rate	2.21%
20 Year Tax-Exempt Municipal Bond Yield	2.21%

The discount rate was based on the Bond Buyer General Obligation 20-Bond Municipal Index.

### Other Key Actuarial Assumptions

The plan has not had a formal actuarial experience study performed.

Valuation date	July 1, 2019
Measurement date	June 30, 2020
Actuarial cost method	Entry Age Normal
Inflation	2.30%
Medical Trend Rate	6.30% - 4.10% over 67 years
Salary increases including inflation	3.5% plus a merit- based graded scale

### Changes in Total OPEB Liability

Changes in Total OPEB Liability	Increase (Decrease) Total OPEB Liability
Balance as of June 30, 2019	\$ 2,785,723
Changes for the year:	
Service cost	53,126
Interest on total OPEB liability	98,430
Effect of plan changes	-
Effect of economic/demographic gains or losses	-
Effect of assumptions changes or inputs	674,368
Benefit payments	(53,531)
Balance as of June 30, 2020	<u>\$ 3,558,116</u>

### Sensitivity Analysis

The following presents the total OPEB liability of the Council, calculated using the discount rate of 2.21%, as well as what the Council's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.21%) or 1 percentage point higher (3.21%) than the current rate.

	1% Decrease 1.21%	Discount Rate 2.21%	1% Increase 3.21%
Total OPEB liability	\$ 4,230,571	\$ 3,558,116	\$ 3,019,399

The following presents the total OPEB liability of the Council, calculated using the current healthcare cost trend rates as well as what the Council's total OPEB liability would be if it were calculated using trend rates that are 1 percentage point lower or 1 percentage point higher than the current trend rates.

	1% Decrease	Current Trend	1% Increase
Total OPEB liability	\$ 2,928,408	\$ 3,558,116	\$ 4,362,860

## OPEB Expense

OPEB Expense	July 1, 2019 to June 30, 2020
Service cost	\$ 53,126
Interest on total OPEB liability	98,430
Effect of plan changes	-
Recognition of Deferred Inflows/Outflows of Resources	
Recognition of economic/demographic gains or losses	59,276
Recognition of assumption changes or inputs	90,009
OPEB Expense	<u>\$ 300,841</u>

As of June 30, 2020, the deferred inflows and outflows of resources are as follows:

Deferred Inflows/Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources
Difference between expected and actual experience	\$ -	\$ 278,594
Changes of assumptions	(55,440)	560,068
Total	<u>\$ (55,440)</u>	<u>\$ 838,662</u>

Amounts currently reported as deferred outflows of resources and deferred inflows of resources related to other postemployment benefits will be recognized in OPEB expense as follows:

Year ended June 30:	
2021	\$ 149,285
2022	149,286
2023	171,036
2024	171,036
2025	142,579
Thereafter	-
	<u>\$ 783,222</u>

### NOTE 7 – OTHER INFORMATION

#### **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.

### **Related Party Transactions**

Upper Savannah Development Corporation, a not-for-profit Corporation, was formed by the Council's Board of Directors to further the economic development of the Upper Savannah region and to promote and assist in the growth and development of small business concerns in the region.

The Upper Savannah Development Corporation entered into a construction contract in October 2013 to build a new office building to house the Upper Savannah Council of Governments. State law establishing councils of governments does not specifically include a provision to borrow money. As a result, attorneys have advised that the Upper Savannah Development Corporation should own the building and lease it to the Council of Governments. To accomplish this, the Upper Savannah Development Corporation borrowed \$2,300,000 to finance the construction and furnishing of the building.

The Upper Savannah Council of Governments has entered into a lease agreement with the Upper Savannah Development Corporation, with lease payments being equal to required debt service and fee payments on the Upper Savannah Development Corporation's loans. The term of the lease also coincides with the terms of the loans.

### **Risk Management**

The Council is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Council has joined together with municipalities in the state to form the South Carolina Association of Counties (SCAC), a public entity risk pool operating as a common risk management and insurance program for worker's compensation. The Council pays a quarterly premium to SCAC. However, if the Council's losses exceed the initial premium, it is assessed an additional amount to fully reimburse the insurer for the losses, but if the premium exceeds the losses, the Council receives a refund.

SCAC members accept the responsibility for normal claims, while catastrophic accidents (over \$250,000) are reinsured through an insurance company. Interest earned on premiums maintain a contingency reserve fund. When approved by the South Carolina Worker's Compensation Commission (SCWCC), these earnings may be returned to members as dividends. Payments of premiums are paid out of general operating funds. The Council maintains a commercial insurance policy for its employee dishonesty bond. Coverage for tort liability, multi-peril and auto insurance are also provided through the South Carolina Association of Counties.

There were no significant reductions in insurance coverage from coverage in the prior year. Settlements have not exceeded insurance coverage for the year ended June 30, 2020.

### **NOTE 8 – SUBSEQUENT EVENTS**

In March 2020, the World Health Organization declared the novel Coronavirus (COVID-19) outbreak a public health emergency. The full effect on the Council's financial condition cannot be determined at this time.

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.

## **REQUIRED SUPPLEMENTARY INFORMATION**



UPPER SAVANNAH COUNCIL OF GOVERNMENTS

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

	2020	2019	2018	2017	2016	2015
<u>SCRS</u>						
Contractually required contribution	\$ 199,339	\$ 193,323	\$ 185,348	\$ 155,019	\$ 156,152	\$ 164,303
Contributions in relation to the contractually required contribution	(199,339)	(193,323)	(185,348)	(155,019)	(156,152)	(164,303)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Council's covered-employee payroll	\$ 1,293,567	\$ 1,341,586	\$ 1,382,165	\$ 1,358,625	\$ 1,431,274	\$ 1,528,399
Contributions as a percentage of covered-employee payroll	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.

UPPER SAVANNAH COUNCIL OF GOVERNMENTS

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

	2020	2019	2018	2017	2016	2015
<u>SCRS</u>						
Council's proportion of the net pension liability	0.013%	0.013%	0.014%	0.015%	0.018%	0.017%
Council's proportionate share of the net pension liability	\$ 2,901,018	\$ 2,988,573	\$ 3,031,413	\$ 3,156,986	\$ 3,424,756	\$ 3,017,913
Council's covered-employee payroll	\$ 1,341,586	\$ 1,382,165	\$ 1,358,625	\$ 1,431,274	\$ 1,528,399	\$ 1,591,404
Council's proportionate share of the net pension liability as a percentage of its covered-employee payroll	216.2%	216.2%	223.1%	220.6%	224.1%	189.6%
Plan fiduciary net position as a percentage of the total pension liability	54.4%	54.1%	53.3%	52.9%	57.0%	59.9%

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.

UPPER SAVANNAH COUNCIL OF GOVERNMENTS

NOTES TO PENSION REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2020

**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, 2019, 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, 2020 reported in that schedule can be found in Note 5 of the basic financial statements.

**UPPER SAVANNAH COUNCIL OF GOVERNMENTS**  
**SCHEDULE OF CHANGES IN TOTAL OPEB**  
**LIABILITY AND RELATED RATIOS**  
**FOR THE PAST THREE FISCAL YEARS**

	JUNE 30,		
	2020	2019	2018
<b>Total OPEB Liability</b>			
Service cost	\$ 53,126	\$ 42,642	\$ 45,146
Interest on total OPEB liability	98,430	90,556	84,876
Effect of plan changes	-	-	-
Effect of economic/demographic gains/(losses)	-	397,146	-
Effect of assumption changes or inputs	674,368	(17,019)	(108,754)
Benefit payments	(53,531)	(49,366)	(49,949)
Net Change in Total OPEB Liability	772,393	463,959	(28,681)
Total OPEB liability, beginning	2,785,723	2,321,764	2,350,445
Total OPEB liability, ending	3,558,116	2,785,723	2,321,764
Covered payroll	\$ 1,369,580	\$ 1,369,580	\$ 1,431,300
Total OPEB liability as a % of covered payroll	259.80%	203.40%	162.21%

\* For years following the valuation date (when no new valuation is performed), covered payroll has been set equal to the covered payroll from the most recent valuation.

<p>This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.</p>
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**UPPER SAVANNAH COUNCIL OF GOVERNMENTS  
SCHEDULE OF NET OPEB LIABILITY  
FOR THE PAST THREE FISCAL YEARS**

	<b>JUNE 30,</b>		
	<b>2020</b>	<b>2019</b>	<b>2018</b>
Total OPEB Liability	\$ 3,558,116	\$ 2,785,723	\$ 2,321,764
Plan fiduciary net position	-	-	-
Net OPEB Liability	\$ 3,558,116	\$ 2,785,723	\$ 2,321,764
Plan fiduciary net position as a percentage of the total OPEB liability	0%	0%	0%
Covered Payroll*	\$ 1,369,580	\$ 1,369,580	\$ 1,431,300
Net OPEB liability as a percentage of covered payroll	259.80%	203.40%	162.21%

\* For years following the valuation date (when no new valuation is performed), covered payroll has been set equal to the covered payroll from the most recent valuation.

<p>This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.</p>
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## **SUPPLEMENTARY INFORMATION**

**UPPER SAVANNAH COUNCIL OF GOVERNMENTS**  
**SCHEDULE OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCE - GENERAL FUND**  
**YEAR ENDED JUNE 30, 2020**

	Local Direct Costs	Allocable Indirect Costs	Total
<b>REVENUES</b>			
Participating Local Governments	\$ 153,028	\$ -	\$ 153,028
State Aid to Councils of Governments	40,964	-	40,964
In-kind Revenue	54,389	-	54,389
Other Revenue	59,227	-	59,227
Total Revenues	<u>307,608</u>	<u>-</u>	<u>307,608</u>
<b>EXPENDITURES</b>			
Direct Salaries and Release	-	383,366	383,366
Fringe Benefits	-	161,519	161,519
Travel and Meetings	1,884	4,818	6,702
Transportation Costs	-	5,128	5,128
Office Supplies and Printing	240	8,502	8,742
COVID - PPE	231	-	231
Telephone and Internet	2,059	15,739	17,798
Dues and Subscriptions	13,188	6,615	19,803
Insurance	-	20,919	20,919
Bank Service Charges	2,125	-	2,125
Computer Software	-	1,239	1,239
Miscellaneous	4,337	1,415	5,752
Postage	-	3,510	3,510
Services Rendered	-	19,012	19,012
Advertising and Outreach	78	20	98
Indirect Costs Allocated	-	(923,820)	(923,820)
Admin Costs - Off Site	-	(9,757)	(9,757)
Audit Fees	-	14,000	14,000
Utilities	-	16,005	16,005
Board	9,393	17,114	26,507
Depreciation	29,020	25,369	54,389
Office Building	82,078	114,930	197,008
Office Equipment Lease and Rental	-	21,459	21,459
Maintenance and Service Agreements	-	92,898	92,898
Bad Debt	195	-	195
Total Expenditures	<u>144,828</u>	<u>-</u>	<u>144,828</u>
Excess of Revenues Over Expenditures	<u>162,780</u>	<u>-</u>	<u>162,780</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Operating Transfers In	-	-	-
Operating Transfers (Out)	(100,364)	-	(100,364)
Total Other Financing Sources (USES)	<u>(100,364)</u>	<u>-</u>	<u>(100,364)</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	62,416	-	62,416
Fund Balance, beginning	<u>1,420,692</u>	<u>-</u>	<u>1,420,692</u>
Fund Balance, ending	<u>\$ 1,483,108</u>	<u>\$ -</u>	<u>\$ 1,483,108</u>

**UPPER SAVANNAH COUNCIL OF GOVERNMENTS**  
**COMBINING BALANCE SHEET SCHEDULE -**  
**SPECIAL REVENUE PROJECTS**  
**JUNE 30, 2020**

	Special Revenue Projects					
	Workforce Investment Act	Aging	Economic Development	Government Services	Community Development	Totals
<b>ASSETS</b>						
Cash	\$ -	\$ 197,958	\$ -	\$ 22,990	\$ -	\$ 220,948
Due from Other Governments and Providers	205,067	329,965	114,901	23,934	116,398	790,265
Due from Other Funds	44,086	102,355	-	350	126	146,917
Total Assets	<u>\$ 249,153</u>	<u>\$ 630,278</u>	<u>\$ 114,901</u>	<u>\$ 47,274</u>	<u>\$ 116,524</u>	<u>\$ 1,158,130</u>
<b>Liabilities</b>						
Accounts Payable	\$ 236,224	\$ 139,238	\$ 140	\$ 350	\$ 257	\$ 376,209
Due to Other Funds	12,929	293,102	114,761	23,934	116,267	560,993
Deferred Revenue	-	197,938	-	22,990	-	220,928
Total Liabilities	<u>\$ 249,153</u>	<u>\$ 630,278</u>	<u>\$ 114,901</u>	<u>\$ 47,274</u>	<u>\$ 116,524</u>	<u>\$ 1,158,130</u>



**UPPER SAVANNAH COUNCIL OF GOVERNMENTS**  
**SCHEDULE OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES - SPECIAL REVENUE PROJECTS**  
**YEAR ENDED JUNE 30, 2020**

	Special Revenue Projects						
	Workforce Investment Act	Aging	Economic Development	Government Services	Community Development	Other Special Revenue Projects	Totals
<b>REVENUES</b>							
Federal and State Funds	\$ 1,760,020	\$ 1,912,392	\$ 77,266	\$ 85,000	\$ -	\$ -	\$ 3,834,678
State Funds Aging	-	422,371	-	-	-	-	422,371
State Match Aging	-	438,522	-	-	-	-	438,522
Service Contracts	-	-	317,356	6,500	284,946	-	608,802
Other	2,851	2,759	-	-	-	-	5,610
Total Revenues	1,762,871	2,776,044	394,622	91,500	284,946	-	5,309,983
<b>EXPENDITURES</b>							
Direct Salaries and Release	220,768	341,752	149,249	78,334	111,518	2,373	903,994
Fringe Benefits	93,014	143,987	62,881	33,004	46,984	1,000	380,870
Travel and Meetings	4,213	3,399	527	615	650	508	9,912
Office Supplies and Printing	895	553	-	-	6	-	1,454
Maintenance and Service Agreements	1,559	1,733	1,440	-	-	-	4,732
Telephone and Internet	-	210	-	-	-	-	210
Dues and Subscriptions	673	1,090	444	251	3	-	2,461
Advertising and Outreach	-	-	-	101	3,164	135	3,400
Insurance	1,770	-	-	-	-	-	1,770
Direct Services	106,053	556,978	-	-	-	-	663,031
Miscellaneous	552	1,036	739	-	-	-	2,327
WIOA Board	627	-	-	-	-	-	627
Postage	-	11	-	-	-	18	29
Services Rendered	380	2,500	-	900	-	-	3,780
Furniture and Equipment - Capital	-	-	-	-	-	-	-
Contract Passthrough	1,116,707	1,376,069	-	-	-	-	2,492,776
Indirect Costs Allocated	211,181	337,168	164,109	86,133	122,621	2,608	923,820
Admin Costs - Off Site	4,479	5,278	-	-	-	-	9,757
COVID-19 Supplies	587	4,810	-	-	-	-	5,397
Total Expenditures	1,763,458	2,776,574	379,389	199,338	284,946	6,642	5,410,347
Excess of Revenues Over (Under) Expenditures							
Before Required Match	(587)	(530)	15,233	(107,838)	-	(6,642)	(100,364)
Required Match	-	-	51,512	21,250	-	-	72,762
<b>OTHER FINANCING SOURCES (USES)</b>							
Operating Transfers In	589	775	1,041	86,588	-	6,642	95,635
Operating Transfers (Out)	(2)	(245)	(67,786)	-	-	-	(68,033)
Total Other Financing Sources (Uses) and Required Match	587	530	(15,233)	107,838	-	6,642	100,364
Net Change in Fund Balances	-	-	-	-	-	-	-
FUND BALANCES, beginning	-	-	-	-	-	-	-
FUND BALANCES, ending	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

## **SINGLE AUDIT SECTION**

UPPER SAVANNAH COUNCIL OF GOVERNMENTS

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED JUNE 30, 2020**

<b>Federal Grantor/Pass-Through Grantor/ Program or Cluster Title</b>	<b>Pass-Through Entity Identifying Number</b>	<b>Federal CFDA Number</b>	<b>Federal Disbursements/ Expenditures</b>
<b><u>U.S. Department of Commerce</u></b>			
Direct - Economic Development Administration:			
Economic Development Cluster			
Economic Development RLF - Expendable Trust Fund	04-39-03542	11.307	\$ 387,932
Other Economic Development Programs			
Economic Development Assistance	ED19ATL3020001	11.302	77,266
Total U.S. Department of Commerce			<u>465,198</u>
<b><u>U.S. Department of Labor</u></b>			
Passed Through S.C. Department of Employment and Workforce:			
WIA/WIOA Cluster			
WIOA Adult - Admin	18A002	17.258	47,450
WIOA Adult - Program	18A002	17.258	132,835
WIOA Adult - Reentry Navigator	18RNG02	17.258	63,582
WIOA Adult - Admin	19A002	17.258	27,015
WIOA Adult - Program	19A002	17.258	253,700
WIOA Adult - SETA Conference	19SET02	17.258	3,692
WIOA Adult - SC Works Outreach	19OUT02	17.258	4,979
WIOA Dislocated Worker - Admin	18DW002	17.278	57,421
WIOA Dislocated Worker - Program	18DW002	17.278	252,522
WIOA Dislocated Worker - Admin	19DW002	17.278	18,047
WIOA Dislocated Worker - Program	19DW002	17.278	302,541
WIOA Dislocated Worker - Incumbent Wkr Training	19RRIWT01	17.278	37,500
WIOA Dislocated Worker - Rapid Response	18RRA002	17.278	17,709
WIOA Youth - Admin	18Y002	17.259	54,673
WIOA Youth - Program	18Y002	17.259	158,506
WIOA Youth - Admin	19Y002	17.259	9,043
WIOA Youth - Program	19Y002	17.259	292,295
Total U.S. Department of Labor			<u>1,733,510</u>
<b><u>U.S. Department of Transportation</u></b>			
Passed Through S.C. Division of Highways and Public Transportation:			
Highway Planning and Construction Cluster			
Highway Planning and Construction	SP46-021	20.205	<u>85,000</u>
<b><u>U.S. Department of Health and Human Services</u></b>			
Passed Through S. C. Lieutenant Governor's Office On Aging:			
Aging Cluster			
Title III-B Planning and Administration	R02MG20	93.044	48,550
Title III-B Supportive Services	R02MG20	93.044	468,354
Title III-B Ombudsman	R02MG20	93.044	83,942
Title III-C1 Planning and Administration	R02MG20	93.045	58,860
Title III-C1 Group Dining	R02MG20	93.045	87,710
Title III-C2 Planning and Administration	R02MG20	93.045	32,290
Title III-C2 Home Delivered Meals	R02MG20	93.045	301,214
NSIP - Nutrition Services Incentive	R02MG20	93.053	106,438
Total Aging Cluster			<u>1,187,358</u>
Other Aging Programs			
Title III-D Preventive Health	R02MG20	93.043	<u>18,350</u>

(continued)

UPPER SAVANNAH COUNCIL OF GOVERNMENTS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2020

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Pass-Through Entity Identifying Number	Federal CFDA Number	Federal Disbursements/ Expenditures
<b><u>U.S. Department of Health and Human Services (continued)</u></b>			
Passed Through S.C. Lieutenant Governor's Office On Aging:			
Other Aging Programs			
Title III-E Planning and Administration	R02MG20	93.052	\$ 20,502
Title III-E Services	R02MG20	93.052	95,395
Title III-E IR&A	R02MG20	93.052	56,811
		93.052	<u>172,708</u>
SMP HCFA	R02IC20	93.048	<u>8,480</u>
I CARE SHIAP COG	R02IC20	93.324	<u>46,783</u>
Title VII Ombudsman	R02MG20	93.042	<u>40,047</u>
Title VII Elder Abuse	R02MG20	93.041	<u>9,396</u>
MIPPA SHIP	R02IC20	93.071	22,859
MIPPA AAA	R02IC20	93.071	13,243
MIPPA ADRC	R02IC20	93.071	7,723
		93.071	<u>43,825</u>
COVID Home Delivered Meals	COVID-02	93.045	192,213
COVID Supplemental Services	COVID-02	93.044	96,107
			<u>288,320</u>
CARES Act Home Delivered Meals	CARES HDM SS-02	93.045	40,803
CARES Act Supplemental Services	CARES HDM SS-02	93.044	56,322
			<u>97,125</u>
Total U.S. Department of Health and Human Services			<u>1,912,392</u>
<b>Total Expenditures of Federal Awards</b>			<u><u>\$ 4,196,100</u></u>

See notes to schedule of expenditures of federal awards.

## UPPER SAVANNAH COUNCIL OF GOVERNMENTS

### NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED JUNE 30, 2020

#### **NOTE 1 – BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of the Upper Savannah Council of Governments under programs of the federal government for the year ended June 30, 2020. 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 Upper Savannah Council of Governments, it is not intended to and does not present the financial position or changes in net position of the Upper Savannah 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 Upper Savannah Council of Governments has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

#### **NOTE 4 – LOANS OUTSTANDING**

The Upper Savannah Council of Governments had the following loan balances outstanding at June 30, 2020. These loan balances outstanding are also included in the federal expenditures presented in the Schedule.

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Outstanding Balance at June 30, 2020</u>
EDA Revolving Loan Fund	11.307	\$ 497,624

The calculation of federal funds expended for the EDA Revolving Loan Fund as reported in the Schedule is as follows:

Revolving Loan Fund (RLF) Principal Outstanding	\$ 497,624
Cash and Investment Balances in the RLF:	
- Investment Pool	259,370
- Checking Account	3,615
	<hr/>
Administrative Expenses Paid from RLF Income	15,254
Unpaid Principal of all Loans Written Off	-
	<hr/>
	775,863
Federal share of the RLF:	50%
	<hr/>
<b>Total Federal Expenditures</b>	<b>\$ 387,932</b>

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

Board of Directors  
Upper Savannah Council of Governments  
Greenwood, 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 Upper Savannah Council of Governments (the "Council"), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Council's basic financial statements, and have issued our report thereon dated February 15, 2021.

**Internal Control Over Financial Reporting**

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

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



Board of Directors  
Upper Savannah Council of Governments  
February 15, 2021

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

### **Compliance and Other Matters**

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

### **Purpose of this Report**

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

***McKinley, Cooper & Co., LLC***

Greenville, South Carolina  
February 15, 2021

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

Board of Directors  
Upper Savannah Council of Governments  
Greenwood, South Carolina

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

We have audited Upper Savannah Council of Governments' (the "Council") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Council's major federal programs for the year ended June 30, 2020. The Council's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

**Auditor's Responsibility**

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

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





Board of Directors  
Upper Savannah Council of Governments  
February 15, 2021

### **Opinion on Each Major Federal Program**

In our opinion, the Council complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

### **Report on Internal Control Over Compliance**

Management of the Council is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Council's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Council's internal control over compliance.

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

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

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

***McKinley, Cooper & Co., LLC***

Greenville, South Carolina  
February 15, 2021

**UPPER SAVANNAH COUNCIL OF GOVERNMENTS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2020**

**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:

**Unmodified opinion**

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  
11.307

WIOA Cluster  
Economic Development Cluster -  
EDA Revolving Loan Fund

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

Upper Savannah 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.

**UPPER SAVANNAH COUNCIL OF GOVERNMENTS**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**YEAR ENDED JUNE 30, 2020**

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