

**SOUTH CAROLINA APPALACHIAN COUNCIL OF GOVERNMENTS**

**FINANCIAL STATEMENTS**

**JUNE 30, 2025**

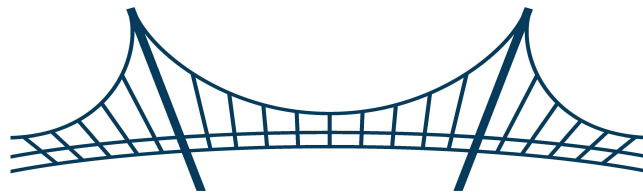
**SOUTH CAROLINA APPALACHIAN COUNCIL OF GOVERNMENTS**

**AUDITED FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2025**

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# Phillips CPAs and Advisors

## Independent Auditor's Report

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

### **Report on the Audit of the Financial Statements**

#### **Opinions**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the South Carolina Appalachian Council of Governments (the "Council"), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Council's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Council, as of June 30, 2025, and the respective changes in financial position, and the respective budgetary comparison for the General Fund and the Major Special Revenue Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Council and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### **Responsibilities of Management for the Financial Statements**

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Council's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Council's ability to continue as a going concern for a reasonable period of time.

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

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and pension liability information as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

The Board of Directors  
South Carolina Appalachian Council of Governments  
November 13, 2025

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

### **Supplementary Information**

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 13, 2025, on our consideration of the Council's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Council's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Council's internal control over financial reporting and compliance.

*Phillips CPAs and Advisors*

Greenville, South Carolina  
November 13, 2025

## SOUTH CAROLINA APPALACHIAN COUNCIL OF GOVERNMENTS

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2025

Management of the South Carolina Appalachian Council of Governments presents the following overview of the financial performance of the Council for the year ended June 30, 2025. This information should be read in conjunction with the audited financial statements and the accompanying notes.

#### Financial Highlights

- The position of the Council at the close of the most recent fiscal year was \$391,761. The net position of the Council increased by \$980,604 from the previous year.
- As of the close of the fiscal year, the Council's governmental funds reported combined ending fund balances of \$4,205,016, an increase of \$856,621 from the prior year. A total of \$2,099,071 is nonspendable or assigned, resulting in an unassigned balance of \$2,105,945.
- The Council's fiscal obligation for accumulated annual leave and salary-related fringe benefits was \$274,810.
- The Council recorded an adjustment to the Government-wide financial statements to record net pension liability with the implementation of GASB Statement No. 68. The adjustment reduced net position by \$4,457,145 which consists of current pension liability netted against deferred outflows and inflows of resources. The adjustment did not affect the cash flow or current period operations of the Council.

#### Overview of the Financial Statements

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

#### Government-wide Financial Statements

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

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

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

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

#### Fund Financial Statements

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

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

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

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

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

#### **Notes to Financial Statements**

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

#### **Other Information**

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

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

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

*Table 1:* Condensed Statement of Net Position

*Table 2:* Change in Net Position

**Table 1 – Condensed Statement of Net Position**

	Governmental Activities (Total)	
	June 30, 2025	June 30, 2024
<b>Assets</b>		
Current and other assets	\$ 5,590,730	\$ 5,799,229
Capital assets, net	750,560	812,214
Total assets	<u>6,341,290</u>	<u>6,611,443</u>
<b>Deferred Outflows of Resources</b>	<u>815,381</u>	<u>733,939</u>
<b>Liabilities</b>		
Current liabilities	1,385,714	2,450,834
Noncurrent liabilities	4,991,211	5,414,151
Total liabilities	<u>6,376,925</u>	<u>7,864,985</u>
<b>Deferred Inflows of Resources</b>	<u>387,985</u>	<u>69,240</u>
<b>Net Position</b>		
Net investment in capital assets	750,560	812,214
Unrestricted	(358,799)	(1,401,057)
Total net position	<u>\$ 391,761</u>	<u>\$ (588,843)</u>

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets of the Council exceeded liabilities by \$391,761 as of June 30, 2025. The Council's net position increased by \$980,604 for the fiscal year ended June 30, 2025.

**Table 2 - Change in Net Position**

	Governmental Activities	
	Fiscal Year	Fiscal Year
	2025	2024
<b>Revenues</b>		
Program revenues		
Charges for services	\$ 727,607	\$ 637,083
Operating grants and contributions	12,189,470	12,612,922
General revenues	1,555,745	1,057,990
Total revenues all sources	<u>14,472,822</u>	<u>14,307,995</u>
<b>Program Expenses</b>		
Administration	101,511	71,490
Government services	402,852	384,018
Grant administrative services	585,011	670,793
Aging services	9,738,688	9,801,087
Planning and economic development services	897,133	774,226
Workforce services	1,767,023	2,067,211
Total expenses	<u>13,492,218</u>	<u>13,768,825</u>
<b>Increase in net position</b>	<u>\$ 980,604</u>	<u>\$ 539,170</u>

**Financial Analysis of Council’s Funds**

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

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

The General Fund is the chief operating fund of the Council. At the end of the fiscal year, total fund balance of the General Fund was \$4,205,016, of which \$122,145 is nonspendable, \$1,976,926 has been assigned for equipment replacement and facility related needs. \$2,105,945 is unassigned.

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

Operating revenues exceeded expenditures by \$856,621, an increase of \$401,422 over the final budget projection of \$455,199.

## Capital Assets

The Council's capital assets, net of accumulated depreciation, consisted of the following at June 30, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Land	\$ 400,961	\$ 400,961
Land Improvements	42,847	37,904
Buildings	201,190	207,049
Furniture and equipment	55,584	73,461
Grant fund assets	891	1,558
Automobiles	49,087	91,281
Total capital assets	<u>\$ 750,560</u>	<u>\$ 812,214</u>

Major capital asset transactions during the year included additions of \$28,148. The additions consisted of parking lot improvements, additional boardroom renovations, and a new heating/cooling unit. Deletions of \$51,674 consisted of miscellaneous Workforce Development equipment.

## Long-term Obligations

The Council's long-term obligations are made up of the following at June 30, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Accrued compensated absences	\$ 274,810	\$ 268,993
	274,810	268,993
Less: current portion	(168,140)	(161,549)
Total long-term obligations	<u>\$ 106,670</u>	<u>\$ 107,444</u>

## Requests for Financial Information

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

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

## **BASIC FINANCIAL STATEMENTS**

**SOUTH CAROLINA APPALACHIAN COUNCIL OF GOVERNMENTS**

**STATEMENT OF NET POSITION  
JUNE 30, 2025**

	<b>Primary Government Governmental Activities</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 3,973,428
Due from other governments	
Federal, state, and local	1,493,607
Due from other sources	1,550
Prepaid items	122,145
Capital assets, not being depreciated:	
Land	400,961
Capital assets, net of accumulated depreciation:	
Land Improvements	42,847
Buildings	201,190
Furniture and equipment	55,584
Grant fund assets	891
Automobiles	49,087
<b>Total assets</b>	<b>6,341,290</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Difference between expected and actual expenditures related to pensions	264,967
Contributions subsequent to measurement date related to pensions	550,414
<b>Total deferred outflows of resources</b>	<b>815,381</b>
<b>LIABILITIES</b>	
Accounts payable and other accrued liabilities	893,102
Unearned revenue	324,472
Noncurrent liabilities:	
Due within one year	168,140
Due in more than one year	106,670
Net pension liability	4,884,541
<b>Total liabilities</b>	<b>6,376,925</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Difference between expected and actual expenditures related to pensions	387,985
<b>Total deferred inflows of resources</b>	<b>387,985</b>
<b>NET POSITION</b>	
Net investment in capital assets	750,560
Unrestricted	(358,799)
<b>Total net position</b>	<b>\$ 391,761</b>

*The notes to the financial statements are an integral part of this financial statement.  
See accompanying independent auditor's report.*

**SOUTH CAROLINA APPALACHIAN COUNCIL OF GOVERNMENTS**

**STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2025**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Primary Government</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>
<b>Governmental activities</b>					
Administration	\$ 101,511	\$ -	\$ -	\$ -	\$ (101,511)
Government services	402,852	49,485	220,284	-	(133,083)
Grant administrative services	585,011	266,092	226,471	-	(92,448)
Aging services	9,738,688	-	9,769,742	-	31,054
Planning and economic development services	897,133	412,030	194,641	-	(290,462)
Workforce services	1,767,023	-	1,778,332	-	11,309
<b>Total governmental activities</b>	<u>\$ 13,492,218</u>	<u>\$ 727,607</u>	<u>\$ 12,189,470</u>	<u>\$ -</u>	<u>(575,141)</u>
			<b>General revenues</b>		
			State appropriation		779,014
			Local government dues		539,700
			Unrestricted earnings		66,173
			Interest and sundry		170,858
			<b>Total general revenues</b>		<u>1,555,745</u>
			<b>Change in net position</b>		980,604
			<b>Net position - beginning</b>		<u>(588,843)</u>
			<b>Net position - ending</b>		<u>\$ 391,761</u>

*The notes to the financial statements are an integral part of this financial statement.  
See accompanying independent auditor's report.*

**SOUTH CAROLINA APPALACHIAN COUNCIL OF GOVERNMENTS**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2025**

	<b>General</b>	<b>Special Revenue</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 3,848,038	\$ 125,390	\$ 3,973,428
Due from other governments			
Federal, state, and local	-	1,493,607	1,493,607
Due from other funds	236,925	-	236,925
Due from other sources	50	1,500	1,550
Prepaid items	122,145	-	122,145
<b>Total assets</b>	<b>\$ 4,207,158</b>	<b>\$ 1,620,497</b>	<b>\$ 5,827,655</b>
<b>LIABILITIES</b>			
Accounts payable and accrued expenses	\$ 2,142	\$ 890,960	\$ 893,102
Compensated absences, current	-	168,140	168,140
Due to other funds	-	236,925	236,925
Unearned revenue	-	324,472	324,472
<b>Total liabilities</b>	<b>2,142</b>	<b>1,620,497</b>	<b>1,622,639</b>
<b>FUND BALANCES</b>			
Nonspendable			
Prepaid items	122,145	-	122,145
Assigned for			
Equipment replacement	50,000	-	50,000
Facility related reserve	1,926,926	-	1,926,926
Unassigned	2,105,945	-	2,105,945
<b>Total fund balances</b>	<b>4,205,016</b>	<b>-</b>	<b>4,205,016</b>
<b>Total liabilities and fund balances</b>	<b>\$ 4,207,158</b>	<b>\$ 1,620,497</b>	<b>\$ 5,827,655</b>

*The notes to the financial statements are an integral part of this financial statement.  
See accompanying independent auditor's report.*

**SOUTH CAROLINA APPALACHIAN COUNCIL OF GOVERNMENTS**  
**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF NET POSITION**  
**JUNE 30, 2025**

<b>Total fund balances - governmental funds</b>	<b>\$ 4,205,016</b>
 <b>Amounts reported for governmental activities in the statement of net position are different because:</b>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	750,560
Some liabilities, including net pension obligations and compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds.	(4,991,211)
Deferred outflows and inflows of resources are applicable to future periods and, therefore, are not reported in the funds.	
Deferred outflows of resources	815,381
Deferred inflows of resources	<u>(387,985)</u>
<b>Net position of government activities</b>	<b><u><u>\$ 391,761</u></u></b>

*The notes to the financial statements are an integral part of this financial statement.  
See accompanying independent auditor's report.*

SOUTH CAROLINA APPALACHIAN COUNCIL OF GOVERNMENTS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2025

	General	Special Revenue	Total Governmental Funds
<b>REVENUES</b>			
Intergovernmental			
Federal	\$ -	\$ 8,245,525	\$ 8,245,525
State of South Carolina	779,014	3,943,945	4,722,959
Local	539,700	-	539,700
Contracts and fees	66,173	727,607	793,780
Interest and other	170,858	-	170,858
<b>Total revenues</b>	<u>1,555,745</u>	<u>12,917,077</u>	<u>14,472,822</u>
<b>EXPENDITURES</b>			
Current			
Management activities	38,046	2,741	40,787
Government services	-	409,877	409,877
Grant administrative services	-	601,645	601,645
Aging services	-	9,840,904	9,840,904
Planning & economic development services	-	916,508	916,508
Workforce services	-	1,778,332	1,778,332
Capital outlay	28,148	-	28,148
<b>Total expenditures</b>	<u>66,194</u>	<u>13,550,007</u>	<u>13,616,201</u>
<b>Excess (deficiency) of revenues     over (under) expenditures</b>	<u>1,489,551</u>	<u>(632,930)</u>	<u>856,621</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Operating transfers from (to) other funds	(632,930)	632,930	-
<b>Net change in fund balance</b>	856,621	-	856,621
<b>Fund Balances - beginning</b>	<u>3,348,395</u>	<u>-</u>	<u>3,348,395</u>
<b>Fund Balances - beginning</b>	<u>\$ 4,205,016</u>	<u>\$ -</u>	<u>\$ 4,205,016</u>

The notes to the financial statements are an integral part of this financial statement.  
See accompanying independent auditor's report.

**SOUTH CAROLINA APPALACHIAN COUNCIL OF GOVERNMENTS**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2025**

<b>Net change in fund balances - total governmental funds</b>	\$ 856,621
 <b>Amounts reported for the governmental activities in the statement of activities are different because:</b>	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives and reported as depreciation expense. This is the change in capital assets, net of depreciation.	(61,654)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of the governmental funds. Neither transaction has any effect on net discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	774
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 pensions expense.	
Pension contributions of the Council	550,414
Cost of benefits earned, net of employee contributions	(365,551)
	980,604
<b>Change in net position of governmental activities</b>	<b>\$ 980,604</b>

*The notes to the financial statements are an integral part of this financial statement.  
See accompanying independent auditor's report.*

SOUTH CAROLINA APPALACHIAN COUNCIL OF GOVERNMENTS

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
IN FUND BALANCE - BUDGET AND ACTUAL  
GENERAL FUND AND ANNUALLY BUDGETED MAJOR SPECIAL REVENUE FUND  
YEAR ENDED JUNE 30, 2025**

	General Fund				Special Revenue Fund			
	Budgeted Amounts		Actual	Variance with Final Budget	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final			Original	Final		
<b>Revenues</b>								
Intergovernmental:								
Federal	\$ -	\$ -	\$ -	\$ -	\$ 9,970,199	\$ 8,405,399	\$ 8,245,525	\$ (159,874)
State of South Carolina	279,016	379,016	779,014	399,998	4,829,315	4,071,365	3,943,945	(127,420)
Local	539,701	539,701	539,700	(1)	-	-	-	-
Contracts and fees	66,000	66,000	66,173	173	778,923	656,673	727,607	70,934
Interest and other	138,000	168,000	170,858	2,858	-	-	-	-
<b>Total revenues</b>	<u>1,022,717</u>	<u>1,152,717</u>	<u>1,555,745</u>	<u>403,028</u>	<u>15,578,437</u>	<u>13,133,437</u>	<u>12,917,077</u>	<u>(216,360)</u>
<b>Expenditures</b>								
Current								
Management activities	35,000	35,000	38,046	(3,046)	7,862	6,694	2,741	3,953
Government services	-	-	-	-	488,808	416,291	409,877	6,414
Grant administrative services	-	-	-	-	717,505	611,060	601,645	9,415
Aging services	-	-	-	-	11,735,989	9,994,900	9,840,904	153,996
Planning & economic development services	-	-	-	-	1,093,002	930,850	916,508	14,342
Workforce services	-	-	-	-	2,120,789	1,806,160	1,778,332	27,828
Capital outlay	90,000	30,000	28,148	1,852	-	-	-	-
<b>Total expenditures</b>	<u>125,000</u>	<u>65,000</u>	<u>66,194</u>	<u>(1,194)</u>	<u>16,163,955</u>	<u>13,765,955</u>	<u>13,550,007</u>	<u>215,948</u>
Excess (deficiency) of revenues over (under) expenditures	<u>897,717</u>	<u>1,087,717</u>	<u>1,489,551</u>	<u>401,834</u>	<u>(585,518)</u>	<u>(632,518)</u>	<u>(632,930)</u>	<u>(412)</u>
<b>Other financing sources (uses)</b>								
Operating transfers from (to) other funds	<u>(585,518)</u>	<u>(632,518)</u>	<u>(632,930)</u>	<u>(412)</u>	<u>585,518</u>	<u>632,518</u>	<u>632,930</u>	<u>412</u>
Revenues and other financing sources over expenditures	<u>\$ 312,199</u>	<u>\$ 455,199</u>	856,621	<u>\$ 401,422</u>	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>
<b>Fund balances - beginning</b>			<u>3,348,395</u>				<u>-</u>	
<b>Fund balances - ending</b>			<u>\$ 4,205,016</u>				<u>\$ -</u>	

The notes to the financial statements are an integral part of this financial statement.  
See accompanying independent auditor's report.

## SOUTH CAROLINA APPALACHIAN COUNCIL OF GOVERNMENTS

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2025

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

##### **A. Reporting Entity**

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

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

##### **B. Basis of Presentation - Government-wide Financial Statements**

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

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

##### **C. Basis of Presentation - Fund Financial Statements**

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

The government reports the following major governmental funds:

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

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

## **D. Measurement Focus and Basis of Accounting**

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

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

*Governmental Fund Financial Statements.* Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, and claims and judgments, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

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

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

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

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

## E. Assets, Liabilities and Net Position/Fund Balance

### 1. Cash and Equivalents

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

### 2. Prepaid Items

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

### 3. Capital Assets

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

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

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

### 4. Compensated Absences

Employees are granted compensated annual leave in varying amounts as services are provided. They may accumulate, subject to certain limitations, unused annual leave earned and, upon retirement, termination, or death, may be compensated for the authorized, unused annual leave earnings accumulated to their credit. It is the Council's policy to recognize compensated absences as an expense in the period earned rather than the period such benefit is paid. The balance of vested compensated absences earned and not taken by June 30, 2025, in the amount of \$274,810 is included in accrued liabilities.

### 5. Long-term Obligations

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

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

### 6. Deferred Outflows/ Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to future periods and so will *not* be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to future periods and so will *not* be recognized as an inflow of resources (revenue) until that time.

## 7. *Unearned Revenues*

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

## 8. *Net Position*

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

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

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

## 9. *Pensions*

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

## 10. *Fund Balance Policies*

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

Fund balance is classified in five categories as follows:

### ***Nonspendable***

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

### ***Restricted***

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

**Committed**

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

**Assigned**

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

**Unassigned**

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

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

**11. Indirect Cost Plan**

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

**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 (\$3,813,255) consists of several elements as follows:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds (total capital assets on government-wide statement of activities column):

Cost of capital assets	\$ 2,916,803
Less: accumulated depreciation	<u>(2,166,243)</u>
Net capital assets	<u>750,560</u>

Liabilities that, because they are not due and payable in the current period, do not require current resources to pay and are therefore not recorded in the fund statements:

Long-term compensated absences	(106,670)
Net pension liability	<u>(4,884,541)</u>
	<u>(4,991,211)</u>

Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds:

Deferred outflows of resources related to pensions	815,381
Deferred inflows of resources related to pensions	<u>(387,985)</u>
	<u>427,396</u>

Total adjustment	<u>\$ (3,813,255)</u>
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**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 \$123,983 as follows:

Capital outlay expenditures recorded in the fund statements but capitalized in the statement of activities.	\$	28,148
Depreciation expense, the allocation of those assets over their useful lives, that is recorded on the statement of activities but not in the fund statements.		(89,802)
Expenses reported in the statement of activities that do not require the use of current resources to pay are not recorded as expenditures in the fund statements:		
Compensated absences are accrued in the government-wide statements but not in the fund statements because they do not use current resources.		774
Governmental Funds report pension contributions as expenditures. However, in the statement of activities, the cost of pension benefits earned net of employee contributions is reported as pension expense:		
Pension contributions of the Council		550,414
Cost of benefits earned, net of employee contributions		(365,551)
Total Adjustments	\$	<u>123,983</u>

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

**Budgetary Practices**

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

**Excess of Expenditures Over Appropriations**

During the fiscal year ended June 30, 2025, the Council’s budget to actual within the Special Revenue Fund is as follows:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Special Revenue Fund			
Management activities	\$ 6,694	\$ 2,741	\$ 3,953
Government services	416,291	409,877	6,414
Grant administrative	611,060	601,645	9,415
Aging services	9,994,900	9,840,904	153,996
Planning and economic services	930,850	916,508	14,342
Workforce services	1,806,160	1,778,332	27,828

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

**NOTE 4 – DETAIL NOTES ON ALL FUNDS**

**A. Deposits and Investments**

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

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

Following are the components of the Council’s book values for cash and investments at June 30, 2025:

Cash	\$ 153,400
Cash equivalents	
South Carolina Local Government Investment Fund	3,820,028
	<u>\$ 3,973,428</u>

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

The Council’s bank balances totaled \$4,248,449 at June 30, 2025, and were insured as follows:

Amount insured by FDIC	\$ 250,000
Amount collateralized with securities held by pledging financial institutions trust department or agent not in the entity's name	3,998,449
Uncollateralized	-
	<u>\$ 4,248,449</u>

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

*Credit risk.* As of June 30, 2025, the Council’s investment with the S.C. Local Government Investment Pool is overseen by the State, which invests in instruments allowed under state laws.

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

*Custodial credit risk – deposits.* In the case of deposits, this is the risk that in the event of a bank failure, the Council’s deposits may not be returned to it. The Council’s policy is that all deposits in excess of federal insurance amounts be collateralized with securities held by the pledging financial institution’s trust department or agent in the Council’s name. As of June 30, 2025, all deposits are either insured or fully collateralized.

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

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

Amounts due from other governments and unearned revenues consist of the following at June 30, 2025:

Federal	\$	595,368
State		176,606
Local		397,161
Total	\$	<u>1,169,135</u>

**C. Capital Assets**

The following is a summary of changes in capital assets:

Primary Government Governmental Activities:	July 1, 2024	Increases	Decreases	June 30, 2025
Capital assets not being depreciated:				
Land	\$ 400,961	\$ -	\$ -	\$ 400,961
Total capital assets not being depreciated	<u>400,961</u>	<u>-</u>	<u>-</u>	<u>400,961</u>
Capital assets being depreciated:				
Land improvements	104,042	9,995	-	114,037
Buildings and improvements	1,614,246	18,153	-	1,632,399
Furniture and equipment	289,409	-	-	289,409
Grant fund assets	202,524	-	(51,674)	150,850
Automobiles	329,147	-	-	329,147
Total capital assets being depreciated	<u>2,539,368</u>	<u>28,148</u>	<u>(51,674)</u>	<u>2,515,842</u>
Less accumulated depreciated for:				
Land Improvements	66,138	5,052	-	71,190
Buildings and improvements	1,407,197	24,012	-	1,431,209
Furniture and equipment	215,948	17,877	-	233,825
Grant funded assets	200,966	667	51,674	149,959
Automobiles	237,866	42,194	-	280,060
Total accumulated depreciation	<u>2,128,115</u>	<u>89,802</u>	<u>51,674</u>	<u>2,166,243</u>
Total capital assets being depreciated, net	<u>411,253</u>	<u>(61,654)</u>	<u>-</u>	<u>349,599</u>
Governmental activities capital assets, net	<u>\$ 812,214</u>	<u>\$ (61,654)</u>	<u>\$ -</u>	<u>\$ 750,560</u>

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

Administration	\$	88,904
Planning & economic development services		898
	\$	<u>89,802</u>

## D. Long-term Debt

The following is a summary of changes in general long-term debt for the year ended June 30, 2025:

	Balance at July 1, 2024	Additions	Reductions	Balance at June 30, 2025	Due Within One Year
Governmental Activities					
Compensated absences payable	\$ 268,993	\$ 6,591	\$ 774	\$ 274,810	\$ 168,140
Total	\$ 268,993	\$ 6,591	\$ 774	\$ 274,810	\$ 168,140

## E. Fund Balance Classifications and Assignments

The nonspendable fund balance is the portion of the fund balance that does not represent cash available for expenditure. The amount nonspendable, \$122,145, represents prepaid operating expenditures for fiscal year 2026 which have been paid during the fiscal year 2025.

The Council elected to set aside an assigned amount of \$1,976,926 for various purposes. The amount set aside for replacement of equipment and building maintenance and repairs are \$50,000 and \$1,926,926, respectively.

## F. Custodial Funds

The Council was not holding any assets in a trustee capacity for other entities as of June 30, 2025.

## G. Unemployment Insurance

The Council has elected to provide its own unemployment insurance coverage rather than making payments to the state unemployment reserve fund. The amount of any benefits that would become due in the future and therefore be required to be reimbursed by the Council is not determinable. The Council budgets for unemployment claims based on historical claims. Unemployment claims paid during the year ended June 30, 2025, were \$0.

The Council is of the opinion that the ultimate liability above what has been recorded, if any, at June 30, 2025, will not have a material effect on the financial position of the Council.

## NOTE 5 – OTHER INFORMATION

### A. Employee Retirement Systems

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

For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Systems and additions

to/deductions from the Systems fiduciary net position have been determined on the accrual basis of accounting as they are reported by the Systems in accordance with generally accepted accounting principles (GAAP). For this purpose, revenues are recognized when earned and expenses are recognized when incurred. Benefit and refund expenses are recognized when due and payable in accordance with the terms of the plan. Investments are reported at fair value.

PEBA issues an Annual Comprehensive Financial Report (ACFR) containing financial statements and required supplementary information for the Systems' Pension Trust Funds. The ACFR is publicly available through PEBA's website at [www.peba.sc.gov](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 a division of the primary government of the state of South Carolina and therefore, retirement trust fund financial information is also included in the ACFR for the state.

## **Plan Description**

- The South Carolina Retirement System (SCRS), a cost-sharing multiple-employer defined benefit pension plan, was established effective July 1, 1945, pursuant to the provisions of Section 9-1-20 of the South Carolina Code of Laws for the purpose of providing retirement allowances and other benefits for teachers and employees of the state and its political subdivisions. SCRS covers employees of state agencies, public schools and participating charter schools, public higher education institutions, other participating local subdivisions of government and first-term individuals elected to the South Carolina General Assembly at or after the general election in November 2012.
- The State Optional Retirement Program (State ORP) is a defined contribution plan that is offered as an alternative to SCRS to newly hired state, public higher education institution and public school district employees, as well as first-term individuals elected to the South Carolina General Assembly. State ORP participants direct the investment of their funds into an account administered by one of four third party service providers. PEBA assumes no liability for State ORP benefits. Rather, the benefits are the liability of the four third party service providers. For this reason, State ORP assets are not part of the retirement systems' trust funds for financial statement purposes.
- The South Carolina Police Officers Retirement System (PORS), a cost-sharing multiple-employer defined benefit pension plan, was established July 1, 1962, pursuant to the provisions of Sections 9-11-20 of the South Carolina Code of Laws for the purpose of providing retirement and other benefits to police officers and firefighters. PORS also covers peace officers, coroners, probate judges and magistrates.

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

## **Membership**

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

- SCRS – Generally, all employees of covered employers are required to participate in and contribute to the system as a condition of employment. This plan covers general employees and teachers and first-term individuals elected to the South Carolina General Assembly. 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 higher education institution and public school district employees, as well as first-term individuals elected to the South Carolina General Assembly have the option to participate in the State ORP. Contributions to the State ORP are at the same rates as SCRS. A direct remittance is required from the employer to the member’s account with the ORP service provider for the employee contribution and a portion of the employer contribution (5 percent) a direct remittance is also required to SCRS for the remaining portion of the employer contribution and an incidental death benefit contribution, if applicable, which is retained by SCRS.
- PORS – To be eligible for PORS membership, an employee must be required by the terms of his employment, by election or appointment, to preserve public order, protect life and property, and detect crimes in the state; to prevent and control property destruction by fire; be a coroner in a full-time permanent position; or be a peace officer employed by the Department of Corrections, the Department of Juvenile Justice or the Department of Mental Health. Probate judges and coroners may elect membership in PORS. Magistrates are required to participate in PORS for service as a magistrate. PORS members, other than magistrates and probate judges, must also earn at least \$2,000 per year and devote at least 1,600 hours per year to this work, unless exempted by statute. An employee member of the system with an effective membership prior to July 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 each system is presented below.

- SCRS – A Class Two member who has separated from service with at least five or more years of earned service is eligible for a monthly pension at age 65 or with 28 years credited service regardless of age. A member may elect early retirement with reduced pension benefits payable at age 55 with 25 years of service credit. A Class Three member who has separated from service with at least eight or more years of earned service is eligible for a monthly pension upon satisfying the Rule of 90 requirement that the total of the member’s age and the member’s creditable service equals at least 90 years. Both Class Two and Class three members are eligible to receive a reduced deferred annuity at age 60 if they satisfy the five- or eight-year earned service requirements, 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 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 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 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. Effective July 1, 2017, employee rates were increased to a capped rate of 9.00 percent for SCRS. The legislation also increased employer contribution rates beginning July 1, 2017 for SCRS until reaching 18.56 percent. The legislation included further provision that if the scheduled contributions are not sufficient to meet the funding periods set in state statute, the PEBA board would increase the employer contribution rates to meet the funding periods set for the applicable year.

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

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

	Fiscal Year 2025 <sup>1</sup>	Fiscal Year 2024 <sup>1</sup>
<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:

	Fiscal Year 2025 <sup>1</sup>	Fiscal Year 2024 <sup>1</sup>
<b>SCRS</b>		
Employer Class Two	18.56% <sup>3</sup>	18.56% <sup>3</sup>
Employer Class Three	18.56% <sup>3</sup>	18.56% <sup>3</sup>
<b>State ORP</b>		
Employer Contribution <sup>2</sup>	18.56% <sup>3</sup>	18.56% <sup>3</sup>
<b>PORS</b>		
Employer Class Two	21.24% <sup>4</sup>	21.24% <sup>4</sup>
Employer Class Three	21.24% <sup>4</sup>	21.24% <sup>4</sup>

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

<sup>2</sup> Of this employer contribution, 5% of earnable compensation must be remitted by the employer directly to the ORP service provider to be allocated to the member’s account with the remainder of the employer contribution remitted to SCRS.

<sup>3</sup> Includes incidental death benefit contribution rate of 0.15%

<sup>4</sup> Includes incidental death benefit and accidental death benefit contribution of 0.20% each.

## Actuarial Assumptions and Methods

Actuarial valuations of the ongoing plan involve estimates of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and future salary increases. Amounts determined regarding the net pension liability are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. South Carolina state statute requires that an actuarial experience study be completed at least once in each five-year period. An experience report on the Systems was most recently issued for the period ending June 30, 2019. A more recent experience report on the System was issued for the period ending June 30, 2023 and will be used for future valuations.

The June 30, 2024, total pension liability (TPL), net pension liability (NPL), and sensitivity 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, 2023. The total pension liability was rolled-forward from the valuation date to the plans' fiscal year end, June 30, 2024, using generally accepted actuarial principles. There was no legislation enacted during the 2024 legislative session that had a material change in the benefit provisions for any of the systems.

The following table provides a summary of the SCRS actuarial assumptions and methods used to calculate the TPL as of June 30, 2024:

	SCRS	PORS
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Investment rate of return <sup>1</sup>	7.00%	7.00%
Projected salary increases	3.0% to 11% (varies by service) <sup>1</sup>	3.5% to 10.5% (varies by service) <sup>1</sup>
Benefit adjustments	Lesser of 1% or \$500 annually	Lesser of 1% or \$500 annually
<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 assumptions, the 2020 Public Retirees of South Carolina Mortality table (2020 PRSC), was developed using the Systems' mortality experience. These base rates are adjusted for future improvement in mortality using 80% of scale UMP projected from the year 2020.

Assumptions used in the determination of the June 30, 2024, TPL are as follows:

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

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

At June 30, 2025, the Council reported a liability of \$4,884,541 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2024, 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 proportion of the net pension liability was based on a projection of the Council's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. For the year

ended June 30, 2025, the Council recognized pension expense totaling \$365,551, which consisted of contributions to the System of \$550,414 and decreases in expense of \$184,863, as a result of the decrease in the net pension liability related to GASB 68 requirements. At June 30, 2025, the Council reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
<b>SCRS</b>		
Differences between expected and actual experience	\$ 160,523	\$ 6,062
Assumption changes	86,114	-
Net difference between projected and actual earnings on pension plan investments	-	188,203
Changes in proportionate share and differences between employer contributions and proportionate share of total plan employer contributions	18,330	193,720
Council contributions subsequent to the measurement date	550,414	-
<b>Total</b>	<u>\$ 815,381</u>	<u>\$ 387,985</u>

Of the Council’s deferred outflows of resources relating to pensions, \$550,414 resulted from contributions related to the SCRS subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the year ended June 30, 2025. Other amounts reported as deferred outflows of resources (deferred pension charges) and deferred inflows of resources (deferred pension credits) will increase (decrease) pension expense as follows:

Year Ended June 30,	SCRS
2025	\$ (132,428)
2026	109,223
2027	(50,389)
2028	(49,424)
<b>Total</b>	<u>\$ (123,018)</u>

**Net Pension Liability**

The NPL is calculated separately for each system and represents that particular system’s TPL determined in accordance with GASB 67 less that system’s fiduciary net position. NPL totals, as of June 30, 2024, for SCRS 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	\$ 61,369,806,968	\$ 37,919,492,371	\$ 23,450,314,591	61.8%
PORS	\$ 10,177,904,231	\$ 7,178,118,865	\$ 2,999,785,366	70.5%

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 67 and 68 are not applicable for other purposes, such as determining the plans’ funding requirements.

## Long-term Expected Rate of Return

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

The expected returns, along with the expected inflation rate, form the basis for the target asset allocation adopted at the beginning of the 2024 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 on the following page. For actuarial purposes, the 7 percent assumed annual investment rate of return used in the calculation of the TPL includes a 4.75 percent real rate of return and a 2.25 percent inflation component.

Allocation/Exposure	Policy Target	Expected Arithmetic Real Rate of Return	Long-term Expected Portfolio Real Rate of Return
Public Equity	46.0%	6.23%	2.86%
Bonds	26.0%	2.60%	0.68%
Private Equity <sup>1</sup>	9.0%	9.60%	0.86%
Private Debt <sup>1</sup>	7.0%	6.90%	0.48%
Real Assets	12.0%		
Real Estate <sup>1</sup>	9.0%	4.30%	0.39%
Infrastructure <sup>1</sup>	3.0%	7.30%	0.22%
Total Expected Real Return <sup>2</sup>	100.0%		5.49%
Inflation for Actuarial Purposes			2.25%
			7.74%

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

<sup>2</sup> Portable Alpha Strategies, which are not included in the Policy Target, will be capped at 15% of total asset.

## Discount Rate

The discount rate used to measure the TPL was 7 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers in SCRS will be made based on the actuarially determined rates based on provisions in the South Carolina Code of Laws. Based on those assumptions, the System's fiduciary net position was projected to be available to make all 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 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 percent) or 1.00 percent higher (8 percent) than the current rate.

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

System	1.00% Decrease (6%)	Current Discount Rate (7%)	1.00% Increase (8%)
SCRS	\$ 6,329,813	\$ 4,884,541	\$ 3,553,560

### Additional Financial and Actuarial Information

Information contained in these Notes to the Schedules of Employer and Nonemployer Allocations and Schedules of Pension Amounts by Employer (Schedules) was compiled from the Systems' audited financial statements for the fiscal year ended June 30, 2024, and the accounting valuation report as of June 30, 2024. Additional information supporting the preparation of the Schedules (including the unmodified audit opinion on the financial statements and required supplementary information) is available in the Systems' ACFR.

### B. Post-employment Plan Benefits

The Council provides death benefits to employees through the incidental death benefit option for members of the SCRS.

The beneficiaries of those employees who die in active service after one year of credited service are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the budgeted salary of the deceased member. The Council has no liability beyond the payment of monthly contributions. Contributions are determined as a percentage of monthly covered payroll. The Council does not determine the number of eligible participants. For the year ended June 30, 2025, the Council made contributions to the State for death benefits representing .15% of covered payroll.

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

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

### C. Contingencies

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

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

### D. Risk Management

The Council is exposed to various risks related to torts, theft and destruction of assets, error and omissions, injuries to employees, and natural disaster.

The Council, along with other government agencies in the state, is insured under the State of South Carolina Insurance Reserve Fund, a public entity risk pool currently operating as a common risk management and insurance fund. The Council pays annual premiums to the Insurance Reserve Fund for its general insurance coverage. The Insurance Reserve Fund is self-sustaining through member premiums and by purchases of commercial insurance

coverage on a portion of its liabilities. The Council continues to carry insurance for other risks of loss including workers compensation and employee health, dental, group life and accident insurance. The state accumulated assets to cover risks that its members incur in their normal operations. Specifically, the state assumes substantially all of the risk of the above.

#### **E. Subsequent Events**

Subsequent events have been evaluated through the date of the auditor's report, which is the date the financial statements were available to be issued. Events after the date of the auditor's report have not been evaluated to determine whether a change in the financial statements would be required.

**REQUIRED SUPPLEMENTARY INFORMATION**

SOUTH CAROLINA APPALACHIAN COUNCIL OF GOVERNMENTS

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

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
<u>SCRS</u>										
Contractually required contribution	\$ 550,414	\$ 531,245	\$ 486,961	\$ 429,721	\$ 384,187	\$ 391,776	\$ 351,491	\$ 302,667	\$ 250,113	\$ 239,045
Contributions in relation to the contractually required contribution	<u>(550,414)</u>	<u>(531,245)</u>	<u>(486,961)</u>	<u>(429,721)</u>	<u>(384,187)</u>	<u>(391,776)</u>	<u>(351,491)</u>	<u>(302,667)</u>	<u>(250,113)</u>	<u>(239,045)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Council's covered-employee payroll	<u>\$ 2,965,595</u>	<u>\$ 2,862,311</u>	<u>\$ 2,775,077</u>	<u>\$ 2,594,932</u>	<u>\$ 2,469,067</u>	<u>\$ 2,518,293</u>	<u>\$ 2,414,090</u>	<u>\$ 2,232,057</u>	<u>\$ 2,192,047</u>	<u>\$ 2,191,060</u>
Contributions as a percentage of covered payroll	18.6%	18.4%	17.4%	16.4%	15.4%	15.4%	14.4%	13.4%	11.4%	10.9%

SOUTH CAROLINA APPALACHIAN COUNCIL OF GOVERNMENTS

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

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
<u>SCRS</u>										
Council's proportion of the net pension liability	0.021%	0.022%	0.022%	0.022%	0.023%	0.022%	0.022%	0.022%	0.022%	0.022%
Council's proportionate share of the net pension liability	\$ 4,884,541	\$ 5,306,707	\$ 5,278,670	\$ 4,726,945	\$ 5,766,697	\$ 5,220,180	\$ 4,826,242	\$ 4,890,872	\$ 4,832,880	\$ 4,214,889
Council's covered-employee payroll	\$ 2,862,311	\$ 2,775,077	\$ 2,594,932	\$ 2,469,067	\$ 2,518,293	\$ 2,414,090	\$ 2,232,057	\$ 2,192,047	\$ 2,191,060	\$ 2,083,785
Council's proportionate share of the net pension liability as a percentage of its covered-employee payroll	170.7%	191.2%	203.4%	191.4%	229.0%	216.2%	216.2%	223.1%	220.6%	202.3%
Plan fiduciary net position as a percentage of the total pension liability	61.8%	58.6%	57.1%	60.7%	50.7%	54.4%	54.1%	53.3%	52.9%	57.0%

**SOUTH CAROLINA APPALACHIAN COUNCIL OF GOVERNMENTS**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION RELATED TO PENSIONS  
FOR THE YEAR ENDED JUNE 30, 2025**

**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, 2024, 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, 2025 reported in that schedule can be found in Note 5 A.

**OTHER SUPPLEMENTARY INFORMATION**

**SOUTH CAROLINA APPALACHIAN COUNCIL OF GOVERNMENTS**

**SUPPLEMENTAL SCHEDULE  
REVENUE AND EXPENDITURES FOR TRANSPORTATION PROGRAMS  
YEAR ENDED JUNE 30, 2025**

	<b>Intermodal Transportation</b>	<b>Total</b>
<b>REVENUES</b>		
Federal funds	\$ 125,000	\$ 125,000
Local funds	31,250	31,250
<b>Total revenues</b>	156,250	156,250
<b>EXPENDITURES</b>		
Personnel	80,096	80,096
Fringe benefits	36,582	36,582
Travel expense	243	243
Conference/meetings	60	60
Training	2,500	2,500
Indirect cost pool	36,769	36,769
<b>Total expenditures</b>	156,250	156,250
<b>Excess (deficiency) of revenues over (under) expenditures</b>	\$ -	\$ -

SOUTH CAROLINA APPALACHIAN COUNCIL OF GOVERNMENTS  
SCHEDULE OF REVENUES AND EXPENDITURES - AGING PROGRAM  
YEAR ENDED JUNE 30, 2025

	Title III-B & III-C Aging Planning & Administration		Ombudsman		Volunteer Program Title VII Elder Abuse & Title VII		Medicare & Medicaid Services	Title III-E Family Caregiver		Respite	Total In-house
	Assessments	Title III-B	Regional Program	Senior's Insurance Program	Information & Referral Assistance	Planning & Administration	Family Caregiver Staff	Alzheimer's Association Respite			
<b>Revenues</b>											
Federal Funds	\$ 554,773	\$ 199,781	\$ 525,164	\$ -	\$ 104,311	\$ 256,028	\$ 169,995	\$ 33,048	\$ 296,167	\$ -	\$ 2,139,267
State Funds Department On Aging	-	-	-	179,431	-	-	-	11,016	98,722	6,009	295,178
State Funds Home & Community Based Services	185,766	238,992	-	-	-	-	29,999	-	-	-	454,757
COG Support from General Fund	8,172	2,724	2,906	9,111	556	40,923	952	197	1,770	-	67,311
<b>Total revenues</b>	<b>748,711</b>	<b>441,497</b>	<b>528,070</b>	<b>188,542</b>	<b>104,867</b>	<b>296,951</b>	<b>200,946</b>	<b>44,261</b>	<b>396,659</b>	<b>6,009</b>	<b>2,956,513</b>
<b>Expenditures</b>											
Salaries	365,257	215,310	265,238	94,391	47,256	161,170	104,952	14,750	195,931	3,113	1,467,368
Fringe	145,973	103,699	119,059	40,391	27,721	58,444	44,336	6,816	103,236	1,557	651,232
Travel	12,681	13,591	9,162	6,880	1,710	6,873	-	3,217	200	-	54,314
Supplies	30,722	241	1,988	80	729	(16,243)	-	2,604	-	-	20,121
Consulting	754	-	-	-	-	-	-	-	-	-	754
Postage	738	111	264	10	350	2,802	1,175	1,370	2,100	-	8,920
Printing	3,342	1,109	2,513	1,406	1,971	4,765	1,423	3,771	-	-	20,300
Telephone/Cell Phone	-	6,193	5,234	-	-	-	-	-	-	-	11,427
Membership Dues/Fees	4,005	372	80	-	-	-	-	7,500	162	-	12,119
Conference/Meetings	645	-	-	1,140	-	1,050	-	-	295	-	3,130
COG Meeting Expense	4,449	-	852	-	2,353	2,135	-	-	-	-	9,789
Bank Charges	340	-	-	-	-	-	-	339	-	-	679
Training	-	-	-	-	-	72	-	-	-	-	72
Computer /Software	8,796	-	-	-	-	-	-	-	-	-	8,796
Outside Services	-	(200)	-	-	-	-	-	-	-	-	(200)
Miscellaneous	-	-	-	-	-	150	-	-	-	-	150
Indirect Cost Pool	171,009	101,071	123,680	44,244	22,777	75,733	49,060	3,894	94,735	1,339	687,542
<b>Total expenditures</b>	<b>748,711</b>	<b>441,497</b>	<b>528,070</b>	<b>188,542</b>	<b>104,867</b>	<b>296,951</b>	<b>200,946</b>	<b>44,261</b>	<b>396,659</b>	<b>6,009</b>	<b>2,956,513</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

**SINGLE AUDIT SECTION**

SOUTH CAROLINA APPALACHIAN COUNCIL OF GOVERNMENTS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2025

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
<b>U.S. Department of Health and Human Services</b>				
Passed through S.C. Lt. Governor's Office on Aging				
Aging Cluster				
Title III-B Assessment Services	93.044	R01 MG25 - SVC	\$ -	\$ 178,827
Title III-B Ombudsman	93.044	R01 MG25 - OMB	-	513,946
Title III-B Planning and Administration	93.044	R01 MG25 - ADMIN	-	232,712
Title III-B Planning and Administration- ARP	93.044	R01 ARP25	-	59,879
Title III-B Support Services	93.044	R01 MG25 - SVC	692,690	692,690
Title III-B Support Services- ARP	93.044	R01 ARP25	70,981	91,934
Title III-B Legal Services	93.044	R01 MG25 - SVC	45,572	45,572
Title III-B Support Services - IR&A	93.044	R01 MG25 - SVC	-	169,995
Title III-C1 Planning and Administration	93.045	R01 MG25 - ADMIN	-	50,492
Title III-C1 Planning and Administration- ARP	93.045	R01 ARP25	-	1,445
Title III-C1 Services	93.045	R01 MG25 - SVC	894,729	894,729
Title III-C1 Services- ARP	93.045	R01 ARP25	41,847	41,847
Title III-C2 Planning and Administration	93.045	R01 MG25 - ADMIN	-	174,554
Title III-C2 Planning and Administration- ARP	93.045	R01 ARP25	-	35,691
Title III-C2 Services	93.045	R01 MG25 - SVC	1,535,169	1,535,169
Title III-C2 Services-ARP	93.045	R01 ARP25	64,752	64,752
Total Aging Cluster			3,345,740	4,784,234
Other Aging Programs				
Title VII - Long Term Care Ombudsman	93.042	R01 MG25 - OMB	-	104,311
Long Term Care Ombudsman Program- ARP	93.747	R01 ARP LTCOP	-	2,153
			-	106,464
Title III-D	93.043	R01 MG24 - SV5	90,868	90,868
Title III-D- ARP	93.043	R01 ARP25	28,754	28,754
			119,622	119,622
Title III-E Family Care Giver Planning & Administration	93.052	R01 MG25 - RESP	-	26,428
Title III-E Family Care Giver Planning & Administration- ARP	93.052	R01 ARP25	-	6,620
Title III-E Family Care Giver Staff - Salaries	93.052	R01 MG25 - RESP	-	296,167
Title III-E Family Care Giver Services	93.052	R01 MG25 - RESP	189,935	189,935
Title III-E Family Care Giver Services- ARP	93.052	R01 ARP25	31,234	31,234
			221,169	550,384
SC Prime Advocate Program	93.634	R01 PRIME	-	9,065
Senior Medicare Patrol SMPSC 4B84	93.048	R01 IC 25	-	80,634
MIPPA 5B06	93.071	R01 IC 25	-	26,746
MIPPA 5B04	93.071	R01 IC 25	-	27,970
MIPPA 5B05	93.071	R01 IC 25	-	17,618
			-	72,334
State Health Insurance Assistance Program 4B83	93.324	R01 IC 25	-	103,059
<b>Total U.S. Department of Health and Human Services</b>			3,686,531	5,825,796

SOUTH CAROLINA APPALACHIAN COUNCIL OF GOVERNMENTS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)  
YEAR ENDED JUNE 30, 2025

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
<b><u>U.S. Department of Labor</u></b>				
Passed through S.C. Department of Employment and Workforce				
WIOA Cluster				
Administration - Adult	17.258	19A001	-	39,419
Administration - Adult	17.258	20A001	-	44,973
Adult	17.258	19A001	60,832	165,302
Adult	17.258	20A001	190,678	274,482
SWDB Restoration - Adult	17.258	20SRA01	93,115	93,115
Reentry Navigation Grant	17.258	19RNG01	37,213	42,389
Administration - Youth	17.259	19Y001	-	7,500
Administration - Youth	17.259	20Y001	-	50,900
Youth Activities	17.259	19Y001	117,582	138,531
Youth Activities	17.259	20Y001	296,305	386,649
Continuous Improvement Grant	17.259	20CIG01	8,262	91,134
SWDB Restoration - Youth	17.259	20SRY01	169,153	169,153
COVID-19 National Emergency Grant	17.277	20DWG01	41,465	42,806
Administration - Dislocated Worker	17.278	19DW001	-	31,302
Administration - Dislocated Worker	17.278	20DW001	-	44,931
Dislocated Worker	17.278	19DW001	41,707	111,563
Dislocated Worker	17.278	20DW001	70,852	119,588
Dislocated Worker - Set Aside for Adult	17.278	19DW001	296,014	296,014
Dislocated Worker - Set Aside for Adult	17.278	20DW001	116,742	116,742
Incumbent Worker Training	17.278	18IWT01-02	89,915	91,774
Incumbent Worker Training	17.278	20IWT01	-	521
Rapid Response/Incumbent Worker Training	17.278	20RRIWT01	27,500	28,275
Rapid Response/Incumbent Worker Training	17.278	20RRIWT10	-	206
Rapid Response/Incumbent Worker Training	17.278	20RRIWT15	-	198
Rapid Response Additional Assistance	17.278	20RRC01	56,779	56,779
<b>Total U.S. Department of Labor</b>			1,714,114	2,444,246
<b><u>Appalachian Regional Commission</u></b>				
Local Development District Administration	23.009	SC-709-C53-20	-	96,438
Local Development District Administration	23.009	SC-709-C54-21	-	87,500
			-	183,938
<b><u>Environmental Protection Agency</u></b>				
Passed through S.C. Department of Health and Environmental Control				
Water Quality Management Planning	66.454	EQ-1-398	-	19,821
<b><u>U.S. Department of Commerce/Economic Development Administration</u></b>				
District Planning Grant	11.302	EDA19ATL3020006	-	35,000
District Planning Grant	11.302	EDA19ATL3020006	-	35,000
COVID-19 Response Grant	11.307	ED20ATL3070065	-	200,000
			-	270,000
<b><u>U.S. Department of Housing and Urban Development</u></b>				
Passed through Cherokee County, SC				
CDBG Planning Grant	14.228	4-RP-19-001	-	50,000

SOUTH CAROLINA APPALACHIAN COUNCIL OF GOVERNMENTS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)

YEAR ENDED JUNE 30, 2025

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
<b><u>U.S. Department of Transportation</u></b>				
Passed through S.C. Department of Transportation Office of Planning Highway Planning and Construction Cluster				
Intermodal Transportation Plan	20.205	N/A	-	85,000
Transportation Modeling	20.205	N/A	-	29,000
Freight Study - Local Project Agreement PO39092	20.205	N/A	321,937	336,097
			<u>321,937</u>	<u>450,097</u>
<b>Total Other Programs</b>			<u>321,937</u>	<u>973,856</u>
<b>Total Expenditures of Federal Awards</b>			<u>\$ 5,722,582</u>	<u>\$ 9,243,898</u>

**SOUTH CAROLINA APPALACHIAN COUNCIL OF GOVERNMENTS**

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2025**

**NOTE 1 – BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of South Carolina Appalachian Council of Governments under programs of the federal government for the year ended June 30, 2025. The information in this Schedule is presented on the modified accrual basis of accounting and in accordance with the requirements of the Uniform Guidance. Because the Schedule presents only a selected portion of the operations of the South Carolina Appalachian Council of Governments, it is not intended to and does not present the financial position or changes in net position of the South Carolina Appalachian Council of Governments.

**NOTE 2 – COST PRINCIPLES**

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

**NOTE 3 – INDIRECT COST RATE**

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

**NOTE 4 – SUBRECIPIENTS**

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

SOUTH CAROLINA APPALACHIAN COUNCIL OF GOVERNEMENTS

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2025

Program Description	Federal Assistance Listing Number	Contractors	Amount Provided to Contractor	Total Amount Provided to Contractors
<b>Aging Programs</b>				
<u>U.S. Department of Health and Human Services</u>				
Passed Through SC Lt. Governor's Office on Aging				
Title III-B Support Services	93.044	SCACOG	\$ 250,926	
		SC Legal Services	45,572	
		Pickens County MOW	28,975	
		Senior Action	190,892	
		Senior Centers of Cherokee County	71,454	
		Meals on Wheels of Anderson	5,774	
		Senior Solutions-Anderson/Oconee	156,094	
		Spartanburg Regional Foundation	45,649	
		Heat & Air Purchases from Suppliers	13,717	
		Gregory Pest Control	190	809,243
Title III-C1 Congregate Meals	93.045	Pickens County MOW	43,595	
		Senior Action	469,272	
		Senior Centers of Cherokee County	106,490	
		Meals on Wheels of Anderson	53,929	
		Senior Solutions-Anderson/Oconee	64,186	
		Spartanburg Regional Foundation	199,104	936,576
Title III-C2 Home Delivered Meals	93.045	Cherokee County MOW	111,720	
		Greenville County MOW	199,782	
		Meals on Wheels of Anderson	635,851	
		Pickens County MOW	303,747	
		Senior Solutions-Anderson/Oconee	348,821	1,599,921
Title III-D Preventive Health	93.043	Meals on Wheels of Anderson	15,510	
		Pickens County MOW	22,500	
		Senior Action	68,042	
		Senior Centers of Cherokee County	4,450	
		Senior Solutions-Anderson/Oconee	9,120	119,622
Title III-E Family Caregiver Services	93.052	Pass Through to Vendors	221,169	221,169
<b>Total Paid to Contractors by Aging Programs</b>				<b>3,686,531</b>
<b>Workforce Development Programs</b>				
<u>U.S. Department of Labor</u>				
Passed Through S.C. Department of Employment and Workforce				
Adult	17.258	Eckerd Kids	344,625	
		Anderson County	37,213	381,838
Youth	17.259	Eckerd Kids	591,302	
		BorgWarner Inc	5,697	
		Eugene Wexler US Plastics Inc	8,583	
		Fraenkische USA	5,000	
		Greenfield Industries	1,573	
		Itron	5,400	
		King Asphalt Inc	1,750	
		MCG Mechanical Inc	960	
		MST Concrete Products Inc	3,934	
		Robert Bosch LLC	37,016	
		Sargent Metal Fabrications Inc	1,502	
		United Tool & Mold Inc	18,500	681,217
COVID-19 National Emergency	17.277	Integrity Staffing Solutions	41,465	41,465
Dislocated Worker	17.278	Eckerd Kids	112,559	112,559
Dislocated Worker Set Aside for Adult	17.278	Eckerd Kids	412,756	412,756
Rapid Response Additional Assistance	17.278	Eckerd Kids	56,779	56,779
Rapid Response/Incumbent Worker Training	17.278	Champion Aerospace LLC	27,500	27,500
<b>Total Paid to Contractors by Workforce Development Programs</b>				<b>1,714,114</b>

SOUTH CAROLINA APPALACHIAN COUNCIL OF GOVERNEMENTS  
 NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)  
 YEAR ENDED JUNE 30, 2025

Program Description	Federal Assistance Listing Number	Contractors	Amount Provided to Contractor	Total Amount Provided to Contractors
<b>Other Programs</b>				
<b>U.S. Department of Transportation</b>				
Passed through S.C. Department of Transportation Office of Planning				
Freight Study - Local Project Agreement PO39092	20.205	CDM Smith	321,937	321,937
<b>Total Paid to Contractors by Other Programs</b>			<u>321,937</u>	<u>321,937</u>
<b>Total Paid to Contractors</b>				<u>\$ 5,722,582</u>

**SOUTH CAROLINA APPALACHIAN COUNCIL OF GOVERNMENTS**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2025**

**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:

Federal Assistance Listing Number  
93.044 and 93.045

Name of Federal Program or Cluster  
Aging Cluster

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

Auditee qualified as low-risk auditee?

X  Yes \_\_\_ No

## **II. Financial Statement Findings**

**None reported.**

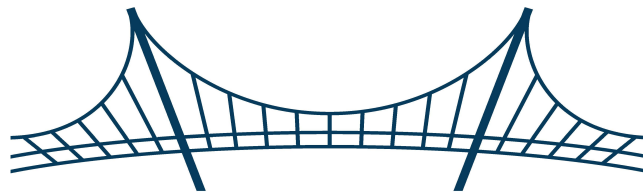
## **III. Federal Award Findings and Questioned Costs**

**None reported.**

**SOUTH CAROLINA APPALACHIAN COUNCIL OF GOVERNMENTS**

**SUMMARY OF PRIOR AUDIT FINDINGS  
YEAR ENDED JUNE 30, 2025**

There were no prior audit findings reported.



# Phillips CPAs and Advisors

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  
South Carolina Appalachian Council of Governments  
Greenville, South Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of South Carolina Appalachian Council of Governments, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise South Carolina Appalachian Council of Governments' basic financial statements, and have issued our report thereon dated November 13, 2025.

## Report on Internal Control over Financial Reporting

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

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

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.

Board of Directors  
South Carolina Appalachian Council of Governments  
November 13, 2025

### **Report on Compliance and Other Matters**

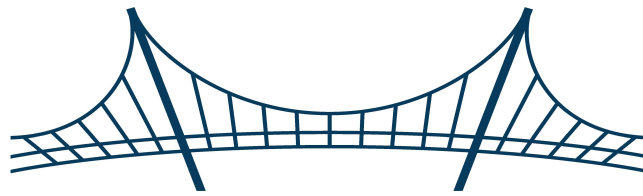
As part of obtaining reasonable assurance about whether South Carolina Appalachian Council of Governments' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which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

### **Purpose of this Report**

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

*Phillips CPAs and Advisors*

Greenville, South Carolina  
November 13, 2025



# Phillips CPAs and Advisors

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

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

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

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

We have audited South Carolina Appalachian Council of Governments' compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of South Carolina Appalachian Council of Governments' major federal programs for the year ended June 30, 2025. South Carolina Appalachian Council of Governments' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, South Carolina Appalachian Council of Governments, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2025.

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

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

### **Responsibilities of Management for Compliance**

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

### **Auditor's Responsibilities for the Audit of Compliance**

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding South Carolina Appalachian Council of Governments' compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of South Carolina Appalachian Council of Governments' internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of South Carolina Appalachian Council of Governments' internal control over compliance. Accordingly, no such opinion is expressed.

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

Board of Directors  
South Carolina Appalachian Council of Governments  
November 13, 2025

### **Report on Internal Control over Compliance**

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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

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

*Phillips CPAs and Advisors*

Greenville, South Carolina  
November 13, 2025