

REPORT TO THE BOARD OF DIRECTORS
SOUTH CAROLINA APPALACHIAN COUNCIL OF GOVERNMENTS
JUNE 30, 2025

SOUTH CAROLINA APPALACHIAN COUNCIL OF GOVERNMENTS

TABLE OF CONTENTS

	<u>PAGE</u>
Auditor Communications	1-3
Communications with Management	4-5



AUDITOR COMMUNICATIONS

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

We have audited the financial statements of the South Carolina Appalachian Council of Governments (the “Council”) for the year ended June 30, 2025, and have issued our report thereon dated November 13, 2025. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter to you dated May 16, 2025. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the South Carolina Appalachian Council of Governments are described in Note 1 to the financial statements. We noted no transactions entered into by the Council during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management’s knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the Council’s financial statements were:

Management’s estimate of depreciation is based on the estimated useful lives of associated assets. Purchased or constructed capital assets are reported at cost or estimated historical cost. Assets are depreciated on the straight-line basis. We evaluated key factors and assumptions used to develop depreciation in determining that it is reasonable in relation to the financial statements taken as a whole.

Management’s estimate of the accrual for the Council’s net pension liability (along with related deferred outflows and inflows of resources) for its participation in the South Carolina Retirement System and the Police Officer’s Retirement System is based on information provided by the South Carolina Public Employee Benefit Authority (PEBA). PEBA administers the retirement system. The net pension liability of each defined benefit pension plan was determined based on actuarial valuations, using membership data, projected forward to the end of the fiscal year, and financial information of the pension trust funds as of June 30, 2024, using generally accepted actuarial procedures.

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

The net pension liability is calculated separately for the South Carolina Retirement System and the Police Officer's Retirement System and represents that particular System's total pension liability determined in accordance with GASB No. 67, less that System's fiduciary net position. We evaluated the key factors and assumptions used to develop the accrual for net pension liability in determining that it is reasonable in relation to the financial statements as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was:

The disclosure regarding the determination of the pension liability describes the source of information and related assumptions used to estimate the liability.

The disclosures in the financial statements are neutral, consistent and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has agreed and corrected misstatements.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated November 13, 2025.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Council's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

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

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Council's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition of our retention.

Other Matters

We applied certain limited procedures to the budgetary comparison schedule and the pension liability information, which is required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on other supplementary information, which accompanies the financial statements, but is not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with U.S. generally accepted accounting principles, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the other supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

This information is intended solely for the information and use of the Board of Directors, management, and others within the Council and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Phillips CPAs and Advisers

Greenville, South Carolina
November 13, 2025



COMMUNICATIONS WITH MANAGEMENT

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

Thank you for the cooperation given during our audit engagement of the South Carolina Appalachian Council of Governments. For the year ended June 30, 2025, we present the following observations and recommendations relating to the accounting operations of South Carolina Appalachian Council of Governments.

Overview of Auditor's Report

Our report for the 2025 audit expresses an **unmodified opinion** on the fair presentation of the financial statements, in all material respects, in conformity with accounting principles generally accepted in the United States of America.

Organizational Structure

In planning and performing our audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Council as of and for the year ended June 30, 2025, in accordance with auditing standards generally accepted in the United States of America, we considered the Council's 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 an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control. Accordingly, we do not express an opinion on the effectiveness of the Council's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

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

This report is intended solely for the information and use of management, the Board of Directors, and others within the Council, and is not intended to be and should not be used by anyone other than these specified parties.

We appreciate the opportunity to present these comments for your consideration, and are prepared to discuss them further at your convenience and provide any other assistance for changes or improvements you may require.

Respectfully submitted,

Phillips CPAs and Advisors

Greenville, South Carolina
November 13, 2025