

WACCAMAW REGIONAL COUNCIL OF GOVERNMENTS
GEORGETOWN, SOUTH CAROLINA

**BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION**

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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FINANCIAL SECTION



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Waccamaw Regional Council of Governments
Georgetown, South Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Waccamaw Regional Council of Governments, Georgetown, South Carolina, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Council's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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, each major fund, and the aggregate remaining fund information of Waccamaw Regional Council of Governments, Georgetown, South Carolina, as of

June 30, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, budgetary comparison information, and supplementary pension information on pages 3 through 12 and 39 through 50 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Council's basic financial statements. The combining and individual nonmajor fund financial statements and supplemental schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, supplemental schedules, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2017 on our consideration of the Council's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Council's internal control over financial reporting and compliance.

Harper, Poston & Moree, P.A.

Harper, Poston & Moree, P.A.
Certified Public Accountants

Pawleys Island, South Carolina
December 14, 2017

**WACCAMAW REGIONAL COUNCIL OF GOVERNMENTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

This discussion and analysis of Waccamaw Regional Council of Governments' (hereafter referred to as Council) financial performance provides an overview of the Council's financial activities for the fiscal year ended June 30, 2017. The intent of this discussion and analysis is to look at the Council's financial performance as a whole; readers should also review the notes to the basic financial statements to enhance their understanding of the Council's financial performance.

FINANCIAL HIGHLIGHTS

- Due to GASB 68 reporting requirements involving the inclusion of our net pension liability in our audited financial statements, the position of the Council at the close of the most recent fiscal year was a deficit fund balance of \$2,603,854. Presented in GASB 68 format, the net position of the Council decreased by \$302,061. However, without inclusion of the net pension liability, the audited financial statements and net position is much more favorable and includes a \$765,733 fund balance. Given that the employer liability in connection with the State pension plan is pre-funded and administered by PEBA, management believes that the latter format is a more realistic view of our true financial position.
- As of the close of the fiscal year, the Council's governmental funds reported combined ending fund balances of \$765,733, a decrease of \$36,477 from the prior year. A total of \$59,997 is non-spendable or assigned, resulting in an unassigned fund balance of \$705,736.
- The Council's fiscal obligation for accumulated annual leave and salary-related fringe benefits was \$210,622.
- The State Budget and Control Board approves and mandates the employer contribution rate paid to the S.C. Retirement System to cover the costs of providing health and dental insurance to retirees covered by the State Health and Dental plans. In effect, it is prepayment of the employer portion of retiree health and dental premiums. The retiree insurance surcharge of 5.33% of gross salaries remained in effect for the current year. The aforementioned surcharge is in addition to the mandated employer contribution rate to the S.C. Retirement System for retiree pensions.
- Effective July 1, 2016, the mandated employer contribution to the S.C. Retirement System for retiree pensions increased from 10.91% to 11.41% of gross salaries. The total mandated employer contribution to the S.C. Retirement System in FY2017 for both purposes, retiree pensions and retiree insurance, increased from 16.24% to 16.74% of gross salaries.
- Though not an expense to the Council, the mandated employee contribution to the S.C. Retirement System for the retiree program increased from 8.16% to 8.66% of their respective salary.
- The mandated minimum employer contribution rate to the State Employee Insurance Program for active employee insurance costs increased by 0.80% effective January 1, 2017. The load factor derived from our experience rating increased from 1.00% to 1.05%.
- The Council is a member of the S.C. Municipal Insurance & Risk Financing Fund and the S.C. Municipal Insurance Trust Fund. There was minimal change in member contribution rates for General Liability, Property Insurance, Auto Liability, Auto Physical Damage, and Worker's Compensation premiums in FY2017.
- The Council received an annual discount on premiums from SCMIT and SMIRF for dual participation and credits were applied to both due to minimal exposure.

**WACCAMAW REGIONAL COUNCIL OF GOVERNMENTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

PASS THROUGH FUNDING THAT IS EXTERNAL TO THE BUDGET

The Council leverages its resources to generate additional grants for our units of local government. These grants do not pass through the Council budget nor are they part of the FY2017 audited financial statements. Even so, these grants are administered by our staff and extend over multiple fiscal years. As such, it is important to denote the additional financial, programmatic, and economic impact of such grants on the region.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Council's basic financial statements. The Council's basic financial statements comprise of three components: government-wide financial statements, fund financial statements, and the notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves. A description these statements and some related definitions follows:

Government-Wide Financial Statements

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities provide information about the activities of the Council as a whole and present a long-term view of the Council's finances. These financial statements provide a broad overview of the Council's overall financial status, in a manner similar to a private-sector enterprise.

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

The **Statement of Activities** presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus for some items, revenues and expenses are reported in this statements that will only result in cash flows in future fiscal periods (e.g. earned but unused vacation leave and pension expense). One should consider other non-financial factors, such as changes in the support the Council received from federal, state, and local sources, and the condition of its buildings.

The government-wide financial statements are included on pages 13 and 14 of this report.

In the Statement of Net Position and the Statement of Activities, the Council is divided into two kinds of activities:

Governmental Activities – Most of the Council's basic services are reported here, including but not limited to, general government, transportation, planning, community development, workforce development, aging services, water quality management, and government services.

Business-Type Activities – The Council's revolving loan program charges fees and earns interest to provide loan services consistent with the revolving loan program requirements of the U.S. Economic Development Administration.

Fund Financial Statements

The fund financial statements focus on individual parts of the Council, reporting its operations in more detail than the government-wide statements. The fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Some funds are required to be established separately by the Department of Labor, Department of Health and Human Services, Economic Development Administration, or Office of the Lt. Governor. Other funds are established by the Council to help it control and manage funds for particular purposes or to show that it is meeting responsibilities using certain dues, grants, and other funds. There are two kinds of fund financial statements – governmental and proprietary.

**WACCAMAW REGIONAL COUNCIL OF GOVERNMENTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Governmental Funds

Most of the Council's services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left after year-end that are available for spending. These funds are reported using an accounting method called modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted into cash. The governmental fund statements provide a detailed short-term view of the Council's general governmental operations that it provides. Governmental fund information helps determine whether there are more or fewer financial resources than can be spent in the near future to finance the Council's programs. The relationship (or difference) between the governmental activities (reported in the government-wide financial statements) and governmental statements is reported in a reconciliation accompanying the fund financial statements.

Proprietary Funds

The Council reports its Revolving Loan fund activities in a proprietary fund. Proprietary funds are reported in the same way that all activities are reported in the government-wide financial statements. In fact, the Council's enterprise fund statements, a component of the proprietary funds are the same as the business-type activities reported in the government-wide statements, but provide more detail and additional information, such as cash flows for proprietary funds.

Notes to the Financial Statements

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

Other Information

The statements referred to earlier in connection with major and non-major governmental funds and individual fund statements and schedules can be found in this report.

The Council has a legally adopted budget for its General Fund and grant sub-funds. A budgetary comparison is presented as a required supplementary schedule for this fund and major funds with a legally adopted budget to demonstrate compliance with its budget.

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**WACCAMAW REGIONAL COUNCIL OF GOVERNMENTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

GOVERNMENT WIDE FINANCIAL ANALYSIS

The table below provides a comparison of the Council's net position for the past two fiscal years:

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Current and Other Assets	\$ 2,166,251	\$ 2,163,764	\$ 621,021	\$ 617,288	\$ 2,787,272	\$ 2,781,052
Capital Assets, Net	106,487	82,756	-	-	106,487	82,756
Total Assets	<u>\$ 2,272,738</u>	<u>\$ 2,246,520</u>	<u>\$ 621,021</u>	<u>\$ 617,288</u>	<u>\$ 2,893,759</u>	<u>\$ 2,863,808</u>
Deferred Outflows of Resources	\$ 1,060,709	\$ 860,853	\$ -	\$ -	\$ 1,060,709	\$ 860,853
Long-Term Liabilities	\$ 5,044,784	\$ 4,664,867	\$ -	\$ -	\$ 5,044,784	\$ 4,664,867
Other Liabilities	1,400,518	1,075,506	-	33	1,400,518	1,075,539
Total Liabilities	<u>\$ 6,445,302</u>	<u>\$ 5,740,373</u>	<u>\$ -</u>	<u>\$ 33</u>	<u>\$ 6,445,302</u>	<u>\$ 5,740,406</u>
Deferred Inflows of Resources	\$ 113,020	\$ 286,048	\$ -	\$ -	\$ 113,020	\$ 286,048
Net Position:						
Net Investment in						
Capital Assets	\$ 106,487	\$ 82,756	\$ -	\$ -	\$ 106,487	\$ 82,756
Restricted	-	-	621,021	617,255	621,021	617,255
Unrestricted	(3,331,362)	(3,001,804)	-	-	(3,331,362)	(3,001,804)
Total Net Position	<u>\$ (3,224,875)</u>	<u>\$ (2,919,048)</u>	<u>\$ 621,021</u>	<u>\$ 617,255</u>	<u>\$ (2,603,854)</u>	<u>\$ (2,301,793)</u>

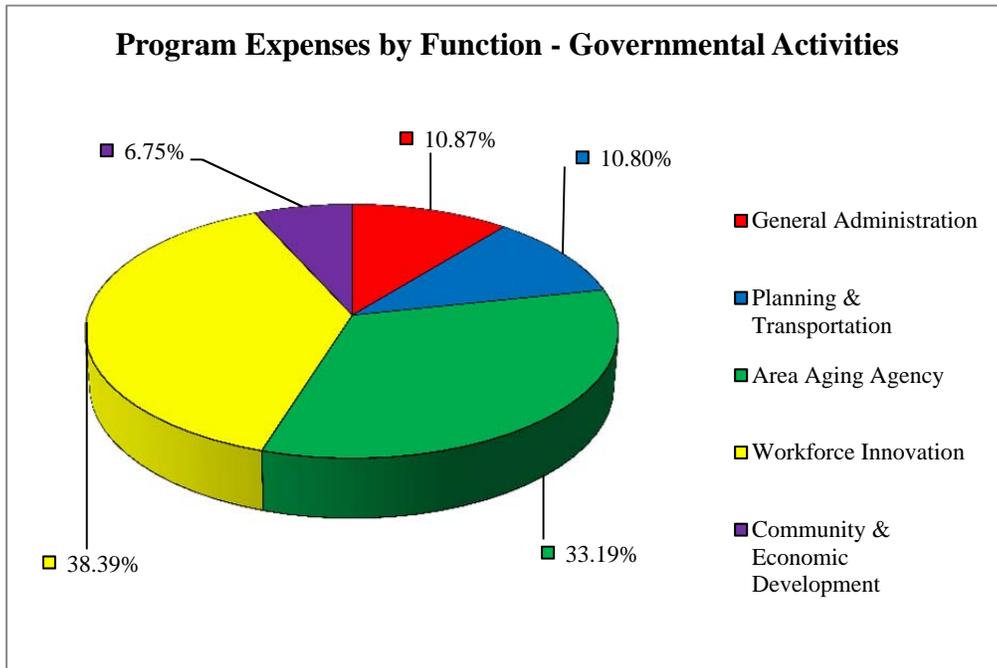
As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. In the case of the Council, liabilities and deferred inflows of resources exceeded assets and deferred outflows by \$2,603,854 at the close of the fiscal year ended June 30, 2017. The net position decreased by \$302,061 or 13.12%.

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**WACCAMAW REGIONAL COUNCIL OF GOVERNMENTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

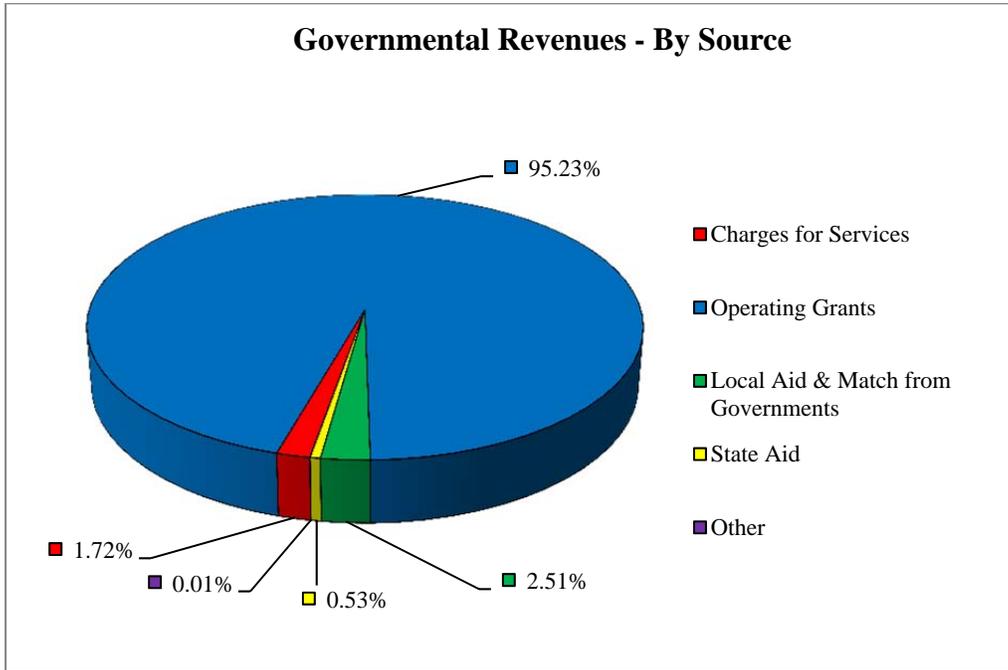
The following table presents a summary of the changes in net position for the year ended June 30, 2017.

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues:						
Program Revenues:						
Charges for Services	\$ 151,817	\$ 384,404	\$ 5,673	\$ 6,622	\$ 157,490	\$ 391,026
Operating Grants	8,391,205	7,718,723	-	-	8,391,205	7,718,723
General Revenues:						
Local Aid from Governments	221,358	318,920	-	-	221,358	318,920
State Aid	46,303	49,693	-	-	46,303	49,693
Other	124	18,294	240	184	364	18,478
Total Revenues	\$ 8,810,807	\$ 8,490,034	\$ 5,913	\$ 6,806	\$ 8,816,720	\$ 8,496,840
Expenses:						
General Administration	\$ 994,972	\$ 914,376	\$ -	\$ -	\$ 994,972	\$ 914,376
Planning & Transportation	987,869	929,503	-	-	987,869	929,503
Area Aging Agency	3,035,328	2,841,672	-	-	3,035,328	2,841,672
Workforce Innovation	3,511,164	3,228,340	-	-	3,511,164	3,228,340
Community & Economic Development	617,099	1,057,483	-	-	617,099	1,057,483
Revolving Loan Program	-	-	2,147	2,199	2,147	2,199
Total Expenses	\$ 9,146,432	\$ 8,971,374	\$ 2,147	\$ 2,199	\$ 9,148,579	\$ 8,973,573
Excess/Deficiency Before Transfers	\$ (335,625)	\$ (481,340)	\$ 3,766	\$ 4,607	\$ (331,859)	\$ (476,733)
Transfers In (Out)	-	3,182	-	(3,182)	-	-
Changes in Net Position	\$ (335,625)	\$ (478,158)	\$ 3,766	\$ 1,425	\$ (331,859)	\$ (476,733)
Net Position, Beginning	(2,919,048)	(2,440,890)	617,255	615,830	(2,301,793)	(1,825,060)
Prior Period Adjustment	29,798	-	-	-	29,798	-
Net Position, Ending	\$ (3,224,875)	\$ (2,919,048)	\$ 621,021	\$ 617,255	\$ (2,603,854)	\$ (2,301,793)



As indicated above, approximately 38.39% of all expenses are for the Workforce Innovation program and approximately 33.19% are for the Area Agency Aging program. Expenses for the other programs represent approximately 28.42% of all remaining expenses.

**WACCAMAW REGIONAL COUNCIL OF GOVERNMENTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**



As indicated above, approximately 95.23% of all programmatic revenues are from operating grants, while 1.72% are from charges for services and 2.51% are from aid from sponsoring local governments. Revenues from programs increased by \$672,482 while all other general revenues decreased by \$351,709.

FINANCIAL ANALYSIS OF COUNCIL'S FUNDS

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

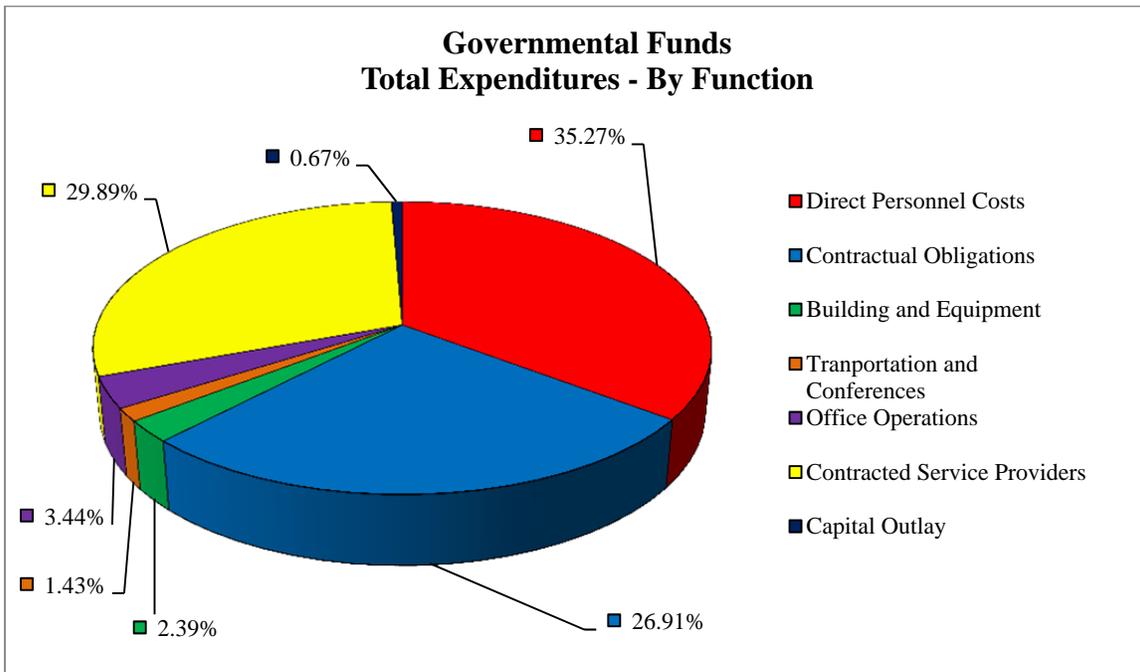
Governmental Funds: The focus of the Council's governmental funds is to provide information on near-term inflows, outflows and balances of usable resources. Such information is useful in assessing the Council's financing requirements. Specifically, the unassigned fund balance can be a useful measure 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 \$765,733, of which \$59,527 is non-spendable. The remaining fund balance of \$706,206 is unassigned.

The table below presents a comparison of the Council's governmental expenditures for the past two fiscal years:

**WACCAMAW REGIONAL COUNCIL OF GOVERNMENTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	Total Governmental Funds	
	2017	2016
Direct Personnel Costs	\$ 3,120,505	\$ 3,067,557
Support Services		
Contractual Obligations	2,381,058	2,166,889
Building and Equipment	211,287	177,936
Transportation and Conferences	127,191	145,225
Office Operations	304,060	230,636
Contracted Service Providers	2,644,753	2,826,424
Capital Outlay	<u>58,874</u>	<u>25,579</u>
Total Expenditures	<u>\$ 8,847,728</u>	<u>\$ 8,640,246</u>



As indicated above, approximately 35.27% of all governmental fund expenditures are for direct personnel costs, 29.89% are for contracted service providers, and 26.91% are for contractual obligations.

BUDGETARY HIGHLIGHTS

The Council revised the budget to adjust 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.

A schedule showing the original and final budget amounts compared to the Council's actual financial activity for the general fund, as well as each major fund, is provided in the required supplementary information.

2017 Revised Budget Summary

The FY2017 revised budget is representative yet flexible enough to accommodate some contingencies such as new staffing requirements, possible reductions of some formula funds, some proposed but "unfunded projects", and it will sustain continued long-term organizational growth given the ability to match increasing program funds as secured.

**WACCAMAW REGIONAL COUNCIL OF GOVERNMENTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

The revised budget as of November 29, 2016 included an estimated increase in overall revenue in the amount of \$986,716. The increase was due in large part to confirmation of an additional \$397,369 in Aging funding, an additional \$441,499 in Transportation funding and an additional \$88,074 in Workforce funding. The increase in overall Transportation Funding required the provision of additional local match in the amount of \$62,500 for the SC MTP Guide Share projects and \$7,500 for NC MTP Guide Share projects. Conversely, the revised budget projected lower HOME Funding carry-over and a decrease in Service Contracts and DHEC contracts.

Future increases in major funding sources (e.g. AAA and Transportation) that require additional local match are an on-going and growing concern. In order for the region to continue to reap the benefits associated with the additional funding, it will necessitate increased contributions from member counties or an increase in our State aide. Failure to acquire the match funds may result in a reduction or loss of funding for the region and adversely affect our fund balances.

The revised budget also included the restructuring of the Council's WIOA Cost Sharing Agreement with SCDEW. The Council is bearing a much larger share of the center operations cost than in past years. The additional costs are fully funded, but derived from WIOA formula funds as opposed to a separate cost sharing arrangement for the administration of services through the regional one-stop delivery system. In addition, the SCDEW imposed expenditure & obligation requirements have resulted in less carry-forward funding over the last several years; thus, reducing the amount available from SCDEW for allocation to local areas for utilization on expenditures incurred between July and September. The Council had to closely monitor training services in FY2017 to preserve at least 25% of the allocation for Adults & Dislocated Workers to fund on-going training obligations and expenditures through September 2017. The WIOA staff assessed the current training obligations for adults and dislocated workers and modified the service strategy in order to avoid excess, non-reimbursable WIOA expenditures while still achieving the Council's obligations requirements.

The revenue across programs within the Council is fairly balanced and each major program area is self-sustaining. Past and continued investment in human resources, technological advancements and staff capacity building has enabled personnel to maintain increased workloads. Technology investments (e.g. new Fund Accounting System, cloud computing system, VOIP telephone systems, and website enhancements) have tended to increase productivity and improve system efficiency & reliability.

CAPITAL ASSETS

The Council's capital assets, net of accumulated depreciation, consisted of the following for the past two fiscal years:

		2017		2016
Equipment	\$	23,913	\$	36,450
Software		12,583		16,777
Vehicles		60,499		29,529
Leasehold Improvements		9,492		-
Total Capital Assets	\$	106,487	\$	82,756

Major capital asset transactions included the purchase of two vehicles during the year.

**WACCAMAW REGIONAL COUNCIL OF GOVERNMENTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

LONG-TERM OBLIGATIONS

The Council's long-term obligations are made up of the following for the past two fiscal years:

	2017	2016 (As Restated)
Accrued Compensated Absences	\$ 210,622	\$ 197,524
Net Pension Liability	4,834,162	4,437,544
Total Capital Assets	\$ 5,044,784	\$ 4,635,068

FUTURE ECONOMIC FACTORS

The Council is concerned about future increases in the cost of fringe benefits such as retirement, worker's compensation, retiree health insurance and health insurance for active employees especially in an era of declining public resources. Due to projected increases in costs, the Council's provisional fringe rate increased from 59.404% in FY2017 to 64.800% in FY2018. The increase is primarily attributable to a rise in employer insurance premiums due to changes in healthcare law and an increase in the mandated employer contribution to the S.C. Retirement System for retiree pensions.

The mandated employer contribution to the SCRS for retiree pensions increased to 13.41% in FY2018. The insurance surcharge increased to 5.50% for retiree insurance premiums. In total, the combined contribution rate for retirement increased from 16.74% to 18.91% of gross salaries in FY2018.

Employer funded state health/dental insurance premiums increased by 0.8% in FY2018. The load factor imposed on local sub-divisions decreased to 1.00% in FY2018. Increasing health insurance costs, for both active employees and retirees, are an on-going concern. The Council anticipates higher premiums in the future.

The Council is a member of the S.C. Municipal Insurance Trust (SCMIT). Member contributions for worker's compensation insurance are steady but still costly. In order to mitigate some of the cost, the Council is accepting a larger share of the risk through imposition of a higher deductible in order to lower the annual contribution. We also receive a discounted premium from the MASC for dual participation in both SCMIT and the S.C. Municipal Insurance and Risk Financing Fund (SCMIRF) programs. The Council enjoyed some additional relief due in part to worker's compensation rate restructuring and safety (given the nature of our work). The contribution rates for both SCMIT and SCMIRF will remain relatively unchanged for FY2018. Any increases in cost are due to elected changes in coverage or limit increases and additional staffing. The SCMIT board of trustees voted to return surplus premiums from FY2017.

FY2018 BUDGET

Many factors were considered by the Council's administration during the process of developing the fiscal year 2017-2018 budget. Revenues are expected to increase by approximately \$952,114 or 7.52%.

The increases were due in large part to confirmation of an additional \$318,899 Aging funding, an additional \$387,375 Transportation funding and an additional \$294,254 in Workforce funding. The increase in overall Aging funding was attributed to a combination confirmed carryover and new funds appropriated by LGOA in a series of recent contractual amendments. The Aging carry-over funds will be significantly reduced in subsequent years. The AAA will be more reliant on the base budget in FY2019. In addition, the required match for AAA funding will not be waived in FY2019. The increase in overall Transportation funding was attributed to a combination of greater funding for the NC MPO_PL TMA and an appropriation of Guide Share funding for the SC MTP and NC MTP. The increase in overall Workforce funding was attributed to a combination of greater than expected carryover and new funds appropriated by SCDEW in a series of recent contractual amendments for the benefit of Incumbent Workers and a new Transportation Demo Grant.

**WACCAMAW REGIONAL COUNCIL OF GOVERNMENTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Future increases in major funding sources that require additional local match are an on-going concern. In order for the region to continue to reap the benefits associated with provision of additional funding, it will necessitate increased contributions from member counties or an increase in State aid. Failure to acquire the match funds may result in a reduction or loss of funding for the region or adversely affect the Councils fund balances.

CONTACTING THE COUNCIL'S FINANCIAL MANAGEMENT

This financial report is designed to provide those interested with a general overview of the Council's finances and to show the Council's accountability for the money it receives. If you have any questions about this report or need additional information, please contact the Finance Director at Waccamaw Regional Council of Governments, 1230 Highmarket Street, Georgetown, SC 29440, or at (843)546-8502.

BASIC FINANCIAL STATEMENTS

WACCAMAW REGIONAL COUNCIL OF GOVERNMENTS
STATEMENT OF NET POSITION
JUNE 30, 2017

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS			
Cash and Investments	\$ 867,025	\$ 340,226	\$ 1,207,251
Accounts Receivable	913	-	913
Loans Receivable	-	295,478	295,478
Due From Other Governments	1,223,633	-	1,223,633
Internal Balances	14,683	(14,683)	-
Prepaid Expenses	59,997	-	59,997
Capital Assets (Net of Accumulated Depreciation):			
Leasehold Improvements	9,492	-	9,492
Vehicles, Machinery, and Equipment	96,995	-	96,995
TOTAL ASSETS	\$ 2,272,738	\$ 621,021	\$ 2,893,759
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Outflows of Resources Related to Pension	\$ 1,060,709	\$ -	\$ 1,060,709
TOTAL DEFERRED OUTFLOWS OF RESOURCES	\$ 1,060,709	\$ -	\$ 1,060,709
LIABILITIES			
Accounts Payable and Accrued Liabilities	\$ 1,051,000	\$ -	\$ 1,051,000
Accrued Personnel Costs	118,224	-	118,224
Unearned Grant Revenues	231,294	-	231,294
Noncurrent Liabilities:			
Due Within One Year	103,167	-	103,167
Due In More Than One Year	4,941,617	-	4,941,617
TOTAL LIABILITIES	\$ 6,445,302	\$ -	\$ 6,445,302
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflows of Resources Related to Pension	\$ 113,020	\$ -	\$ 113,020
TOTAL DEFERRED INFLOWS OF RESOURCES	\$ 113,020	\$ -	\$ 113,020
NET POSITION			
Net Investment In Capital Assets	\$ 106,487	\$ -	\$ 106,487
Restricted For:			
Revolving Loan Program	-	621,021	621,021
Unrestricted	(3,331,362)	-	(3,331,362)
TOTAL NET POSITION	\$ (3,224,875)	\$ 621,021	\$ (2,603,854)

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

**WACCAMAW REGIONAL COUNCIL OF GOVERNMENTS
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

FUNCTIONS/PROGRAMS	PROGRAM REVENUES				NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION		
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
Governmental Activities:							
General Administration	\$ 994,972	\$ -	\$ 23,430	\$ -	\$ (971,542)	\$ -	\$ (971,542)
Planning & Transportation	987,869	-	1,013,881	-	26,012	-	26,012
Area Aging Agency	3,035,328	-	3,103,630	-	68,302	-	68,302
Workforce Innovation	3,511,164	45,658	3,750,525	-	285,019	-	285,019
Community & Economic Development	617,099	106,159	499,739	-	(11,201)	-	(11,201)
Total Governmental Activities	<u>\$ 9,146,432</u>	<u>\$ 151,817</u>	<u>\$ 8,391,205</u>	<u>\$ -</u>	<u>\$ (603,410)</u>	<u>\$ -</u>	<u>\$ (603,410)</u>
Business-Type Activities:							
Revolving Loan Program	\$ 2,147	\$ 5,673	\$ -	\$ -	\$ -	\$ 3,526	\$ 3,526
Total Business-Type Activities	<u>\$ 2,147</u>	<u>\$ 5,673</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,526</u>	<u>\$ 3,526</u>
TOTALS	<u>\$ 9,148,579</u>	<u>\$ 157,490</u>	<u>\$ 8,391,205</u>	<u>\$ -</u>	<u>\$ (603,410)</u>	<u>\$ 3,526</u>	<u>\$ (599,884)</u>
GENERAL REVENUES							
Local Aid from Participating Governments					\$ 221,358	\$ -	\$ 221,358
State Aid					46,303	-	46,303
Unrestricted Investment Earnings					124	240	364
TOTAL GENERAL REVENUES					<u>\$ 267,785</u>	<u>\$ 240</u>	<u>\$ 268,025</u>
CHANGE IN NET POSITION					\$ (335,625)	\$ 3,766	\$ (331,859)
NET POSITION BEGINNING OF YEAR (AS RESTATED NOTE 13)					<u>(2,889,250)</u>	<u>617,255</u>	<u>(2,271,995)</u>
NET POSITION END OF YEAR					<u>\$ (3,224,875)</u>	<u>\$ 621,021</u>	<u>\$ (2,603,854)</u>

**WACCAMAW REGIONAL COUNCIL OF GOVERNMENTS
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2017**

	<u>GENERAL</u>	<u>PLANNING & TRANSPORTATION</u>
ASSETS		
Cash and Investments	\$ 859,417	\$ -
Accounts Receivable	913	-
Due From Other Governments	-	233,939
Due From Other Funds	100,578	-
Prepaid Expenses	<u>59,527</u>	<u>470</u>
TOTAL ASSETS	\$ <u>1,020,435</u>	\$ <u>234,409</u>
LIABILITIES AND FUND BALANCES		
Liabilities		
Accounts Payable and Accrued Liabilities	\$ 199,365	\$ 141,431
Accrued Personnel Costs	45,914	10,799
Due To Other Funds	-	82,179
Unearned Grant Revenues	<u>9,423</u>	<u>-</u>
Total Liabilities	\$ <u>254,702</u>	\$ <u>234,409</u>
Fund Balances		
Non-Spendable:		
Prepaid Expenses	\$ 59,527	\$ 470
Unassigned	<u>706,206</u>	<u>(470)</u>
Total Fund Balances	\$ <u>765,733</u>	\$ <u>-</u>
TOTAL LIABILITIES AND FUND BALANCES	\$ <u>1,020,435</u>	\$ <u>234,409</u>

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

AREA AGING AGENCY	WORKFORCE INNOVATION	NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
\$ 2	\$ -	\$ 7,606	\$ 867,025
-	-	-	913
276,975	547,602	165,117	1,223,633
284,841	-	-	385,419
-	-	-	59,997
<u>\$ 561,818</u>	<u>\$ 547,602</u>	<u>\$ 172,723</u>	<u>\$ 2,536,987</u>
\$ 372,182	\$ 288,592	\$ 49,430	\$ 1,051,000
13,423	44,205	3,883	118,224
-	169,147	119,410	370,736
<u>176,213</u>	<u>45,658</u>	<u>-</u>	<u>231,294</u>
<u>\$ 561,818</u>	<u>\$ 547,602</u>	<u>\$ 172,723</u>	<u>\$ 1,771,254</u>
\$ -	\$ -	\$ -	\$ 59,997
<u>-</u>	<u>-</u>	<u>-</u>	<u>705,736</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 765,733</u>
<u>\$ 561,818</u>	<u>\$ 547,602</u>	<u>\$ 172,723</u>	<u>\$ 2,536,987</u>

**WACCAMAW REGIONAL COUNCIL OF GOVERNMENTS
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF NET POSITION
JUNE 30, 2017**

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

Ending fund balances - governmental funds balance sheet	\$	765,733
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:		
Capital Assets		291,689
Accumulated Depreciation		(185,202)
Long-term liabilities, including compensated absences and net pension liability, are not due and payable in the current period and, therefore, are not reported in the funds:		
Compensated Absences		(210,622)
Net Pension Liability		(4,834,162)
Deferred Inflows Related to Pensions		(113,020)
Deferred Outflows Related to Pensions		1,060,709
		1,060,709
Net position of governmental activities	\$	(3,224,875)

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

**WACCAMAW REGIONAL COUNCIL OF GOVERNMENTS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	GENERAL	PLANNING & TRANSPORTATION
REVENUES		
Federal Revenues	\$ -	\$ 861,170
State Revenues	46,303	998
Participating Local Governments	221,358	-
Service and Special Contracts	-	151,713
Local Non-Cash Match	-	-
Interest Income	-	-
Other Income	-	-
	<u>267,661</u>	<u>1,013,881</u>
TOTAL REVENUES	\$ 267,661	\$ 1,013,881
EXPENDITURES		
Direct Personnel Costs	\$ 521,923	\$ 467,725
Support Services:		
Contractual Obligations	109,624	498,149
Building and Equipment	100,661	-
Transportation and Conferences	38,061	22,104
Office Operations	96,559	11,988
Contracted Service Providers	-	-
Capital Outlay	-	-
	<u>866,828</u>	<u>999,966</u>
TOTAL EXPENDITURES	\$ 866,828	\$ 999,966
Excess (Deficiency) of Revenues Over Expenditures	\$ (599,167)	\$ 13,915
OTHER FINANCING SOURCES (USES)		
Indirect Cost Allocations	\$ 911,068	\$ (237,576)
Interfund Transfers In From Other Funds	-	223,661
Interfund Transfers Out To Other Funds	(348,378)	-
	<u>562,690</u>	<u>(13,915)</u>
TOTAL OTHER FINANCING SOURCES (USES)	\$ 562,690	\$ (13,915)
Net Change in Fund Balances	\$ (36,477)	\$ -
FUND BALANCE BEGINNING OF YEAR	<u>802,210</u>	<u>-</u>
FUND BALANCE END OF YEAR	<u>765,733</u>	<u>-</u>

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

<u>AREA AGING AGENCY</u>	<u>WORKFORCE INNOVATION</u>	<u>NONMAJOR GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
\$ 1,933,955	\$ 3,750,525	\$ 498,256	\$ 7,043,906
1,072,053	-	-	1,119,354
-	-	-	221,358
-	45,658	106,159	303,530
97,622	-	-	97,622
30	-	94	124
-	-	24,913	24,913
<u>\$ 3,103,660</u>	<u>\$ 3,796,183</u>	<u>\$ 629,422</u>	<u>\$ 8,810,807</u>
\$ 445,421	\$ 1,465,448	\$ 219,988	\$ 3,120,505
280,303	1,438,346	54,636	2,381,058
4,675	105,951	-	211,287
20,520	41,813	4,693	127,191
6,170	170,154	19,189	304,060
2,235,773	110,163	298,817	2,644,753
-	37,546	21,328	58,874
<u>\$ 2,992,862</u>	<u>\$ 3,369,421</u>	<u>\$ 618,651</u>	<u>\$ 8,847,728</u>
\$ 110,798	\$ 426,762	\$ 10,771	\$ (36,921)
\$ (194,545)	\$ (366,517)	\$ (111,986)	\$ 444
83,747	-	101,215	408,623
-	(60,245)	-	(408,623)
<u>\$ (110,798)</u>	<u>\$ (426,762)</u>	<u>\$ (10,771)</u>	<u>\$ 444</u>
\$ -	\$ -	\$ -	\$ (36,477)
-	-	-	802,210
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 765,733</u>

**WACCAMAW REGIONAL COUNCIL OF GOVERNMENTS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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

Net change in fund balances - total governmental funds	\$	(36,477)
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This amount is the difference between depreciation expense and capital outlays in the current period:

Capital Outlays		57,019
Depreciation Expense		(33,288)

Some expenses reported in the statement of activities, do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Compensated Absences		(13,097)
Pension Expense		(309,782)

Change in net position of governmental activities	\$	<u><u>(335,625)</u></u>
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The accompanying notes are an integral part of these financial statements.

**WACCAMAW REGIONAL COUNCIL OF GOVERNMENTS
STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2017**

	REVOLVING LOAN FUND
ASSETS	
Current Assets	
Cash and Investments	\$ 340,226
Loans Receivable	295,478
Total Current Assets	\$ 635,704
TOTAL ASSETS	\$ 635,704
LIABILITIES	
Current Liabilities	
Due To Other Funds	\$ 14,683
Total Current Liabilities	\$ 14,683
TOTAL LIABILITIES	\$ 14,683
NET POSITION	
Restricted for Economic Development	\$ 621,021
TOTAL NET POSITION	\$ 621,021

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

**WACCAMAW REGIONAL COUNCIL OF GOVERNMENTS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	REVOLVING LOAN FUND
OPERATING REVENUES	
Interest Earned on Loans	\$ 5,673
TOTAL OPERATING REVENUES	\$ 5,673
OPERATING EXPENSES	
Salaries and Wages	\$ 544
Fringe Benefits and Release Time	321
RLF Committee Expense	405
Staff Travel	433
TOTAL OPERATING EXPENSES	\$ 1,703
Operating Income (Loss)	\$ 3,970
NONOPERATING REVENUES	
Investment Income	\$ 240
TOTAL NONOPERATING REVENUES	\$ 240
Income (Loss) Before Other Financing Sources (Uses)	\$ 4,210
OTHER FINANCING SOURCES (USES)	
Indirect Cost Allocations	\$ (444)
TOTAL OTHER FINANCING SOURCES (USES)	\$ (444)
Change in Net Position	\$ 3,766
NET POSITION BEGINNING OF YEAR	617,255
NET POSITION END OF YEAR	\$ 621,021

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

**WACCAMAW REGIONAL COUNCIL OF GOVERNMENTS
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	REVOLVING LOAN FUND
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Borrowers	\$ 42,100
Cash Lending to Borrowers	(195,000)
Cash Payments to Employees for Services	(1,298)
Cash Payments to Vendors	(350)
	(154,548)
Net Cash Provided (Used) By Operating Activities	\$ (154,548)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Interfund Transfers and Indirect Cost Allocations	\$ 1,233
	1,233
Net Cash Provided (Used) By Non-Capital Financing Activities	\$ 1,233
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment Income Received	\$ 240
	240
Net Cash Provided (Used) By Investing Activities	\$ 240
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	\$ (153,075)
CASH AND CASH EQUIVALENTS BEGINNING OF YEAR	493,301
CASH AND CASH EQUIVALENTS END OF YEAR	\$ 340,226
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
Operating Income (Loss)	\$ 3,970
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) By Operating Activities:	
Changes in Assets and Liabilities	
(Increase) Decrease in Loans Receivable	(158,573)
(Increase) Decrease in Other Receivables	88
Increase (Decrease) in Accounts Payable	(33)
	(154,548)
Net Cash Provided (Used) By Operating Activities	\$ (154,548)

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

WACCAMAW REGIONAL COUNCIL OF GOVERNMENTS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Waccamaw Regional Council of Governments (WRCOG or the Council) have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Council's accounting policies are described below.

Reporting Entity

The Council is a regional planning and intergovernmental coordination agency in the Waccamaw region of South Carolina created pursuant to legislation of the General Assembly of the State of South Carolina. It is governed by a 25 member Board which consists of appointed members from participating local governments, private sector, and legislative delegates. Local participating counties in the region of South Carolina are Horry County, Georgetown County, and Williamsburg County. Brunswick County, North Carolina also participates.

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

Component units are legally separated entities that meet any one of the following criteria: (1) the Council appoints a voting majority of the board of the entity and is able to impose its will on the entity and/or is in a relationship of financial benefit or burden with the entity, (2) the entity is fiscally dependent upon the Council, or (3) the financial statements would be misleading if data from the entity were not included. Component units may be presented by two different methods. Blended component units, although legally separate entities, are, in substance, part of the Council's operations. Discretely presented component units are reported in a separate column in the combined financial statements to emphasize that they are legally separate from the Council. The Council has no discretely presented component units. Based upon the criteria above, the following have been included in this report.

Waccamaw Revolving Loan Fund
Waccamaw Workforce Innovative Opportunities Act
Waccamaw HOME Consortium

Basis of Presentation

Government-wide Statements: The statement of net position and the statements of activities display information about the Council as a whole. These statements distinguish between activities that are governmental and those that are considered business-type activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through regional appropriations, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees and finance charges charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the Council's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational requirements of a particular program. Revenues that are not classified as program revenues, including unrestricted local county contributions, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the Council's funds. Separate statements for each fund category – governmental and proprietary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column.

WACCAMAW REGIONAL COUNCIL OF GOVERNMENTS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Proprietary fund operating revenues, such as finance charges, result from nonexchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from nonexchange activities or ancillary activities.

The Council reports the following major governmental funds:

General Fund: This is the Council's primary operating fund. It accounts for all financial resources of the general government, except those that are required to be accounted for in another fund. Primary sources of revenues are regional appropriations and state aid.

Planning and Transportation Fund – Special Revenue Fund: This fund accounts for all resources received from federal, state, and local sources to provide local planning assistance, transportation assistance, and air and water quality planning and initiatives to boards, commissions, councils, and governments of the Council's region. Financing is provided by the Environmental Protection Agency and the U.S. Department of Transportation.

Area Agency on Aging Fund – Special Revenue Fund: This fund accounts for all resources for federal and state awards with the Aging services (AAA) element of the Council's work program. Financing is provided by federal awards from the U.S. Department of Health and Human Services via the S.C. Office of the Lieutenant Governor and operating transfers from the Council's general fund.

Workforce Innovation Fund – Special Revenue Fund: This fund accounts for all resources received for federal awards within the Workforce Innovation and Opportunity Act (WIOA) element of the Council's work program. Financing is provided by the U.S. Department of Labor through the S.C. Department of Employment and Workforce.

The Council reports the following major enterprise fund:

Revolving Loan Fund: This fund is used to account for the operations within the economic development loan element of the Council's work program. The revolving loan fund is used to account for transactions of the operations of the U.S. Economic Development Administration (EDA) funded revolving loan fund.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-wide and Proprietary Fund Financial Statements: The government-wide and proprietary fund 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. Nonexchange transactions, in which the Council gives (or receives) value without directly receiving (or giving) equal value in exchange, include regional appropriations, grants, entitlements, and donations. On an accrual basis, revenue from regional appropriations is recognized in the fiscal year for which it is due. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., when both measurable and available. *Available* means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The Council considers all revenue collectible within sixty days of the close of the fiscal year to be available. Most expenditures are measurable and are recorded when the related fund liability is incurred. However, principal and interest on general long-term debt, which has not matured, are recorded as fund liabilities when due. Allocations of costs such as depreciation and amortization, are not recognized in the governmental funds. 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.

WACCAMAW REGIONAL COUNCIL OF GOVERNMENTS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Proprietary Financial Statements: Proprietary financial statements are reported using the economic measurement focus and the full accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. The proprietary fund distinguishes operating revenues and expenses from non-operating items. Operating revenue and expenses generally result from the Council's economic development loans. The principal operating revenue is finance charges on the loans.

Budgetary Information and Budgetary Accounting

A budget is adopted for the General Fund and grant sub-funds on a basis consistent with general accepted accounting principles. A proposed budget for the ensuing fiscal year is submitted by management to the Council's Board during July of each year. The budget is prepared by cost centers within each fund and is organized into a combined total budget. The budget must be balanced. The Board votes to adopt the budget for the ensuing fiscal year, subject to amendment or modification, during subsequent meetings. The Council's policies allow funds to be transferred between functions and objects. However, the total budget cannot be increased beyond that level without the approval of the Board in a supplementary action. The legal level of control is at the fund level.

Indirect Cost Allocation

Cost allocations made by Council are in accordance with the guidelines of the OMB's Uniform Guidance contained at 2 CFR 200; Subpart E; 2 CFR 200, Appendix V; 2 CFR 200 Appendix VII. These guidelines provide that allowable indirect costs are identified and accumulated in an indirect cost pool and distributed to applicable federal, state and local grant activities and programs based upon an appropriate actual indirect cost allocation methodology. Certain employee benefits are accumulated in a fringe benefit cost pool and allocated to grant projects as a percentage of labor costs, referred to as release time. In accordance with Uniform Guidance, the cost allocations are subject to subsequent federal audit or review.

Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand deposits as well as short-term investments with an initial maturity of three months or less.

Receivables and Payables

All accounts and intergovernmental receivables are shown net of allowance for uncollectible. During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payable are classified as "due from other funds" or "due to other funds" on the balance sheet. Short-term interfund liabilities are classified as "interfund receivables/payables". Interfund receivables and payables are eliminated in the government-wide financial statements. Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

Prepaid Items

Certain payments to vendors reflecting costs applicable to future accounting periods are recorded as prepaid items in both government-wide and fund financial statements.

Statement of Cash Flows

For the purpose of the statement of cash flows, the Council considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalent.

WACCAMAW REGIONAL COUNCIL OF GOVERNMENTS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital Asset and Depreciation

The Council accounts for capital asset purchases by recording acquisitions at cost or estimated historical cost. Donated assets are recorded at their acquisition value at the date of donation. The Council capitalizes moveable personal property with a unit value in excess of \$5,000 and a useful life in excess of one year. Routine repairs and maintenance are charged to expenses in the year in which the expenses are incurred. Depreciation of capital assets is computed and recorded by the straight-line method. Useful lives of the Council's capital assets generally range from 3 to 7 years.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Council reports deferred outflows related to its net pension liability in the statement of net position. In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources until then.

Compensated Absences

The Council's policy allows an employee to accumulate up to 45 days of vacation pay and up to 120 days of sick leave at June 30. Sick leave days are accumulated at 1 day per month and annual leave days are accumulated at a varied rate of 10-25 days per year, depending on the years of service. There is no liability for unpaid accumulated sick leave since the Council does not have a policy to pay any amounts for accumulated sick leave when employees separate from service with the Council. All vacation pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Accrued Liabilities and Long-Term Obligations

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

Pensions

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

Net Position and Fund Balance Classifications

Net Position in the government-wide statements and the proprietary fund statements are classified as follows:

Net Investment in Capital Assets: This represents the Council's total investment in capital assets, net of accumulated outstanding debt obligations related to those capital assets.

Restricted Net Position: This represents resources in which the Council is legally or contractually obligated to spend in accordance with restrictions externally imposed by third parties.

Unrestricted Net Position: Any remaining balance of net position is reported as unrestricted, including management designations.

WACCAMAW REGIONAL COUNCIL OF GOVERNMENTS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Balances are classified in the governmental fund financial statements as follows and describe the relative strength of spending constraints placed on the purposes for which resources can be used:

Nonspendable Fund Balances: Includes amounts that are not in spendable form or are legally required to remain intact.

Restricted Fund Balances: Includes amounts that have external restrictions by grantors, debt covenants, laws, or other governments.

Committed Fund Balances: Includes amounts that are committed to a specific purpose by the Board of Directors.

Assigned Fund Balances: Includes amounts that are constrained by limitations resulting from intended uses as established by the Board of Directors.

Unassigned Fund Balances: Includes amounts that have not been assigned to any purpose.

Unless specifically designated otherwise, fund expenditures 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.

Interfund Activity

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

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

Use of Resources

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

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America as applicable to governmental units requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Fair Value

The fair value measurement and disclosure framework provides for a three-tier fair value hierarchy that gives highest priority to quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of fair value hierarchy are described below:

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

**WACCAMAW REGIONAL COUNCIL OF GOVERNMENTS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

- Fair value is often based on developed models in which there are few, if any, observable inputs.

The asset’s or liability’s fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used should maximize the use of observable inputs and minimize the use of unobservable inputs.

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

NOTE 2 – DEPOSITS AND INVESTMENTS

At year end, the Council’s carrying amount of deposits and investments were \$1,207,251 and the corresponding bank balances were \$1,359,320.

Custodial Credit Risk: Custodial credit risk is the risk that, in the event of bank failure, the Council’s deposits might not be recovered. The Council does not have a policy for custodial credit risk, but it is the practice of Council that deposits at financial institutions shall not exceed the limits of the Federal Deposit Insurance Corporation (FDIC) unless collateralized. As of June 30, 2017, the Council’s bank balances were insured and collateralized as follows:

Amount insured by FDIC	\$	424,929
Amount insured and collateralized by pledging bank's third party agent held in the name of the Council		694,391
Amount insured and collateralized by repurchase agreements		<u>240,000</u>
Total	\$	<u><u>1,359,320</u></u>

The Council holds repurchase agreements that are measured at fair value on a recurring basis with maturities less than one year. The Council categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles:

	Fair Value Measurements Using			
	Fair Value June 30, 2017	Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Repurchase Agreements	\$ <u>240,000</u>	\$ <u>-</u>	\$ <u>240,000</u>	\$ <u>-</u>

**WACCAMAW REGIONAL COUNCIL OF GOVERNMENTS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 2 – DEPOSITS AND INVESTMENTS (continued)

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates of investments will adversely affect the fair value of an investment. The Council does not have a formal policy limiting investment maturities that would help manage its exposure to fair value losses from increasing interest rates. However, the Council primarily uses the bank money market account for investing purposes. The balances invested are subject to withdrawals on a daily basis.

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Council does not have a formal policy regarding credit risk. Repurchase agreements of \$240,000 are considered unrated investments for purposes of credit risk.

NOTE 3 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2017 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital Assets, Being Depreciated:				
Equipment	\$ 131,643	\$ -	\$ -	\$ 131,643
Software	20,971	-	-	20,971
Vehicles	82,056	47,527	-	129,583
Leasehold Improvements	-	9,492	-	9,492
Total Capital Assets Being Depreciated	\$ 234,670	\$ 57,019	\$ -	\$ 291,689
Less Accumulated Depreciation for:				
Equipment	\$ (95,193)	\$ (12,537)	\$ -	\$ (107,730)
Software	(4,194)	(4,194)	-	(8,388)
Vehicles	(52,527)	(16,557)	-	(69,084)
Total Accumulated Depreciation	\$ (151,914)	\$ (33,288)	\$ -	\$ (185,202)
Total Capital Assets, Being Depreciated, Net	\$ 82,756	\$ 23,731	\$ -	\$ 106,487
Governmental Activities Capital Assets, Net	\$ 82,756	\$ 23,731	\$ -	\$ 106,487

Depreciation expense of \$33,288 was charged to the general administration function in the amount of \$32,819 and to the Workforce Innovation program function in the amount of \$469.

NOTE 4 – INTERFUND BALANCES AND ACTIVITY

The Council's general fund and special revenue funds have advanced money between the funds to finance operations and supplement other fund sources. The repayment terms are indefinite and are dependent upon future receipts. At June 30, 2017, interfund receivables and payables resulting from various interfund transactions were as follows:

**WACCAMAW REGIONAL COUNCIL OF GOVERNMENTS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 4 – INTERFUND BALANCES AND ACTIVITY (continued)

	Due From <u>Other Funds</u>	Due To <u>Other Funds</u>
General Fund	\$ 100,578	\$ -
Planning and Transportation Fund	-	82,179
Area Agency on Aging Fund	284,841	-
Workforce Innovation Fund	-	169,147
Other Nonmajor Governmental Funds	-	119,410
Revolving Loan Fund	-	14,683
Total	<u>\$ 385,419</u>	<u>\$ 385,419</u>

Transfers are used to move certain revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations. A schedule of operating transfers is as follows:

	Transfers From <u>Other Funds</u>	Transfers To <u>Other Funds</u>
General Fund	\$ -	\$ 348,378
Planning and Transportation Fund	223,661	-
Area Agency on Aging Fund	83,747	-
Workforce Innovation Fund	-	60,245
Other Nonmajor Governmental Funds	101,215	-
Total	<u>\$ 408,623</u>	<u>\$ 408,623</u>

NOTE 5 – LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities for June 30, 2017.

	Beginning Balance (As Restated)	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Net Pension Liability	\$ 4,437,544	\$ 1,378,519	\$ (981,901)	\$ 4,834,162	\$ -
Compensated Absences	197,524	109,885	(96,787)	210,622	103,167
Totals	<u>\$ 4,635,068</u>	<u>\$ 1,488,404</u>	<u>\$ (1,078,688)</u>	<u>\$ 5,044,784</u>	<u>\$ 103,167</u>

For governmental activities, compensated absences are generally liquidated by the general and special revenue funds.

NOTE 6 – OPERATING LEASES

The Council has entered into an agreement with Georgetown County to lease an office building. Monthly rental payments began in November 1991 and continued through February 2014. The Council had an option to extend the lease. Upon renewal of the lease the agreement was amended in February 2014 to state that the lease shall be extended 20 years from the date of the amendment. The rate will be \$3,275 per month, and will increase by 2% of the previous year rental rate for each successive year of the term.

**WACCAMAW REGIONAL COUNCIL OF GOVERNMENTS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 6 – OPERATING LEASES (continued)

During the current year ended June 30, 2017, the Council entered into a lease agreement for office space. The lease agreement states that the lease term is for three years and at a rate of \$3,000 per month. The Council also leases additional space for staff at various rates. These are short-term leases with an expiration date of one year.

Year Ending June 30	<u>Amount</u>
2018	\$ 77,984
2019	78,824
2020	76,680
2021	44,554
2022	<u>45,445</u>
Total	<u>\$ 323,487</u>

NOTE 7 – POSTEMPLOYMENT BENEFITS

Plan Description

As a member of the South Carolina Retirement System (SCRS), the Council offers a post-retirement benefit plan that is administered and managed by the Public Employee Benefit Authority (PEBA). As such, the Council has deferred all future liability with respect to retiree pensions to PEBA. Council's participation in the SCRS is as a funded employer. As a funded employer, the Council pays an additional surcharge to the SCRS to prepay the employer portion of post retiree insurance premiums. As such, the Council has deferred all future liability with respect to employer funded post-employment health and dental insurance for eligible retirees to PEBA. The Council is a member of the Employee Insurance Program (EIP). It is a self-insured plan for state agencies, school districts, and a variety of local sub-divisions. It is also administered and managed by PEBA.

Eligible or qualifying retirees may elect post-retirement health, dental, dental plus, and vision coverages at a discounted rate which is defined by PEBA for all funded employers. At present, PEBA maintains three tiers of eligibility requirements for qualified retirees of funded employers. In general, eligibility and required premiums are determined by date of employment and years of service. The tiers of eligibility requirements vary for qualifying retirees who were employed by a covered employer (1) before May 8, 2008; (2) May 8, 2008 through June 30, 2012; and (3) July 1, 2012 or later.

In general, qualifying retirees are eligible for 100% of the employer funding if they have established twenty-five or more years of service, 50% employer funding if they have established fifteen years or more, but 0% if they establish less than fifteen years of service. These general requirements apply to eligible Tier 1 retirees due to grand-fathering. Service must be with a participating employer and/or credited with the SCRS.

Though related, eligibility determination for retiree pension benefits and employer funded post-retirement insurance benefits are separate and distinct processes. In some cases, an eligible or qualified retiree who worked for several employers may opt to retire from different participating employers for each purpose.

Funding Policy

Participating employers are required to contribute to the Plan under authority of Title 9 of the S.C. Code of Laws. In addition, funded employers are required to contribute a surcharge to prepay the employer portion of retiree insurance premiums. At present, the retiree insurance surcharge is 5.33% of gross salaries. Upon joining, the Council opted out of the SCRS death benefit and does not contribute .15% of gross salaries for this benefit. Required employer SCRS contributions were equal to the required contribution each year.

WACCAMAW REGIONAL COUNCIL OF GOVERNMENTS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 7 – POSTEMPLOYMENT BENEFITS (continued)

The Council recorded fringe benefit expenses for insurance benefits for active employees in the amount of \$240,523 for the year ended June 30, 2017 paid to the State Employee Insurance Program. The Council also paid \$116,616 applicable to the 5.33% health surcharge included with employer contributions to the SCRS. (The Council paid \$118,418 and \$111,222 in 2016 and 2015, respectively). Information regarding the cost of insurance benefits applicable to the Council's retirees is not available. By state law, the Council has no liability for post-employment benefits and, accordingly, the cost of providing these benefits for retirees is not included in these financial statements.

NOTE 8 – PENSION AND RETIREMENT PLAN

South Carolina Retirement System

Plan Description

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

Membership

Membership requirements are prescribed in Title 9 of the South Carolina Code of Laws. Generally, all employees of covered employers are required to participate in and contribute to the system as a condition of employment. This plan covers general employees and teachers and individuals newly elected to the South Carolina General Assembly beginning with the November 2012 general election. An employee member of the system with an effective date of membership prior to July 1, 2012, is a Class Two member. An employee member of the system with an effective date of membership on or after July 1, 2012, is a Class Three member.

Benefits

Benefit terms are prescribed in Title 9 of the South Carolina Code of Laws. PEBA does not have the authority to establish or amend benefit terms without 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.

A Class Two member who has separated from services 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 services 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-year or eight-year earned service requirement, respectively. An incidental death benefit is also available to beneficiaries of active or retired members of employers who participate in the death benefit program.

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

**WACCAMAW REGIONAL COUNCIL OF GOVERNMENTS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 8 – PENSION AND RETIREMENT PLAN (continued)

Contributions

Contributions are prescribed in Title 9 of the South Carolina Code of Laws. Upon recommendation by the actuary in the annual actuarial valuation, the PEBA Board may adopt and present to the SFAA for approval an increase in the SCRS employer and employee contribution rates, but any such increase may not result in a differential between employer and employee contribution rates that exceeds 2.9 percent of earnable compensation. An increase in the contribution rates adopted by the Board may not provide for an increase of more than one-half of one percent in any one year. If the scheduled employee and employer contributions provided in statute or the rates last adopted by the Board are insufficient to maintain a thirty year amortization schedule of the unfunded liabilities of the plans, the Board shall increase the contribution rates in equal percentage amounts for the employer and employee as necessary to maintain the thirty-year amortization period; and, this increase is not limited to one-half of one percent per year.

- Required employee contribution rates¹ for fiscal year 2016-2017 are as follows:

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

- Required employer contribution rates¹ for fiscal year 2016-2017 are as follows:

Employer Class Two	11.41% of earnable compensation
Employer Class Three	11.41% of earnable compensation

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

Contributions to the pension plan from the Council for the year ended June 30, 2017 were \$249,641.

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

At June 30, 2017, the Council reported a liability of \$4,834,162 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015 that was projected forward to the measurement 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 participants, actuarially determined. The Council's proportionate share at June 30, 2017 was .022632%, which was a .000766% decrease from its proportionate share at June 30, 2016.

For the year ended June 30, 2017, the Council recognized pension expense of \$559,515. At June 30, 2017, the Council reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 50,112	\$ 5,250
Net difference between projected and actual earnings on pension plan investments	406,708	-
Changes in proportionate share and differences between employer contributions and proportionate share of total plan employer contributions	354,248	107,770
Council contributions subsequent to the measurement date	249,641	-
Total	<u>\$ 1,060,709</u>	<u>\$ 113,020</u>

**WACCAMAW REGIONAL COUNCIL OF GOVERNMENTS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 8 – PENSION AND RETIREMENT PLAN (continued)

Council contributions subsequent to the measurement date of \$249,641 reported as deferred outflows will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	Amount
2018	\$ 241,216
2019	215,022
2020	154,367
2021	87,443
Thereafter	-
Total	\$ 698,048

Actuarial Assumptions and Methods

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

Actuarial cost method	Entry age normal
Actuarial assumptions:	
Investment rate of return ¹	7.5%
Projected salary increases	3.5% to 12.5% (varies by service) ¹
Benefit adjustments	lesser of 1% or \$500 annually

¹Includes inflation at 2.75%

The post-retiree mortality assumption is dependent upon the member’s job category and gender. This assumption includes base rates which are automatically adjusted for future improvement in mortality using published Scale AA projected from the year 2000. Assumptions used in the July 1, 2015 valuations for SCRS are as follows:

Former Job Class	Males	Females
General Employees	RP-2000 Males multiplied by 100%	RP-2000 Females multiplied by 90%

The long-term expected rate of return on pension plan investments, as used in the July 1, 2015 valuations, was based on 30 year capital market outlook at the end of the third quarter 2015. The long-term expected rates of returns 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.

**WACCAMAW REGIONAL COUNCIL OF GOVERNMENTS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 8 – PENSION AND RETIREMENT PLAN (continued)

The expected returns, along with the expected inflation rate, form the basis for the target asset allocation adopted beginning January 1, 2016. The long-term expected rate of return is produced by weighing the expected future real rates of return by the target allocation percentage and by adding the expected inflation and is summarized in the table below. For actuarial purposes, the 7.50 percent assumed annual investment rate of return used in the calculation of the total pension liability includes a 4.75 percent real rate of return and a 2.75 percent inflation component.

Asset Class	Target Asset Allocation	Expected Arithmetic Real Rate of Return	Long Term Expected Portfolio Real Rate of Return
Global Equity	43.0%		
Global Private Equity	34.0%	6.52%	2.22%
Private Equity	9.0%	9.30%	0.84%
Real Assets	8.0%		
Real Estate	5.0%	4.32%	0.22%
Commodities	3.0%	4.53%	0.13%
Opportunistic	20.0%		
GTAA/Risk Parity	10.0%	3.90%	0.39%
HF (Low Beta)	10.0%	3.87%	0.39%
Diversified Credit	17.0%		
Mixed Credit	5.0%	3.52%	0.17%
Emerging Markets Debt	5.0%	4.91%	0.25%
Private Debt	7.0%	4.47%	0.31%
Conservative Fixed Income	12.0%		
Core Fixed Income	10.0%	1.72%	0.17%
Cash and Short Duration (Net)	2.0%	0.71%	0.01%
Total Expected Real Return	<u>100.0%</u>		<u>5.10%</u>
Inflation for Actual Purposes			<u>2.75%</u>
Total Expected Nominal Return			<u>7.85%</u>

Discount Rate

The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that the funding policy specified in the South Carolina Code of Laws will remain unchanged in future years. 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 total pension liability.

The following presents the sensitivity of the Council’s proportionate share of the net pension liability to the changes in the discount rate.

	1.00% Decrease (6.50%)	Current Discount Rate (7.50%)	1.00% Increase (8.50%)
Council's proportionate share of the net pension liability	\$ 6,030,484	\$ 4,834,162	\$ 3,838,268

**WACCAMAW REGIONAL COUNCIL OF GOVERNMENTS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 8 – PENSION AND RETIREMENT PLAN (continued)

Pension Plan Fiduciary Net Position

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

Payables to the Pension Plan

At June 30, 2017, the Council had \$65,091 in outstanding payables to the plan for legally required contributions, which is reported in the statement of net position and the balance sheet with withholdings and benefits payable.

NOTE 9 – RISK MANAGEMENT

The Council is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Council along with other governments and agencies within the state are insured under the South Carolina Municipal Insurance and Risk Fund (SCMIRF), a public entity risk pool currently operating as a common risk management and insurance fund. The Council pays annual premiums to SCMIRF for its general insurance coverage. SCMIRF is self-sustaining through member premiums and by purchases of commercial insurance coverage on a portion of its liabilities. There have been no significant reductions in insurance coverage for each of the past three years.

The Council continues to carry insurance for other risks of loss including employee health, dental, group life, and accident insurance under the State of South Carolina. The state accumulates assets to cover risks that its members incur in their normal operations. Specifically, the state assumes substantially all of the risk for the above.

NOTE 10 – REVOLVING LOAN FUND

The Council receives funds under Title IX from the Economic Development Administration (EDA) in order to promote economic development in Horry, Georgetown, and Williamsburg Counties. The funds are loaned to private businesses within the three county area under strict EDA requirements. Repayment of principal and interest of these funds are restricted by EDA for future loans and costs of administering these loans under Title IX provisions.

Due to loan requirements, interest has been accrued on all performing loans through June 30, 2017. No interest was accrued on non-performing loans. The outstanding balances of loans granted through the Revolving Loan Program, which is funded through the Economic Development Administration (EDA) and local governments under Title IX, was \$295,478 at June 30, 2017.

As of September 2017, one of the borrowers was in default on its loan. The outstanding principal balance at June 30, 2017 was \$42,587. The Council is in the process of seeking recourse under legal action to recover from the borrower under the terms of the loan.

Future maturities of principal payments due from borrowers are as follows:

2018	\$	118,334
2019		40,971
2020		43,282
2021		40,901
2022		36,277
Thereafter		<u>15,713</u>
Total	\$	<u><u>295,478</u></u>

**WACCAMAW REGIONAL COUNCIL OF GOVERNMENTS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 11 – CONTINGENT LIABILITIES

The Council receives a substantial amount of its support from federal, state, and local governments. A major reduction in the level of this support, if this were to occur, would have a major effect on the Council’s programs and activities.

NOTE 12 – GRANTS

Expenditures in the WIOA programs and AAA programs are contracted with other agencies to perform specific services set forth in the grant agreement. The Council is periodically audited by the state for compliance with the grant agreement. If such an audit or compliance review discloses expenditures not in accordance with the terms of the grant, the grantor agency could disallow the costs and require reimbursement of the disallowed costs. The Council generally has the right of recovery from subcontractors. Based upon prior experience, management believes that the Council will not incur significant losses from possible grant disallowances.

NOTE 13 – NET POSITION RESTATEMENT

During the current year, a prior period adjustment was made to correct an error in fringe on the compensated absences liability due to additional interpretation of GASB 68 net pension liability implementation. The table below shows the restatement of beginning net position:

		<u>Governmental Net Position</u>
As Originally Reported	\$	(2,919,048)
Error in Fringe Computation - GASB 68		<u>29,798</u>
As Restated	\$	<u><u>(2,889,250)</u></u>

NOTE 14 – RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

GASB has issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This standard significantly expands the financial accounting and reporting for OPEB and is intended to give a clearer picture of the cost of providing these benefits to employees upon retirement. State and local governments who participate in a cost-sharing multiple employer plan will now be required to recognize a liability for its proportionate share of the net OPEB liability of that plan. This statement is effective for fiscal years beginning after June 15, 2017.

The Council will be required by this statement to recognize a net OPEB liability (and related deferred outflows and inflows of resources) for its participation in the State Health Plan. The Council has not yet determined the exact impact implementation of this statement will have on its financial statements, although it is expected to be material.

NOTE 15 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 14, 2017, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

**WACCAMAW REGIONAL COUNCIL OF GOVERNMENTS
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL (BUDGETARY BASIS)</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
REVENUES				
State Revenues	\$ 64,693	\$ 49,693	\$ 46,303	\$ (3,390)
Participating Local Governments	313,501	355,314	221,358	(133,956)
TOTAL REVENUES	\$ 378,194	\$ 405,007	\$ 267,661	\$ (137,346)
EXPENDITURES				
DIRECT PERSONNEL COSTS				
Salaries and Wages	\$ 319,016	\$ 321,814	\$ 324,425	\$ (2,611)
Fringe Benefits and Release Time	183,486	179,327	197,498	(18,171)
Total Direct Personnel Costs	<u>\$ 502,502</u>	<u>\$ 501,141</u>	<u>\$ 521,923</u>	<u>\$ (20,782)</u>
CONTRACTUAL OBLIGATIONS				
Accounting, Legal, and Consulting	\$ 40,500	\$ 43,103	\$ 28,968	\$ 14,135
Other Professional Services	30,450	30,450	55,889	(25,439)
Agency Insurance	13,000	16,000	24,767	(8,767)
Total Contractual Obligations	<u>\$ 83,950</u>	<u>\$ 89,553</u>	<u>\$ 109,624</u>	<u>\$ (20,071)</u>
BUILDING AND EQUIPMENT				
Office Rental and Lease	\$ 64,800	\$ 64,800	\$ 63,694	\$ 1,106
Utilities	12,000	12,000	10,531	1,469
Office Cleaning	6,000	6,000	4,582	1,418
Lawn and Landscape Maintenance	8,200	8,200	4,796	3,404
Equipment Rental and Lease	23,000	23,000	16,755	6,245
Maintenance and Repairs	8,500	8,500	303	8,197
Total Building and Equipment	<u>\$ 122,500</u>	<u>\$ 122,500</u>	<u>\$ 100,661</u>	<u>\$ 21,839</u>
TRANSPORTATION AND CONFERENCES				
Staff Travel	\$ 3,000	\$ 3,000	\$ 2,853	\$ 147
Staff Conferences	9,000	9,000	3,956	5,044
Board Travel, Conferences, Meetings	35,000	35,000	24,896	10,104
SCARC Expense	5,200	5,200	6,356	(1,156)
Automobile	10,100	10,100	-	10,100
Total Transportation and Conferences	<u>\$ 62,300</u>	<u>\$ 62,300</u>	<u>\$ 38,061</u>	<u>\$ 24,239</u>
OFFICE OPERATIONS				
Security Services	\$ 1,000	\$ 1,000	\$ -	\$ 1,000
IT Services	26,750	26,750	15,905	10,845
Office Supplies	27,901	29,370	15,612	13,758
Telephone and Communications	34,000	34,000	31,528	2,472
Postage and Shipping	12,000	12,000	5,214	6,786
Printing	30,000	30,000	19,330	10,670
Staff Training	2,500	3,091	1,575	1,516
Memberships and Subscriptions	8,800	8,800	7,395	1,405
Expendable Equipment	1,891	2,130	-	2,130
Miscellaneous	100	100	-	100
Total Office Operations	<u>\$ 144,942</u>	<u>\$ 147,241</u>	<u>\$ 96,559</u>	<u>\$ 50,682</u>

**WACCAMAW REGIONAL COUNCIL OF GOVERNMENTS
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL (BUDGETARY BASIS)</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
TOTAL EXPENDITURES	\$ 916,194	\$ 922,735	\$ 866,828	\$ 55,907
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ (538,000)	\$ (517,728)	\$ (599,167)	\$ (81,439)
OTHER FINANCING SOURCES (USES)				
Indirect Cost Allocations	\$ 916,193	\$ 922,735	\$ 911,068	\$ (11,667)
Interfund Transfers Out	(378,193)	(405,007)	(348,378)	56,629
TOTAL OTHER FINANCING SOURCES (USES)	\$ 538,000	\$ 517,728	\$ 562,690	\$ 44,962
NET CHANGE IN FUND BALANCE	\$ -	\$ -	\$ (36,477)	\$ (36,477)
FUND BALANCE BEGINNING OF YEAR	802,210	802,210	802,210	-
FUND BALANCE END OF YEAR	<u>\$ 802,210</u>	<u>\$ 802,210</u>	<u>\$ 765,733</u>	<u>\$ (36,477)</u>

**WACCAMAW REGIONAL COUNCIL OF GOVERNMENTS
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
PLANNING & TRANSPORTATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL (BUDGETARY BASIS)</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
REVENUES				
Federal Revenues	\$ 930,289	\$ 1,370,788	\$ 861,170	\$ (509,618)
State Revenues	1,000	1,000	998	(2)
Service and Special Contracts	147,103	149,103	151,713	2,610
TOTAL REVENUES	<u>\$ 1,078,392</u>	<u>\$ 1,520,891</u>	<u>\$ 1,013,881</u>	<u>\$ (507,010)</u>
EXPENDITURES				
DIRECT PERSONNEL COSTS				
Salaries and Wages	\$ 378,770	\$ 370,134	\$ 293,543	\$ 76,591
Fringe Benefits and Release Time	213,123	204,042	174,182	29,860
Total Direct Personnel Costs	<u>\$ 591,893</u>	<u>\$ 574,176</u>	<u>\$ 467,725</u>	<u>\$ 106,451</u>
CONTRACTUAL OBLIGATIONS				
Other Sub-Tier Expenses	\$ 170,000	\$ 450,000	\$ 414,046	\$ 35,954
Other Professional Services	219,098	421,902	84,103	337,799
Total Contractual Obligations	<u>\$ 389,098</u>	<u>\$ 871,902</u>	<u>\$ 498,149</u>	<u>\$ 373,753</u>
BUILDING AND EQUIPMENT				
Non-Expendable Equipment	\$ 1,900	\$ 1,900	\$ -	\$ 1,900
Total Building and Equipment	<u>\$ 1,900</u>	<u>\$ 1,900</u>	<u>\$ -</u>	<u>\$ 1,900</u>
TRANSPORTATION AND CONFERENCES				
Staff Travel	\$ 14,680	\$ 15,902	\$ 11,329	\$ 4,573
Staff Conferences	10,551	10,751	7,854	2,897
Meetings and Meals	670	670	1,203	(533)
Automobile	3,156	3,058	1,718	1,340
Total Transportation and Conferences	<u>\$ 29,057</u>	<u>\$ 30,381</u>	<u>\$ 22,104</u>	<u>\$ 8,277</u>
OFFICE OPERATIONS				
Advertisements	\$ 1,050	\$ 1,050	\$ 5,187	\$ (4,137)
Staff Training	5,800	5,800	30	5,770
Memberships and Subscriptions	3,400	3,864	3,894	(30)
Expendable Equipment	1,189	745	2,877	(2,132)
Miscellaneous	485	485	-	485
Total Office Operations	<u>\$ 11,924</u>	<u>\$ 11,944</u>	<u>\$ 11,988</u>	<u>\$ (44)</u>
TOTAL EXPENDITURES	<u>\$ 1,023,872</u>	<u>\$ 1,490,303</u>	<u>\$ 999,966</u>	<u>\$ 490,337</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ 54,520</u>	<u>\$ 30,588</u>	<u>\$ 13,915</u>	<u>\$ (16,673)</u>

**WACCAMAW REGIONAL COUNCIL OF GOVERNMENTS
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
PLANNING & TRANSPORTATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL (BUDGETARY BASIS)</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
OTHER FINANCING SOURCES (USES)				
Indirect Cost Allocations	\$ (289,403)	\$ (305,846)	\$ (237,576)	\$ 68,270
Interfund Transfers In	<u>234,883</u>	<u>275,258</u>	<u>223,661</u>	<u>(51,597)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>\$ (54,520)</u>	<u>\$ (30,588)</u>	<u>\$ (13,915)</u>	<u>\$ 16,673</u>
NET CHANGE IN FUND BALANCE	\$ -	\$ -	\$ -	\$ -
FUND BALANCE BEGINNING OF YEAR	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE END OF YEAR	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

**WACCAMAW REGIONAL COUNCIL OF GOVERNMENTS
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
AREA AGING AGENCY
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>(BUDGETARY BASIS)</u>	<u>FINAL BUDGET POSITIVE (NEGATIVE)</u>
REVENUES				
Federal Revenues	\$ 2,165,050	\$ 2,198,881	\$ 1,933,955	\$ (264,926)
State Revenues	1,021,480	1,388,019	1,072,053	(315,966)
Local Non-Cash Match	-	-	97,622	97,622
Interest Income	-	-	30	30
Other Income	3,000	-	-	-
TOTAL REVENUES	\$ 3,189,530	\$ 3,586,900	\$ 3,103,660	\$ (483,240)
EXPENDITURES				
DIRECT PERSONNEL COSTS				
Salaries and Wages	\$ 356,876	\$ 287,656	\$ 280,313	\$ 7,343
Fringe Benefits and Release Time	163,329	164,117	165,108	(991)
Total Direct Personnel Costs	\$ 520,205	\$ 451,773	\$ 445,421	\$ 6,352
CONTRACTUAL OBLIGATIONS				
Other Sub-Tier Expenses	\$ 371,631	\$ 307,901	\$ 261,280	\$ 46,621
Other Professional Services	-	2,995	19,023	(16,028)
Total Contractual Obligations	\$ 371,631	\$ 310,896	\$ 280,303	\$ 30,593
BUILDING AND EQUIPMENT				
Office Rental and Lease	\$ 5,100	\$ 5,100	\$ 4,675	\$ 425
Non-Expendable Equipment	1,638	1,385	-	1,385
Total Building and Equipment	\$ 6,738	\$ 6,485	\$ 4,675	\$ 1,810
TRANSPORTATION AND CONFERENCES				
Staff Travel	\$ 14,547	\$ 12,698	\$ 5,729	\$ 6,969
Staff Conferences	10,818	4,750	9,061	(4,311)
Meetings and Meals	-	-	676	(676)
Automobile	2,172	1,699	5,054	(3,355)
Total Transportation and Conferences	\$ 27,537	\$ 19,147	\$ 20,520	\$ (1,373)
OFFICE OPERATIONS				
Advertisements	\$ 1,000	\$ 500	\$ 1,056	\$ (556)
IT Services	1,440	1,440	1,120	320
Office Supplies	-	-	133	(133)
Telephone and Communications	1,200	1,200	1,478	(278)
Postage and Shipping	-	-	27	(27)
Printing	550	550	116	434
Staff Training	3,629	2,629	-	2,629
Memberships and Subscriptions	2,324	2,294	2,240	54
Expendable Equipment	730	550	-	550
Miscellaneous	539	445	-	445
Total Office Operations	\$ 11,412	\$ 9,608	\$ 6,170	\$ 3,438
CONTRACTED SERVICE PROVIDERS	\$ 2,161,193	\$ 2,668,814	\$ 2,235,773	\$ 433,041

**WACCAMAW REGIONAL COUNCIL OF GOVERNMENTS
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
AREA AGING AGENCY
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL (BUDGETARY BASIS)</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
TOTAL EXPENDITURES	\$ 3,098,716	\$ 3,466,723	\$ 2,992,862	\$ 473,861
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ 90,814	\$ 120,177	\$ 110,798	\$ (9,379)
OTHER FINANCING SOURCES (USES)				
Indirect Cost Allocations	\$ (181,454)	\$ (212,925)	\$ (194,545)	\$ 18,380
Interfund Transfers In	90,640	92,748	83,747	(9,001)
TOTAL OTHER FINANCING SOURCES (USES)	\$ (90,814)	\$ (120,177)	\$ (110,798)	\$ 9,379
NET CHANGE IN FUND BALANCE	\$ -	\$ -	\$ -	\$ -
FUND BALANCE BEGINNING OF YEAR	-	-	-	-
FUND BALANCE END OF YEAR	\$ -	\$ -	\$ -	\$ -

**WACCAMAW REGIONAL COUNCIL OF GOVERNMENTS
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
WORKFORCE INNOVATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL (BUDGETARY BASIS)</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
REVENUES				
Federal Revenues	\$ 4,855,287	\$ 4,943,362	\$ 3,750,525	\$ (1,192,837)
Service and Special Contracts	-	-	45,658	45,658
TOTAL REVENUES	<u>\$ 4,855,287</u>	<u>\$ 4,943,362</u>	<u>\$ 3,796,183</u>	<u>\$ (1,147,179)</u>
EXPENDITURES				
DIRECT PERSONNEL COSTS				
Salaries and Wages	\$ 940,861	\$ 870,605	\$ 914,859	\$ (44,254)
Fringe Benefits and Release Time	548,142	496,709	550,589	(53,880)
Total Direct Personnel Costs	<u>\$ 1,489,003</u>	<u>\$ 1,367,314</u>	<u>\$ 1,465,448</u>	<u>\$ (98,134)</u>
CONTRACTUAL OBLIGATIONS				
Other Sub-Tier Expenses	\$ 2,571,296	\$ 2,575,013	\$ 1,338,623	\$ 1,236,390
Other Professional Services	89,397	94,065	99,723	(5,658)
Total Contractual Obligations	<u>\$ 2,660,693</u>	<u>\$ 2,669,078</u>	<u>\$ 1,438,346</u>	<u>\$ 1,230,732</u>
BUILDING AND EQUIPMENT				
Office Rental and Lease	\$ 44,155	\$ 97,596	\$ 45,040	\$ 52,556
Utilities	22,605	39,095	29,751	9,344
Office Cleaning	7,500	14,995	13,572	1,423
Lawn and Landscape Maintenance	6,601	10,817	12,456	(1,639)
Equipment Rental and Lease	1,800	263	-	263
Maintenance and Repairs	350	7,756	5,132	2,624
Non-Expendable Equipment	19,414	17,164	37,546	(20,382)
Total Building and Equipment	<u>\$ 102,425</u>	<u>\$ 187,686</u>	<u>\$ 143,497</u>	<u>\$ 44,189</u>
TRANSPORTATION AND CONFERENCES				
Staff Travel	\$ 24,620	\$ 24,054	\$ 23,751	\$ 303
Staff Conferences	12,200	12,200	5,360	6,840
WDB Travel, Conferences, Meetings	26,500	25,010	8,533	16,477
Meetings and Meals	2,800	2,800	2,512	288
Automobile	4,500	4,500	1,657	2,843
Total Transportation and Conferences	<u>\$ 70,620</u>	<u>\$ 68,564</u>	<u>\$ 41,813</u>	<u>\$ 26,751</u>
OFFICE OPERATIONS				
Advertisements	\$ 25,306	\$ 25,306	\$ 48,051	\$ (22,745)
Security Services	20,602	4,131	21,660	(17,529)
IT Services	64,533	38,139	61,994	(23,855)
Office Supplies	11,236	10,579	9,423	1,156
Telephone and Communications	11,230	13,821	12,293	1,528
Postage and Shipping	300	300	-	300
Staff Training	9,369	10,569	7,103	3,466
Memberships and Subscriptions	5,000	5,000	1,748	3,252
Expendable Equipment	2,760	5,010	7,882	(2,872)
Miscellaneous	1,599	1,599	-	1,599
Total Office Operations	<u>\$ 151,935</u>	<u>\$ 114,454</u>	<u>\$ 170,154</u>	<u>\$ (55,700)</u>

**WACCAMAW REGIONAL COUNCIL OF GOVERNMENTS
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
WORKFORCE INNOVATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL (BUDGETARY BASIS)</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
EXPENDITURES (Continued)				
CONTRACTED SERVICE PROVIDERS	\$ -	\$ 162,960	\$ 110,163	\$ 52,797
TOTAL EXPENDITURES	<u>\$ 4,474,676</u>	<u>\$ 4,570,056</u>	<u>\$ 3,369,421</u>	<u>\$ 1,200,635</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ 380,611</u>	<u>\$ 373,306</u>	<u>\$ 426,762</u>	<u>\$ 53,456</u>
OTHER FINANCING SOURCES (USES)				
Indirect Cost Allocations	\$ (380,611)	\$ (373,306)	\$ (366,517)	\$ 6,789
Interfund Transfers Out	<u>-</u>	<u>-</u>	<u>(60,245)</u>	<u>(60,245)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>\$ (380,611)</u>	<u>\$ (373,306)</u>	<u>\$ (426,762)</u>	<u>\$ (53,456)</u>
NET CHANGE IN FUND BALANCE	\$ -	\$ -	\$ -	\$ -
FUND BALANCE BEGINNING OF YEAR	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE END OF YEAR	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

**WACCAMAW REGIONAL COUNCIL OF GOVERNMENTS
NOTES TO BUDGETARY COMPARISON SCHEDULES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 1 – BUDGETS AND BUDGETARY ACCOUNTING

Annual budgets are prepared and legally adopted on a basis consistent with generally accepted accounting principles (GAAP) as applicable to governments for all governmental funds maintained by the Council. Amounts presented in the “*Original*” budget column in the budgetary comparison schedules reflect amounts originally adopted. Amounts presented in the “*Final*” budget column include any amendments or supplemental appropriations formally authorized by the Council’s Board of Directors. All annual appropriations lapse at fiscal year-end.

A proposed budget for the ensuing fiscal year is submitted by management to the Council’s Board during July of each year. The budget is prepared by cost centers within each fund and is organized into a combined total budget. The budget must be balanced. The Board votes to adopt the budget for the ensuing fiscal year, subject to amendment or modification, during subsequent meetings. The Council’s policies allow funds to be transferred between functions and objects. However, the total budget cannot be increased beyond that level without the approval of the Board in a supplementary action. The legal level of control is at the fund level.

Formal budgetary accounting is employed as a management control for the Council. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of money are recorded in order to reserve that portion of the applicable appropriations, is not utilized by the Council.

NOTE 2 – PRESENTATION

The budgetary comparison schedule presents the general fund and each major individual special revenue fund for which an annual budget is legally adopted.

NOTE 3 – EXPENDITURES IN EXCESS OF BUDGET

Actual expenditures did not exceed budgetary appropriations in any of the Council’s individual funds, which are presented as required supplementary information, for the year ended June 30, 2017.

**WACCAMAW REGIONAL COUNCIL OF GOVERNMENTS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE COUNCIL'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
SOUTH CAROLINA RETIREMENT SYSTEMS
LAST 10 FISCAL YEARS**

	<i>South Carolina Retirement System (SCRS)</i>									
	Fiscal Year									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Council's proportion of the net pension liability (asset)	0.022632%	0.023398%	0.019648%							
Council's proportionate share of the net pension liability (asset)	\$ 4,834,162	\$ 4,437,544	\$ 3,382,734							
Council's covered payroll	\$ 1,757,508	\$ 2,224,436	\$ 1,809,346							
Council's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	275.06%	199.49%	186.96%							
Plan fiduciary net position as a percentage of the total pension liability	52.90%	57.00%	59.90%							

Notes: The amounts presented above for each fiscal year were determined as of the measurement date of the plan's fiscal year end.

The Council is retroactively reporting data back to the year of GASB Statement 68 implementation, which was fiscal year ending 2015. Information on the proportionate share of net pension liability is not available prior to that fiscal year.

**WACCAMAW REGIONAL COUNCIL OF GOVERNMENTS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE COUNCIL'S CONTRIBUTIONS
SOUTH CAROLINA RETIREMENT SYSTEMS
LAST 10 FISCAL YEARS**

South Carolina Retirement System (SCRS)

	Fiscal Year									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Contractually required contribution	\$ 249,641	\$ 242,390	\$ 239,127	\$ 189,077						
Contributions in relation to the contractually required contribution	(249,641)	(242,390)	(239,127)	(189,077)						
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -						
Council's covered payroll	\$ 2,187,917	\$ 2,221,720	\$ 2,224,436	\$ 1,809,346						
Contributions as a percentage of covered payroll	11.41%	10.91%	10.75%	10.45%						

Notes: The Council implemented GASB Statement 68 with the fiscal year ending 2015. Information on retirement contributions is not available prior to the year ending 2014.

**WACCAMAW REGIONAL COUNCIL OF GOVERNMENTS
 NOTES TO THE PENSION PLAN SCHEDULES
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 1 - ACTUARIAL METHODS & ASSUMPTIONS USED

The table below provides a summary of the actuarial methods and assumptions used in calculations of the actuarially determined contributions for the South Carolina Retirement System (SCRS). This information was obtained from the financial statements of the SCRS, which is administered by the retirement division of the South Carolina Public Employee Benefit Authority (PEBA) for the year ended June 30, 2016.

Summary of Actuarial Methods and Significant Assumptions	
Valuation date	07/01/15
Actuarial cost method	Entry age normal
Amortization method	Level percent open
Amortization period	30 years
Asset Valuation method	20% difference recognition method
Inflation rate	2.75%
Projected salary increases	3.5% to 12.5% (varies by service) ¹
Investment rate of return	7.50%
Benefit adjustments	lesser of 1% or \$500 annually

¹*Includes inflation at 2.75%*

SUPPLEMENTARY INFORMATION

**WACCAMAW REGIONAL COUNCIL OF GOVERNMENTS
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	SPECIAL REVENUE FUNDS		
	COMMUNITY & ECONOMIC DEVELOPMENT	OTHER SPECIAL NON-PROJECTS	TOTAL NONMAJOR FUNDS
ASSETS			
Cash and Investments	\$ 7,606	\$ -	\$ 7,606
Due From Other Governments	165,117	-	165,117
TOTAL ASSETS	\$ 172,723	\$ -	\$ 172,723
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts Payable and Accrued Liabilities	\$ 49,430	\$ -	\$ 49,430
Accrued Personnel Costs	3,883	-	3,883
Due To Other Funds	119,410	-	119,410
Total Liabilities	\$ 172,723	\$ -	\$ 172,723
Fund Balances			
Fund Balances - Special Revenue Funds	\$ -	\$ -	\$ -
Total Fund Balances	\$ -	\$ -	\$ -
TOTAL LIABILITIES AND FUND BALANCES	\$ 172,723	\$ -	\$ 172,723

WACCAMAW REGIONAL COUNCIL OF GOVERNMENTS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	SPECIAL REVENUE FUNDS		
	COMMUNITY & ECONOMIC DEVELOPMENT	OTHER SPECIAL NON-PROJECTS	TOTAL NONMAJOR FUNDS
REVENUES			
Federal Revenues	\$ 498,256	\$ -	\$ 498,256
Service and Special Contracts	106,159	-	106,159
Interest Income	-	94	94
Other Income	1,483	23,430	24,913
TOTAL REVENUES	\$ 605,898	\$ 23,524	\$ 629,422
EXPENDITURES			
DIRECT PERSONNEL COSTS			
Salaries and Wages	\$ 137,303	\$ -	\$ 137,303
Fringe Benefits and Release Time	82,685	-	82,685
Total Direct Personnel Costs	\$ 219,988	\$ -	\$ 219,988
CONTRACTUAL OBLIGATIONS			
Other Sub-Tier Expenses	\$ -	\$ 6,950	\$ 6,950
Other Professional Services	45,322	2,364	47,686
Total Contractual Obligations	\$ 45,322	\$ 9,314	\$ 54,636
BUILDING AND EQUIPMENT			
Non-Expendable Equipment	\$ -	\$ 21,328	\$ 21,328
Total Building and Equipment	\$ -	\$ 21,328	\$ 21,328
TRANSPORTATION AND CONFERENCES			
Staff Travel	\$ 1,785	\$ 494	\$ 2,279
Staff Conferences	812	-	812
SCARC Expense	-	28	28
Meetings and Meals	-	703	703
Automobile	871	-	871
Total Transportation and Conferences	\$ 3,468	\$ 1,225	\$ 4,693
OFFICE OPERATIONS			
Advertisements	\$ 4,088	\$ 547	\$ 4,635
Telephone and Communications	-	45	45
Printing	-	251	251
Memberships and Subscriptions	50	45	95
Expendable Equipment	-	2,400	2,400
Miscellaneous	-	11,763	11,763
Total Office Operations	\$ 4,138	\$ 15,051	\$ 19,189
CONTRACTED SERVICE PROVIDERS	\$ 298,817	\$ -	\$ 298,817
TOTAL EXPENDITURES	\$ 571,733	\$ 46,918	\$ 618,651

**WACCAMAW REGIONAL COUNCIL OF GOVERNMENTS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	SPECIAL REVENUE FUNDS		
	COMMUNITY & ECONOMIC DEVELOPMENT	OTHER SPECIAL NON-PROJECTS	TOTAL NONMAJOR FUNDS
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ 34,165	\$ (23,394)	\$ 10,771
OTHER FINANCING SOURCES (USES)			
Indirect Cost Allocations	\$ (111,986)	\$ -	\$ (111,986)
Interfund Transfers In	77,821	23,394	101,215
TOTAL OTHER FINANCING SOURCES (USES)	\$ (34,165)	\$ 23,394	\$ (10,771)
NET CHANGE IN FUND BALANCE	\$ -	\$ -	\$ -
FUND BALANCE BEGINNING OF YEAR	-	-	-
FUND BALANCE END OF YEAR	\$ -	\$ -	\$ -

**WACCAMAW REGIONAL COUNCIL OF GOVERNMENTS
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 PLANNING & TRANSPORTATION FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

PLANNING & TRANSPORTATION FUND				
	WATER QUALITY	TRANSPORTATION	SPECIAL & SERVICE CONTRACTS	TOTAL
REVENUES				
Federal Revenues	\$ 43,421	\$ 817,749	\$ -	\$ 861,170
State Revenues	-	998	-	998
Service and Special Contracts	104,744	-	46,969	151,713
TOTAL REVENUES	\$ 148,165	\$ 818,747	\$ 46,969	\$ 1,013,881
EXPENDITURES				
DIRECT PERSONNEL COSTS				
Salaries and Wages	\$ 45,000	\$ 230,559	\$ 17,984	\$ 293,543
Fringe Benefits and Release Time	27,116	136,479	10,587	174,182
Total Direct Personnel Costs	\$ 72,116	\$ 367,038	\$ 28,571	\$ 467,725
CONTRACTUAL OBLIGATIONS				
Other Sub-Tier Expenses	\$ -	\$ 404,046	\$ 10,000	\$ 414,046
Other Professional Services	79,241	4,828	34	84,103
Total Contractual Obligations	\$ 79,241	\$ 408,874	\$ 10,034	\$ 498,149
TRANSPORTATION AND CONFERENCES				
Staff Travel	\$ 910	\$ 10,395	\$ 24	\$ 11,329
Staff Conferences	268	7,586	-	7,854
Meetings and Meals	92	1,111	-	1,203
Automobile	299	1,331	88	1,718
Total Transportation and Conferences	\$ 1,569	\$ 20,423	\$ 112	\$ 22,104
OFFICE OPERATIONS				
Advertisements	\$ -	\$ 5,125	\$ 62	\$ 5,187
Staff Training	-	30	-	30
Memberships and Subscriptions	570	3,324	-	3,894
Expendable Equipment	-	2,877	-	2,877
Total Office Operations	\$ 570	\$ 11,356	\$ 62	\$ 11,988
TOTAL EXPENDITURES	\$ 153,496	\$ 807,691	\$ 38,779	\$ 999,966
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ (5,331)	\$ 11,056	\$ 8,190	\$ 13,915

**WACCAMAW REGIONAL COUNCIL OF GOVERNMENTS
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 PLANNING & TRANSPORTATION FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	PLANNING & TRANSPORTATION FUND			
	WATER QUALITY	TRANSPORTATION	SPECIAL & SERVICE CONTRACTS	TOTAL
OTHER FINANCING SOURCES (USES)				
Indirect Cost Allocations	\$ (36,716)	\$ (186,019)	\$ (14,841)	\$ (237,576)
Interfund Transfers In	42,047	174,963	6,651	223,661
TOTAL OTHER FINANCING SOURCES (USES)	\$ 5,331	\$ (11,056)	\$ (8,190)	\$ (13,915)
NET CHANGE IN FUND BALANCE	\$ -	\$ -	\$ -	\$ -
FUND BALANCE BEGINNING OF YEAR	-	-	-	-
FUND BALANCE END OF YEAR	\$ -	\$ -	\$ -	\$ -

**WACCAMAW REGIONAL COUNCIL OF GOVERNMENTS
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 COMMUNITY & ECONOMIC DEVELOPMENT FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

COMMUNITY & ECONOMIC DEVELOPMENT FUND				
	HOME CONSORTIUM	COMMUNITY DEVELOPMENT	EDA PLANNING	TOTAL
REVENUES				
Federal Revenues	\$ 423,767	\$ -	\$ 74,489	\$ 498,256
Service and Special Contracts	-	106,159	-	106,159
Other Income	1,483	-	-	1,483
TOTAL REVENUES	\$ 425,250	\$ 106,159	\$ 74,489	\$ 605,898
EXPENDITURES				
DIRECT PERSONNEL COSTS				
Salaries and Wages	\$ 28,656	\$ 64,769	\$ 43,878	\$ 137,303
Fringe Benefits and Release Time	17,478	39,003	26,204	82,685
Total Direct Personnel Costs	\$ 46,134	\$ 103,772	\$ 70,082	\$ 219,988
CONTRACTUAL OBLIGATIONS				
Other Professional Services	\$ 45,322	\$ -	\$ -	\$ 45,322
Total Contractual Obligations	\$ 45,322	\$ -	\$ -	\$ 45,322
TRANSPORTATION AND CONFERENCES				
Staff Travel	\$ 441	\$ 1,344	\$ -	\$ 1,785
Staff Conferences	-	796	16	812
Automobile	41	830	-	871
Total Transportation and Conferences	\$ 482	\$ 2,970	\$ 16	\$ 3,468
OFFICE OPERATIONS				
Advertisements	\$ 1,853	\$ 2,235	\$ -	\$ 4,088
Memberships and Subscriptions	-	50	-	50
Total Office Operations	\$ 1,853	\$ 2,285	\$ -	\$ 4,138
CONTRACTED SERVICE PROVIDERS	\$ 298,817	\$ -	\$ -	\$ 298,817
TOTAL EXPENDITURES	\$ 392,608	\$ 109,027	\$ 70,098	\$ 571,733
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ 32,642	\$ (2,868)	\$ 4,391	\$ 34,165
OTHER FINANCING SOURCES (USES)				
Indirect Cost Allocations	\$ (23,138)	\$ (52,842)	\$ (36,006)	\$ (111,986)
Interfund Transfers In	-	55,710	36,152	91,862
Interfund Transfers Out	(9,504)	-	(4,537)	(14,041)
TOTAL OTHER FINANCING SOURCES (USES)	\$ (32,642)	\$ 2,868	\$ (4,391)	\$ (34,165)

**WACCAMAW REGIONAL COUNCIL OF GOVERNMENTS
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 COMMUNITY & ECONOMIC DEVELOPMENT FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

COMMUNITY & ECONOMIC DEVELOPMENT FUND					
		HOME CONSORTIUM	COMMUNITY DEVELOPMENT	EDA PLANNING	TOTAL
NET CHANGE IN FUND BALANCE	\$	-	-	-	-
FUND BALANCE BEGINNING OF YEAR		-	-	-	-
FUND BALANCE END OF YEAR	\$	-	-	-	-

**WACCAMAW REGIONAL COUNCIL OF GOVERNMENTS
SCHEDULE OF INDIRECT COST ALLOCATIONS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	DIRECT COSTS									ADMIN & INDIRECT COST POOL	TOTAL
	FINANCIAL	AREA	COMMUNITY &	OTHER	REVOLVING	TOTAL					
	STATEMENT	PLANNING &	AGING	WORKFORCE	ECONOMIC	SPECIAL	LOAN	DIRECT			
EXPENDITURES	TRANSPORTATION	AGENCY	INNOVATION	DEVELOPMENT	PROGRAMS	PROGRAM	COSTS				
Salaries and Wages	\$ 1,950,987	\$ 293,543	\$ 280,313	\$ 914,859	\$ 137,303	\$ -	\$ 544	\$ 1,626,562	\$ 324,425	\$ 1,950,987	
Fringe Benefits and Release Time	1,170,383	174,182	165,108	550,589	82,685	-	321	972,885	197,498	1,170,383	
Accounting, Legal & Consulting	28,968	-	-	-	-	-	-	-	28,968	28,968	
Other Sub-Tier Expense	2,020,899	414,046	261,280	1,338,623	-	6,950	-	2,020,899	-	2,020,899	
Other Professional Services	306,424	84,103	19,023	99,723	45,322	2,364	-	250,535	55,889	306,424	
Agency Insurance	24,767	-	-	-	-	-	-	-	24,767	24,767	
Office Rental and Lease	113,409	-	4,675	45,040	-	-	-	49,715	63,694	113,409	
Utilities	40,282	-	-	29,751	-	-	-	29,751	10,531	40,282	
Office Cleaning	18,154	-	-	13,572	-	-	-	13,572	4,582	18,154	
Lawn and Landscape Maintenance	17,252	-	-	12,456	-	-	-	12,456	4,796	17,252	
Equipment Rental and Lease	16,755	-	-	-	-	-	-	-	16,755	16,755	
Maintenance and Repairs	5,435	-	-	5,132	-	-	-	5,132	303	5,435	
Non-Expendable Equipment	58,874	-	-	37,546	-	21,328	-	58,874	-	58,874	
Staff Travel	46,374	11,329	5,729	23,751	1,785	494	433	43,521	2,853	46,374	
Staff Conferences	27,043	7,854	9,061	5,360	812	-	-	23,087	3,956	27,043	
Board Travel, Conferences, Meetings	33,834	-	-	8,533	-	-	405	8,938	24,896	33,834	
Meetings and Meals	5,094	1,203	676	2,512	-	703	-	5,094	-	5,094	
SCARC Expense	6,384	-	-	-	-	28	-	28	6,356	6,384	
Automobile	9,300	1,718	5,054	1,657	871	-	-	9,300	-	9,300	
Advertising	58,929	5,187	1,056	48,051	4,088	547	-	58,929	-	58,929	
Security Services	21,660	-	-	21,660	-	-	-	21,660	-	21,660	
IT Services	79,019	-	1,120	61,994	-	-	-	63,114	15,905	79,019	
Office Supplies	25,168	-	133	9,423	-	-	-	9,556	15,612	25,168	
Telephone and Communications	45,344	-	1,478	12,293	-	45	-	13,816	31,528	45,344	
Postage and Shipping	5,241	-	27	-	-	-	-	27	5,214	5,241	
Printing	19,697	-	116	-	-	251	-	367	19,330	19,697	
Staff Training	8,708	30	-	7,103	-	-	-	7,133	1,575	8,708	
Memberships and Subscriptions	15,372	3,894	2,240	1,748	50	45	-	7,977	7,395	15,372	
Expendable Equipment	13,159	2,877	-	7,882	-	2,400	-	13,159	-	13,159	
Miscellaneous	11,763	-	-	-	-	11,763	-	11,763	-	11,763	
Contracted Service Providers	2,644,753	-	2,235,773	110,163	298,817	-	-	2,644,753	-	2,644,753	
TOTAL EXPENDITURES	\$ 8,849,431	\$ 999,966	\$ 2,992,862	\$ 3,369,421	\$ 571,733	\$ 46,918	\$ 1,703	\$ 7,982,603	\$ 866,828	\$ 8,849,431	
Indirect Cost Recoveries	-	237,576	194,545	366,517	111,986	-	444	911,068	(911,068)	-	
GRAND TOTAL ALL COSTS	\$ 8,849,431	\$ 1,237,542	\$ 3,187,407	\$ 3,735,938	\$ 683,719	\$ 46,918	\$ 2,147	\$ 8,893,671	\$ (44,240)	\$ 8,849,431	

**WACCAMAW REGIONAL COUNCIL OF GOVERNMENTS
 SCDOT, OFFICE OF PUBLIC TRANSIT
 ELDERLY MOBILITY PROGRAM
 SCHEDULE OF BUDGET TO ACTUAL
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

SCDOT CONTRACT NUMBER: PT-7F110-80
 SCDOT GRANT NUMBER: SC-2016-021-00
 FY: 2016-2017
 CFDA NUMBER: 20.513
 CONTRACT PERIOD: JULY 1, 2016 TO DECEMBER 31, 2017
 PERFORMANCE PERIOD: JULY 1, 2016 TO JUNE 30, 2017

		ELDERLY MOBILITY PROGRAM		
Codes		BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
	REVENUES			
	Federal Revenues	\$ 40,000	\$ 8,181	\$ (31,819)
	Local Match	10,000	2,045	(7,955)
	TOTAL REVENUES	\$ 50,000	\$ 10,226	\$ (39,774)
	EXPENDITURES			
11.7L00	Mobility Management	\$ 50,000	\$ 10,226	\$ 39,774
	TOTAL EXPENDITURES	\$ 50,000	\$ 10,226	\$ 39,774

SINGLE AUDIT SECTION



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**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**

To the Board of Directors
Waccamaw Regional Council of Governments
Georgetown, 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, the business-type activities, each major fund, and the aggregate remaining fund information of Waccamaw Regional Council of Governments as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Council's basic financial statements and have issued our report thereon dated December 14, 2017.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Council's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our

audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain other matters that we reported to management of the Council in a separate letter dated December 14, 2017.

Purpose of the 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.

Harper, Poston & Moree, P.A.

Harper, Poston & Moree, P.A.
Certified Public Accountants

Pawleys Island, South Carolina
December 14, 2017



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

To the Board of Directors
Waccamaw Regional Council of Governments
Georgetown, South Carolina

Report on Compliance for Each Major Federal Program

We have audited Waccamaw Regional Council of Governments' compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Council's major federal programs for the year ended June 30, 2017. The Council's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

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

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

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

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

Harper, Poston & Moree, P.A.

Harper, Poston & Moree, P.A.
Certified Public Accountants

Pawleys Island, South Carolina
December 14, 2017

**WACCAMAW REGIONAL COUNCIL OF GOVERNMENTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

A. Summary of Audit Results

1. The auditor's report expresses an unmodified opinion on the basic financial statements.
2. No control deficiencies were disclosed during the audit of the basic financial statements.
3. No instances of noncompliance, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No control deficiencies were disclosed during the audit of major federal award programs.
5. The auditor's report on compliance for major federal award programs expresses an unmodified opinion.
6. There were no audit findings relative to major federal award programs reported in Part C of this schedule.
7. The following programs were tested as major programs:

<u>Program Title</u>	<u>CFDA No.</u>
WIOA Cluster:	
WIOA Adult Program	17.258
WIOA Youth Program	17.259
WIOA Dislocated Workers Formula Grants	17.278

8. The threshold for distinguishing types A and B programs was \$750,000.
9. The Council was determined not to be a low risk auditee.

B. Findings - Financial Statement Audit

None.

C. Findings and Questioned Costs - Major Federal Award Programs Audit

None.

**WACCAMAW REGIONAL COUNCIL OF GOVERNMENTS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	FEDERAL AWARD/ PASS-THROUGH GRANTOR'S NUMBER	TOTAL EXPENDITURES	PASSED THROUGH TO SUBRECIPIENTS
U.S. DEPARTMENT OF COMMERCE				
Direct Programs:				
Economic Development Administration				
Title IX RLF - Long-Term Economic				
Implementation Grant	11.307	04-19-03142	\$ 478,388	\$ -
Aid to Planning Organization	11.302	ED16ATL3020009	66,837	-
Technical Assistance Grant	11.303	04-09-07080	7,652	-
			<u>552,877</u>	<u>-</u>
Total - U.S. Department of Commerce			\$ 552,877	\$ -
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Passed Through S.C. Lieutenant Governor's Office on Aging:				
Aging Cluster:				
Title III, Part B - Supportive Services	93.044	R8 MG17-SVC	\$ 497,175	\$ 497,175
Title III, Part B - Ombudsmen	93.044	R8 MG17-ADMIN	54,538	-
Title III, Part B - P&A	93.044	R8 MG17-ADMIN	51,100	-
Title III, Part B - Legal	93.044	R8 MG17-ADMIN	11,365	11,365
Title III, Part B - Information & Assistance	93.044	R8 MG17-SVC	78,154	-
Title III, Part C - IIIC-1 Dining	93.045	R8 MG17-SVC	232,754	232,754
Title III, Part C - P&A	93.045	R8 MG17-ADMIN	95,623	-
Title III, Part C - IIIC-2 Meals	93.045	R8 MG17-SVC	429,855	429,855
Nutrition Services Incentive Program	93.053	R8 MG17-SVC	130,301	130,301
Total - Aging Cluster			<u>\$ 1,580,865</u>	<u>\$ 1,301,450</u>
Title III, Part D - Preventive Health	93.043	R8 MG17-SVC	\$ 26,879	\$ 26,879
Senior Medicare Patrol	93.048	R8 IC 17	18,491	-
SMP Expansion	93.048	R8 IC 16	292	-
Disaster Assistance Grant	93.048	ACLDA-04	15,162	-
Title III, Part E - Family Caregiver Staff	93.052	R8 MG17-SVC	64,037	64,037
Title III, Part E - Family Caregiver Support	93.052	R8 MG15-SVC	1,278	1,278
Title III, Part E - Family Caregiver Support	93.052	R8 MG17-SVC	129,488	129,488
Title III, Part E - P&A	93.052	R8 MG17-ADMIN	7,793	-
Title VII, Chapter 2, Ombudsmen	93.042	R8 MG17-ADMIN	15,434	-
Title VII, Chapter 3, Elder Abuse	93.041	R8 MG17-ADMIN	3,957	-
I-Care	93.324	R8 IC 17	45,760	-
PRIME	93.934	R08 PRIME 15	1,220	-
Medicare Enrollment Assistance Program - F SHIP	93.071	R8 IC 17	8,223	-
Medicare Enrollment Assistance Program - AAA	93.071	R8 IC 17	7,694	-
Medicare Enrollment Assistance Program - ADRC	93.071	R8 IC 17	7,047	-
			<u>1,933,620</u>	<u>1,523,132</u>
Total - U.S. Department of Health and Human Services			\$ 1,933,620	\$ 1,523,132

**WACCAMAW REGIONAL COUNCIL OF GOVERNMENTS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	FEDERAL AWARD/ PASS-THROUGH GRANTOR'S NUMBER	TOTAL EXPENDITURES	PASSED THROUGH TO SUBRECIPIENTS
U.S. DEPARTMENT OF TRANSPORTATION				
Direct Programs:				
U.S. Department of Transportation:				
Federal Transit Formula Grants - FTA 5307	20.507	SC-2017-010-00	\$ 7,262	-
Bus & Bus Facilities Replacement Program	20.526	SC-2016-010-01-00	109,188	109,188
Enhanced Mobility of Seniors	20.513	SC-16X018-00	353	353
Enhanced Mobility of Seniors	20.513	SC-2016-020-00	5,321	-
Passed Through S.C. Department of Transportation, Office of Public Transit:				
Enhanced Mobility of Seniors	20.513	PT-7F110-80	8,181	-
Passed Through S.C. Lieutenant Governor's Office on Aging:				
New Freedom Program	20.521	R-NFRG-8-16	335	-
Passed Through S.C. Department of Transportation, Federal Highway:				
Highway Planning and Construction Cluster:				
Highway Planning and Construction	20.205	MPO PLTMA	\$ 283,840	-
Highway Planning and Construction	20.205	Rural/Regional	85,000	-
Highway Planning and Construction	20.205	SC MTP Guide Share	235,604	235,604
Passed Through N.C. Department of Transportation:				
Highway Planning and Construction	20.205	M-0433	75,000	-
Total - Highway Planning and Construction Cluster			<u>\$ 679,444</u>	<u>\$ 235,604</u>
Passed Through N.C. Department of Transportation:				
NCDOT FTA5303	20.505	16-08-118	\$ 8,000	-
Total - U.S. Department of Transportation			<u>\$ 818,084</u>	<u>\$ 345,145</u>
U.S. DEPARTMENT OF LABOR				
Passed Through S.C. Department of Employment and Workforce:				
WIOA Cluster:				
WIOA Adult Program	17.258	15A011	\$ 318,781	-
WIOA Adult Program	17.258	16A011	844,433	-
WIOA Youth Program	17.259	15Y011	337,661	-
WIOA Youth Program	17.259	16Y011	1,013,151	-
WIOA Dislocated Workers Formula Grants	17.278	15DW011	272,322	-
WIOA Dislocated Workers Formula Grants	17.278	16INC011	23,676	-
WIOA Dislocated Workers Formula Grants	17.278	16DW011	821,386	-
Total - WIOA Cluster			<u>\$ 3,631,410</u>	<u>\$ -</u>
WIOA - National Dislocated Worker Grants	17.277	16WT011	\$ 20,723	20,723
WIOA - National Dislocated Worker Grants	17.277	16DWG11	98,392	89,440
Total - U.S. Department of Labor			<u>\$ 3,750,525</u>	<u>\$ 110,163</u>

**WACCAMAW REGIONAL COUNCIL OF GOVERNMENTS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	FEDERAL AWARD/ PASS-THROUGH GRANTOR'S NUMBER	TOTAL EXPENDITURES	PASSED THROUGH TO SUBRECIPIENTS
ENVIRONMENTAL PROTECTION AGENCY				
Passed Through S.C. Department of Health and Environmental Control:				
Water Quality Management Planning	66.454	EQ-6-410	\$ 13,850	\$ -
Nonpoint Source Implementation	66.460	EQ-5-378	29,571	-
Total - Environmental Protection Agency			\$ 43,421	\$ -
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
Passed Through Georgetown County:				
HOME Investment Partnerships Program	14.239	DC450214	\$ 423,767	\$ 298,818
Total - U.S. Department of Housing and Urban Development			\$ 423,767	\$ 298,818
TOTAL FEDERAL AWARDS EXPENDED			\$ 7,522,294	\$ 2,277,258

**WACCAMAW REGIONAL COUNCIL OF GOVERNMENTS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Note A – Basis of Presentation:

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

Note B – Summary of Significant Accounting Policies:

Expenditures reported in the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Expenditures of federal awards made prior to December 26, 2014 are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*.

Note C – Indirect Cost Rate:

Waccamaw Regional Council of Governments charges indirect costs to its federal programs based on an indirect cost allocation plan submitted to the Economic Development Administration and did not elect to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance and covered in 2 *CFR Part 200.414*.

Note D – Revolving Loan Grant Funds:

Waccamaw Regional Council of Governments administers a Revolving Loan Grant Program (CFDA No. 11.307) funded by the U.S. Department of Commerce. Total program expenditures under the program for the year ended June 30, 2017 are as follows:

Loans Receivable Outstanding at June 30, 2017	\$	295,478
Cash and Investments		340,226
Administrative Costs		2,147
	\$	637,851
Federal Percentage		75%
RLF Federal Expenditures	\$	478,388

Note E – Relationship to Basic Financial Statements:

Amounts reported in the accompanying schedule of federal awards agree with the amounts reported in the financial statements as reconciled below:

Governmental Funds - Federal Revenues	\$	7,043,906
Program Expenditures - Revolving Loan Program		478,388
Total Federal Awards Expended	\$	7,522,294

**WACCAMAW REGIONAL COUNCIL OF GOVERNMENTS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Findings – Financial Statement Audit

There are no prior year auditing findings related to the audit of the financial statements that are required to be reported.

Findings – Major Federal Awards Program Audit

There are no prior year audit findings related to the audit of major federal awards programs that are required to be reported.