# LOWER SAVANNAH
# COUNCIL OF GOVERNMENTS

## FINANCIAL STATEMENTS
## AND SUPPLEMENTARY INFORMATION

## FOR THE YEAR ENDED JUNE 30, 2023

**LOWER SAVANNAH COUNCIL OF GOVERNMENTS**
**AIKEN, SOUTH CAROLINA**

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**AIKEN, SOUTH CAROLINA**

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**LOWER SAVANNAH COUNCIL OF GOVERNMENTS**
**MANAGEMENT'S DISCUSSION AND ANALYSIS**
**FOR THE YEAR ENDED JUNE 30, 2023**

## INTRODUCTION

As management of the Lower Savannah Council of Governments (LSCOG), we offer readers of these financial statements this narrative overview and analysis of the financial activities of the LSCOG for the year ended June 30, 2023. Our purpose is to inform readers of the LSCOG's operations and present our financial position.

LSCOG is a 501(c)(4) organization that was formed in 1967 under the provision of Article 2, Act 487 of the South Carolina General Assembly, as amended in 1971. The LSCOG is a regional planning agency governed by a board of directors comprised of elected officials representing the counties of Aiken, Allendale, Bamberg, Barnwell, Calhoun and Orangeburg. LSCOG is the recognized regional entity for providing planning and development services for its member counties.

The mission of the LSCOG is to work with and on behalf of local governments to develop, implement, and administer plans, programs and projects in cooperation with local, state and national stakeholders, to improve the quality of life for residents in the Lower Savannah Region. Our vision is to be a nationally recognized, comprehensive resource that facilitates regional solutions through innovative and cooperative partnerships. We, at Lower Savannah Council of Governments, are committed to the highest ethical standards of professional service, leadership and integrity. We strive together in service to the region to utilize problem solving techniques and develop a creative outlook for the future. The success of this organization depends on the talents, skills and expertise of its board and staff working as a team. Lower Savannah Council of Governments understands the importance of its mission and vision and values and the trust placed in this organization by the people it serves.

LSCOG houses and operates the Lower Savannah Regional Development Corporation (LSRDC) a 501(c)(3) organization formed in 1982. The LSRDC provides, among other activities, a loan program for small and technically based entrepreneurs. The LSRDC was established to further economic development in the Lower Savannah region; to promote and assist in the growth and development of business concerns; to promote and assist in the development of residential housing and engage in those activities herein stated. The principal objective of the corporation is to benefit the region economically by fostering increased employment opportunities and by expansion of business and industry; thereby, lessening the burdens of government and combating community deterioration.

LSCOG also houses and operates the Lower Savannah Regional Information and Assistance Corporation (LSRIAC) a 501(c)(3) organization formed in 2005. The LSRIAC is able to apply for foundation and government grants in order to continue to support the programs which assist persons with human service needs. The principal objective of the corporation is to benefit the region by fostering increased knowledge of and access to services, resources, and options related to well-being and quality of life and by expansion of partnerships and networking with related organizations and entities at all levels who can help to accomplish the goals of the corporation and making the communities in the region a better place to live. Target groups which will benefit from the work of the LSRIAC include older adults, frail

and at-risk individuals needing long term support to enable independent living, people with disabilities, people in need of transportation services, the medically indigent, family caregivers and other groups as determined by the board of directors and advisory committees.

**Overview of the Financial Statements**

The financial statements presented herein include all of the activities of the Lower Savannah Council of Governments and its component units using the integrated approach as prescribed by GASB Statement 34.

This discussion and analysis is intended to serve as an introduction to LSCOG's financial statements. The basic financial statements comprise three components:

1. Government-wide financial statements
2. Fund financial statements
3. Notes to the financial statements

***Government-wide Financial Statements***

Government-wide Financial Statements are designed to provide readers with a broad overview of the LSCOG's finances, in a manner similar to most private-sector companies.

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

Statement of Activities presents information showing how the LSCOG's Net Position changed during the most recent fiscal year. All of the current year revenue and expenses are taken into account regardless of when cash is received or paid.

***Fund Financial Statements***

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. LSCOG uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. All the funds of LSCOG are governmental funds. LSCOG has two component units, the Lower Savannah Regional Development Corporation and the Regional Information and Assistance Corporation.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements.

LSCOG maintains numerous individual special revenue funds. Information is presented separately in the governmental fund balance sheet and the statement of revenues, expenditures and changes in fund

balances for the General Fund, Sub-Grant Funds, Regional Development Corporation (RDC) Funds as well as Regional Information and Assistance Corporation (RIAC) 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.

**FINANCIAL HIGHLIGHTS**
**CONDENSED STATEMENT OF NET POSITION**

| | 2023 | 2022 | Total Percentage Change |
|---|---|---|---|
| Current Assets | $ 4,434,273 | $ 4,434,273 | (0.90)% |
| Capital Assets | 796,542 | 796,542 | (3.60)% |
| Total Assets | 5,230,815 | 5,230,815 | (1.30)% |
| Deferred Outflows of Resources | 693,358 | 693,358 | 2.00% |
| Current Liabilities | 763,520 | 763,520 | (14.60)% |
| Non-current Liabilities | 4,571,413 | 4,571,413 | (15.00)% |
| Total Liabilities | 5,334,933 | 5,334,933 | (15.00)% |
| Deferred Inflows of Resources | 2,051,214 | 2,051,214 | 32.30% |
| Net Investment in Capital Assets | 796,542 | 796,542 | (3.50)% |
| Restricted | 10,674 | 10,674 | (38.80)% |
| Unrestricted | (2,269,190) | (2,269,190) | 15.50% |
| Total Net Position | $ (1,461,974) | $ (1,461,974) | 20.70% |

## CONDENSED CHANGE IN NET POSITION

| | 2022 | 2022 | Total Percentage Change |
|---|---|---|---|
| Revenues | | | |
| Operating grants and contributions | $ 9,298,285 | $ 9,298,285 | (8.10)% |
| Grants not restricted | 316,773 | 316,773 | 0.00% |
| Interest income | 5,523 | 5,523 | 30.97% |
| Miscellaneous | 238,668 | 238,668 | (36.00)% |
| Total Revenues | 9,859,249 | 9,859,249 | (8.00)% |
| Expenses | | | |
| Salaries and benefits | 1,940,885 | 1,940,885 | (12.10)% |
| Contractual services | 5,919,364 | 5,919,364 | (9.10)% |
| Other | 1,617,186 | 1,617,186 | (10.10)% |
| Total Expenses | 9,477,435 | 9,477,435 | (9.90)% |
| Increase in Net Position | $ 381,814 | $ 381,814 | 28.10% |

Total revenues decreased $961,194 or 8.00% during the year. Total expenses decreased $1,045,059 or 9.90%. This resulted in an increase in Net Position of $381,814 compared to an increase of $297,949 in the prior year.

**Fund Financial Statements**

As shown in the fund financial statements, there was a change in fund balances of $31,469 for fiscal year ended June 30, 2023. Of this change, $24,990 was attributable to the General Fund, $18,852 to LSRDC and $(12,373) to the Lower Savannah Regional Information and Assistance Corporation.

**Budgetary Highlights and Other Information**

The financial statements of the LSCOG are still being impacted by the Coronavirus pandemic. The LSCOG continues to receive COVID-related stimulus funding directly from the CARES Act as well as receiving funding from the American Rescue Plan Act (ARPA) for providing: 1) Aging Services to seniors; 2) Operational Assistance for the Aiken County Transit program from the Federal Transportation Administration (FTA) 3) Housing and Urban Development (HUD) funding to assist in alleviating regional homelessness and 4) assistance with waste and storm water improvement grants from the Rural Infrastructure Authority (RIA) and the South Carolina Legislature. We anticipate that the impact of COVID-19 pandemic and the CARES Act and ARPA funds will continue to affect the LSCOG region and our budgetary planning for several years.

The LSCOG chose to revise the treatment of fringe benefits and indirect costs (overhead) beginning July 1, 2022. The changes are 1) all leave costs are considered fringe benefits, rather than part of salaries. We have adopted a fixed rate to be used for applying fringe benefits to grants and contracts based on total

salaries charged to each grant or contract. 2) We have adopted a fixed indirect rate to be charged based on total direct charged salaries. The fixed indirect rate is described in 2 CFR 200 Appendix VII B.5. Any differences between actual costs incurred and estimated costs used for calculating the rates for both fringe benefits and Indirect costs will be applied to a future fiscal year's billing rate calculation.

**Capital Assets**

As of June 30, 2023, the LSCOG/LSRDC had invested $2,825,297 in capital assets. This amount represents a net increase (including additions and deductions) from last year. This amount includes additions to capital assets of $817,999 and deductions of $273,162. More detailed information about the LSCOG/LSRDC's capital assets is presented in Note 4 to the financial statements.

**Long-term Debt**

At June 30, 2023, the LSCOG/LSRDC had no notes payable outstanding and no capital leases outstanding. More detailed information about the LSCOG/LSRDC's long-term debt is presented in Notes 5, 6, and 9 to the financial statements.

**CONTACTING THE LSCOG'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our board members, local governments, state and federal agencies and other interested entities with a general overview of the LSCOG's finances and to demonstrate the LSCOG's accountability of the money it receives. If you have any questions about this report or need additional financial information, contact Frances Owens, Finance Director at PO Box 850, Aiken, South Carolina 29802-0850.

**LOWER SAVANNAH**
**COUNCIL OF GOVERNMENTS**
**NOTES TO THE BASIC FINANCIAL STATEMENTS**

## *NOTE 1 - DESCRIPTION OF THE COUNCIL AND REPORTING ENTITY*

### Organization

The Lower Savannah Council of Governments (the "Council") is a quasi-governmental, not-for-profit corporation exempt from federal and state income taxes under Section 501(c)(4) of the Internal Revenue Code. The Council was organized on June 20, 1967 under the provisions of Article 2, Act 487 of the 1967 South Carolina General Assembly, as amended in 1971.

Their purpose is to perform various functions and activities associated with the implementation and administration of the provisions and spirit of the Public Works and Economic Development Act of 1965, Public Law 89-136, as promulgated by the 89th Congress of the United States of America, and all subsequently enacted federal and state legislation related thereto.

The Council comprises Aiken, Allendale, Bamberg, Barnwell, Calhoun and Orangeburg counties of South Carolina. The Council is governed by 39 representatives of the various counties and municipalities in the area.

### Reporting Entity

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure financial statements are not misleading. The primary government of the Lower Savannah Council of Governments consists of all funds, organizations, institutions, agencies, departments, boards, and offices that are not legally separate from the Council.

Component units are legally separate 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. The following blended component units, which have June 30 fiscal year ends, are included in the reporting entity.

The Lower Savannah Regional Development Corporation was incorporated under the laws of the State of South Carolina on August 3, 1982, to further the economic development of the Lower Savannah region and to promote and assist in the growth and development of small business concerns in the region. This Corporation was not organized for pecuniary purposes and upon dissolution, any assets will be distributed to Lower Savannah Council of Governments under Section 501(c)(3) of the Internal Revenue Code of 1954, as amended.

The Development Corporation is reported as a blended component unit because the Corporation's board members are also members of the Council's board.

The Lower Savannah Regional Information and Assistance Corporation was incorporated under the laws of the State of South Carolina in 2005 to provide a wide range of information and assistance, and to promote and contribute to ease of access to information about resources which will contribute to improved quality of life for the citizens in the Lower Savannah region. This Corporation was not organized for pecuniary purposes and upon dissolution, any assets will be distributed to Lower Savannah Council of Governments under Section 501(c)(3) of the Internal Revenue Code of 1954, as amended.

The Information and Assistance Corporation is reported as a blended component unit because the Corporation's board members are also members of the Council's board.

## *NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES*

The financial statements of the Council have been prepared in conformity with generally accepted accounting principles 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 Council also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental activities provided they do not conflict with or contradict GASB. The most significant of the Council's accounting policies are described below:

### A. Fund Accounting

The Council uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain Council functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The Council only has governmental funds.

***Governmental Funds*:** Governmental funds focus on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the Council's major governmental funds:

***General Fund***: The general fund is used to account for all financial resources except those required to be accounted for in another fund. The general fund balance is available for any purpose provided it is expended or transferred according to the general laws of South Carolina.

***Special Revenue Funds***: The special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The Council's special revenue funds include grant sub-funds, regional development funds, and regional information and assistance fund.

**B. Basis of Presentation**

***Government-wide Financial Statements:*** The statement of net position and the statement of activities display information about the Council as a whole. These statements include the financial activities of the primary government.

The government-wide financial statements are prepared using the economic resources measurement focus. This approach differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore, include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the Council's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the Council. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the Council.

***Fund Financial Statements:*** Fund financial statements report detailed information about the Council. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e. expenditures and other financing uses) of current financial resources.

The Council reports the following major governmental funds:

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

The Grant Sub-funds account for all grant funds received from federal, state and local sources that are legally restricted as to expenditures for specific purposes.

The Regional Development Fund accounts for activities focused on economic development efforts in the Lower Savannah region.

The Regional Information and Assistance Fund accounts for activities which promote and contribute to ease of access to information about resources which will contribute to improved quality of life for the citizens of the Lower Savannah region.

**C. Basis of Accounting**

The entity's basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting.

***Revenues - Exchange and Non-exchange Transactions:*** Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the Council, available means expected to be received within sixty days of fiscal yearend.

Non-exchange transactions, in which the Council receives value without directly giving equal value in return, includes grants, entitlements and donations. On an accrual basis, revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the Council must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Council on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

***Deferred Outflows/Inflows of Resources:*** In addition to assets, the statements of net position and the balance sheet 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(s) and so will not be recognized as an outflow of resources (expenses/expenditures) until then. The Council currently has two types of deferred outflows of resources: (1) the Council reports deferred outflows related to pensions in its statement of net position in connection with its participation in the South Carolina Retirement System and (2) the Council also reports deferred outflows related to OPEB in its statement of net position in connection with its OPEB plan provided to employees. These *deferred pension and OPEB charges* are either (a) recognized in the subsequent period as a reduction of the net pension/OPEB liabilities or (b) amortized in a systematic and rational method as expense in future periods in accordance with GAAP.

In addition to liabilities, the statements of net position and the balance sheet 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(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Council currently has one type of deferred inflows of resources: (1) the Council reports *deferred inflows related to pensions* in its statement of net position in connection with its participation in the South Carolina Retirement System. These *deferred pension inflows* are amortized in a systematic and rational method and recognized as a reduction of pension expense in future periods in accordance with GAAP.

***Expenses/Expenditures:*** On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net

financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

**D. Cash and Investments**

The Council's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisitions. State statutes authorize the Council to invest in obligations of the U.S. Treasury, municipal bonds, repurchase agreements and the State Treasurer's Investment Pool. Investments are stated at fair value, except that repurchase agreements and the U.S. Government Securities that have a maturity at the time of purchase of one year or less are shown at amortized cost.

**E. Prepaid Items**

Payments that will benefit periods beyond the end of the fiscal year are recorded as prepaid expenses.

**F. Capital Assets**

General capital assets are those assets that generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The Council maintains a capitalization threshold of one-thousand dollars. The Council does not possess any infrastructure. Improvements are capitalized, and the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

| Description | Estimated Lives |
|---|---|
| Land | 10 - 20 years |
| Buildings and Improvements | 5 - 40 years |
| Furniture and Equipment | 5 - 10 years |
| Vehicles | 3 - 5 years |
| Computer Equipment and Software | 3 - 5 years |

**G. Inter-fund Balances**

On fund financial statements, receivables and payables resulting from short-term inter-fund loans are classified as "due from or to other funds." These amounts are eliminated in the governmental activities columns of the statement of net position.

**H. Compensated Absences**

The Council reports compensated absences in accordance with the provisions of GASB Statement No. 16, *Accounting for Compensated Absences*. Employees are granted annual leave in varying amounts as services are provided. They may accumulate, subject to certain limitations, unused annual leave earned and, upon retirement, termination, or death, may be compensated for the authorized unused annual leave earnings accumulated to their credit. The Council records a liability for accumulated, unused annual leave when earned for all employees. Sick leave is non-vesting; therefore, no liability has been recorded for accumulated sick leave.

**I. Accrued Liabilities and Long-term Obligations**

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. Other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

**J. Estimates**

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

**K. Net Position/Fund Balance Flow Assumptions**

***Net Position Flow Assumptions:*** Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

***Fund Balance Flow Assumptions:*** Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Net position in government-wide and proprietary fund financial statements are classified as invested in capital assets, net of related debt; restricted; and unrestricted. Restricted net position represents constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through state statute.

**L. Budgets**

Budgets are adopted for the general fund and grant sub-funds on a basis consistent with accounting principles generally accepted in the United States of America. All annual appropriations lapse at fiscal yearend.

**M. Indirect Cost Allocation Plan**

The Council has adopted, effective July 1, 2022, the Fixed Indirect Rate as described in 2 CFR 200 Appendix VII B.5. For each fiscal year, the Council will compute the difference between the actual costs incurred and the estimated costs used to calculate the fiscal year's billing rate. This difference will be applied to a future fiscal year's billing rate calculation. If the Council decides to move away from the use of a Fixed rate, the change will be discussed with our federal cognizant agency, US Department of Commerce – EDA, prior to implementation of the new rate type.

**N. Pensions**

The Governmental Accounting Standards Board (GASB) issued Statement No. 68 entitled *Accounting and Financial Reporting for Pension Plans* in June 2012 (GASB Statement 68 is effective for fiscal years beginning after June 30, 2014). The disclosure requirements applicable to employers participating in the South Carolina Retirement System are prescribed in paragraphs 48 through 82 of GASB 68. 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 fiduciary net position of the South Carolina Retirement System and additions to/deductions from the South Carolina Retirement System's fiduciary net position have been determined on the same basis as they are reported by the South Carolina Retirement System. 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. The Board implemented this statement effective July 1, 2014.

**O. OPEB**

The Council implemented GASB Statement No. 75 "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions" in the year ended June 30, 2021. The primary objective of this Statement is to improve the usefulness of information about other postemployment benefits (primarily retiree medical benefits) other than pensions ("OPEB") in external financial reports. The requirements of the Statement aim to provide citizens and other users of the financial statements with a clearer picture of the entity's financial obligations to current and former employers for past services rendered. Previous standards required an employer to recognize a liability for unfunded required contributions to the OPEB plan (called "Net OPEB Obligation"). GASB Statement No. 75 establishes standards for recognizing deferred outflows of resources, deferred inflows of resources, and the "Net OPEB Liability," which is the total OPEB liability less the fiduciary net position of the plan assets. More extensive note disclosures are also required.

## *NOTE 3 - DEPOSITS AND INVESTMENTS*

**Deposits and Investments**

South Carolina statutes authorize the Council to invest in obligations of the United States and its agencies, general obligations (not revenue obligations) of the State of South Carolina and its subdivisions, savings and loan associations to the extent of federal insurance, certificates of deposit collaterally secured, repurchase agreements secured by the foregoing obligations, and the State Treasurer's Investment Pool.

The State Treasurer's investment pool is a 2a7-like pool which is not registered with the Securities and Exchange Commission (SEC), but has a policy that it will operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. The pool is included as an investment trust fund of the State of South Carolina Comprehensive Annual Financial Report and is subject to the audit procedures of the State Auditor. The investments in the State Treasurer's investment pool are determined by the pool's share price which is the same as the value of the pool. There were no deposits or investment transactions during the year that were in violation of the state statutes.

As of June 30, 2023, the Council had deposits and investments as follows:

| Investment Type | Maturity | Governmental Activities | Credit Quality |
|---|---|---|---|
| Deposits with financial institutions | Daily | $ 1,693,338 | Unrated |
| State Treasurer's investment pool | Daily | 1,444,250 | Unrated |
| | | $ 3,137,588 | |

**Custodial Credit Risk - Deposits**

Custodial credit risk is the risk that in the event of a bank failure, the Council's deposits may not be returned to it. The Council does not have a deposit policy for custodial credit risk. As of June 30, 2023, the carrying amount of the Council's deposits was $1,693,338. The bank balance was $2,092,961 and of that, none was exposed to custodial credit risk.

**Interest Rate Risk**

The Council does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**Credit Risk**

The Council has no investment policy that would further limit its investment choices other than state law. As of June 30, 2023, the underlying security ratings of the Council's investment in the South Carolina Local Government Investment Pool may be obtained from the LGIP's complete financial statements. This investment pool does not have a credit quality rating assigned. These financial statements may be obtained by writing to the following address:

The State Treasurer's Office
Local Government Investment Pool
Post Office Box 11778
Columbia, South Carolina 29211

**Concentration of Credit Risk**

The Council places no limit on the amount the Council may invest in any one issuer.

The following schedule reconciles cash and cash equivalents and investments as reported on the statement of net position to the above disclosure provided for deposits and investments.

| | |
|---|---|
| **Statement of Net Position:** | |
| Cash and cash equivalents | $ 1,674,939 |
| Investments | 1,444,250 |
| Restricted cash | 18,399 |
| Total Statement of Net Position | **$ 3,137,588** |
| **Deposits and Investments Note:** | |
| Carrying value of deposits | $ 1,693,338 |
| Investments | 1,444,250 |
| Total Deposits and Investments Note | **$ 3,137,588** |

## *NOTE 4 - CAPITAL ASSETS*

Capital asset activity for the year ended June 30, 2023 was as follows:

| | Balance June 30, 2022 | Additions/ Transfers | Deductions/ Transfers | Balance June 30, 2022 |
|---|---|---|---|---|
| **Governmental Activities** | | | | |
| Land | $ 5,500 | $ - | $ - | $ 5,500 |
| Construction in Progress | 36,871 | 2,375 | (39,246) | - |
| Total Capital Assets, Not Being Depreciated | 42,371 | 2,375 | (39,246) | 5,500 |
| Furniture, equipment and vehicles | 1,047,094 | 72,804 | (194,567) | 925,331 |
| Buildings and improvements | 1,233,365 | 745,196 | (78,595) | 1,899,966 |
| Total Capital Assets, Being Depreciated | 2,280,459 | 818,000 | (273,162) | 2,825,297 |
| Less: Accumulated Depreciation | | | | |
| Furniture, equipment and vehicles | (582,342) | (148,468) | 135,197 | (595,613) |
| Buildings and improvements | (943,946) | (46,250) | 64,879 | (925,317) |
| Total Accumulated Depreciation | (1,484,331) | (194,718) | 200,076 | (1,520,930) |
| Total Capital Assets, Being Depreciated, Net | 754,171 | 623,282 | (73,086) | 1,304,367 |
| Governmental Activities Capital Assets, Net | **$ 796,542** | **$ 625,657** | **$ (112,332)** | **$ 1,309,867** |

Depreciation expense of $194,718 was charged to governmental other function category.

## *NOTE 5 - LONG-TERM DEBT*

Compensated absences as of June 30, 2023 totaled $210,051. Net increases to compensated absences during the year were $33.949. Accrued compensated absences are reflected in long-term liabilities due in more than one year on the statement of net position.

**Changes in Long-term Liabilities**

A summary of changes in long-term debt follows:

| | Compensated Absences | Capital Lease Obligations | Total |
|---|---|---|---|
| Payable at July 1, 2022 | $ 176,102 | $ - | $ 176,102 |
| Amounts incurred | 33,949 | - | 33,949 |
| Amounts retired | - | - | - |
| Payable at June 30, 2023 | $ 210,051 | $ - | $ 210,051 |
| Amounts due within one year | $ - | $ - | $ - |

## ~~*NOTE 6 - CAPITAL LEASES*~~

~~The Council has entered into lease agreements as lessee for financing one piece of equipment. This agreement qualifies as a capital lease for accounting purposes, and therefore, has been recorded at the present value of the future minimum lease payments as of the date of their inception. The cost of assets acquired under capital lease was $7,915, with a book value at June 30, 2022 of $0.~~

~~The Council also leases certain office equipment with an initial term of one year or more; these leases contain provisions to cancel should funding be lost.~~

~~As of June 30, 2022 there are no future lease payments to be made.~~

## *NOTE 7 - PASS THROUGH FUNDS*

Pass through funds totaled $4,463,102 for the year ended June 30, 2023. The Lower Savannah Council of Governments, as an Area Agency on Aging, contracted with the South Carolina Department of Aging (SCDOA) to receive federal and state funds and contracts with various subcontractors within its area as recipients for these funds. $2,198,017 was recognized as revenue and expenditures during the fiscal year.

The Council contracted with the South Carolina Department of Employment and Workforce to receive Workforce Innovation Opportunity Act (WIOA) Grants and contracted with various subcontractors within its area as recipients for these funds. $1,550,050 was recognized as revenue and expenditures during the fiscal year.

The Council contracted with Orangeburg County as the lead to receive South Carolina Department of Commerce CDBG-CV funds to provide Home Delivered meals through various subcontractors within its area as recipients for these funds. $92,413 was recognized as revenue and expenditures during the fiscal year.

The Council contracted with the federal and state Departments of Transportation to receive federal and state funds. $562,216 was recognized as revenue and expenditures of federal and state funds during the fiscal year. In addition, the Council also contracts with local agencies and receives fares to expand and match transportation services in the amount of $60,406.

The Lower Savannah Council of Governments requires its subcontractors to have an annual audit performed in accordance with the provisions of OMB 2CFR Part 200 as appropriate, by an independent certified public accountant. These audit reports are reviewed for agreement with the Council's report as well as compliance with the appropriate federal regulations.

***NOTE 8 - EMPLOYEE BENEFITS***

The South Carolina Public Employee Benefit Authority (PEBA), which was created July 1, 2012 and governed by an 11-member Board, is the state agency responsible for the administration and management of the various Retirement Systems and retirement programs of the state of South Carolina, including the State Optional Retirement Program and the S.C. Deferred Compensation Program, as well as the state's employee insurance programs. As such, PEBA is responsible for administering the South Carolina Retirement Systems' five defined benefit pension plans. The Retirement Funding and Administration Act of 2017, which became effective July 1, 2017, increased the employer and employee contribution rates, established a ceiling on the SCRS and PORS employee contribution rates, lowered the assumed rate of return, required a scheduled reduction of the funding periods, and addressed various governance issues including the assignment of the PEBA Board as custodian of the retirement trust funds and assignment of the RSIC and PEBA as co-trustees of the assets of the retirement trust funds. By law, the State Fiscal Accountability Authority (SFAA), consists of five elected officials, also review certain PEBA Board decisions regarding the actuary of the Systems.

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

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

**Plan Descriptions**

- The South Carolina Retirement System (SCRS), a cost-sharing multiple-employer defined benefit pension plan, was established effective July 1, 1945, pursuant to the provisions of Section 9-1-20 of the South Carolina Code of Laws for the purpose of providing retirement allowances and other benefits for teachers and employees of the state and its political subdivisions. SCRS covers employees of state agencies, public school districts, higher education institutions, other participating local subdivision of government and first-term individuals elected to the South Carolina General Assembly.

- The State Optional Retirement Program (State ORP) is a defined contribution plan that is offered as an alternative to SCRS to newly hired state, public higher education institution and public school district employees, as well as first- term individuals elected to the South Carolina General Assembly. State ORP participants direct the investment of their funds into an account administered by one of four third party service providers. PEBA assumes no liability for State ORP benefits. Rather, the benefits are the liability of the four third party service providers. For this reason, State ORP assets are not part of the retirement systems' trust funds for financial statement purposes.

- The South Carolina Police Officers Retirement System (PORS), a cost–sharing multiple-employer defined benefit pension plan, was established July 1, 1962, pursuant to the provisions of Section 9-11-20 of the South Carolina Code of Laws for the purpose of providing retirement and other benefits to police officers and firefighters. PORS also covers peace officers, coroners, probate judges and magistrates.

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

**Membership**

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

- SCRS – Generally, all employees of covered employers are required to participate in and contribute to the system as a condition of employment. This plan covers general employees and teachers and first-term individuals elected to the South Carolina General Assembly. An employee member of the system with an effective date of membership prior to July 1, 2012, is a Class Two member. An employee member of the system with an effective date of membership on or after July 1, 2012, is a Class Three member.

- State ORP - As an alternative to membership in SCRS, newly hired state, public higher education institution and public school district employees, as well as first-term individuals elected to the South Carolina General Assembly have the option to participate in the State ORP. Contributions

to the State ORP are at the same rates as SCRS. A direct remittance is required from the employer to the member's account with the ORP service provider for the employee contribution and a portion of the employer contribution (5 percent). A direct remittance is also required to SCRS for the remaining portion of the employer contribution and an incidental death benefit contribution, if applicable, which is retained by SCRS.

- PORS – To be eligible for PORS membership, an employee must be required by the terms of his employment, by election or appointment, to preserve public order, protect life and property, and detect crimes in the state, to prevent and control property destruction by fire; be a coroner or in a full-time permanent position; or be a peace officer employed by the Department of Corrections, the Department of Juvenile Justice or the Department of Mental Health. Probate judges and coroners may elect membership in PORS. Magistrates are required to participate in PORS for service as a magistrate. PORS members, other than magistrates and probate judges, must also earn at least $2,000 per year and devote at least 1,600 hours per year to this work, unless exempted by statute. An employee member of the system with an effective date of membership prior to July 1, 2012, is a Class Two member. An employee member of the system with an effective date of membership on or after July 1, 2012, is a Class Three member.

**Benefits**

Benefit terms are prescribed in Title 9 of the South Carolina Code of Laws. PEBA does not have the authority to establish or amend benefit terms without a legislative change in the code of laws. Key elements of the benefit calculation include the benefit multiplier, years of service, and average final compensation/current annual salary. A brief summary of the benefit terms for the system is presented below.

- SCRS – A Class Two member who has separated from service with at least five or more years of earned service is eligible for a monthly pension at age 65 or with 28 years credited service regardless of age. A member may elect early retirement with reduced pension benefits payable at age 55 with 25 years of service credit. A Class Three member who has separated from service with at least eight or more years of earned service is eligible for a monthly pension upon satisfying the Rule of 90 requirement that the total of the member's age and the member's credible service equals at least 90 years. Both Class Two and Class Three members are eligible to receive a reduced deferred annuity at age 60 if they satisfy the five- or eight-year earned service requirement, respectively. An incidental death benefit is also available to beneficiaries of active and retired members of employers who participate in the death benefit program.

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

- PORS - A Class Two member who has separated from service with at least five or more years of earned service is eligible for a monthly pension at age 55 or with 25 years of service regardless of

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

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

**Contributions**

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

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

Required employee contribution rates[1] for fiscal years 2022 and 2023 are as follows:

| | |
|---|---|
| **SCRS** | |
| Employee Class Two | 9.00% |
| Employee Class Three | 9.00% |
| **State ORP** | |
| Employee | 9.00% |
| **PORS** | |
| Employee Class Two | 9.75% |
| Employee Class Three | 9.75% |

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

Required employer contribution rates[1] for fiscal year 2023 are as follows:

| | |
|---|---|
| **SCRS** | |
| Employee Class Two | 17.41% |
| Employee Class Three | 17.41% |
| Employer Incidental Death Benefit | 0.15% |
| **State ORP** | |
| Employee[2] | 17.41% |
| Employer Incidental Death Benefit | 0.15% |
| **PORS** | |
| Employee Class Two | 19.84% |
| Employee Class Three | 19.84% |
| Employer Incidental Death Benefit | 0.20% |
| Employer Accidental Death Program | 0.20% |

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

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

**Actuarial Assumptions and Methods**

Actuarial valuations of the ongoing plan involve estimates of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about

future employment, mortality, and future salary increases. Amounts determined regarding the net pension liability are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. South Carolina state statute requires that an actuarial experience study be completed at least one in each five-year period. An experience report on the Systems was most recently issued as of June 30, 2019.

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

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

| | SCRS | PORS |
|---|---|---|
| Actuarial Cost Method | Entry age normal | Entry age normal |
| Investment rate of return[1] | 7.00% | 7.00% |
| Projected salary increases | 3.0% to 11.0% (varies by service)[1] | 3.5% to 10.5% (varies by service)[1] |
| Benefit adjustments | Lesser of 1% or $500 annually | Lesser of 1% or $500 annually |

[1] *Includes inflation at 2.25%*

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

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

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

**Net Pension Liability**

The NPL is calculated separately for each system and represents that particular system's TPL determined in accordance with GASB 67 less that System's fiduciary net position. NPL totals, as of June 30, 2022, for SCRS and PORS are presented below:

| System | Total Pension Liability | Plan Fiduciary Net Position | Employers' Net Position Liability (Asset) | Plan Fiduciary Net Position as a Percentage of the Total Pension Liability |
|---|---|---|---|---|
| SCRS | $ 56,454,779,872 | $ 32,212,626,932 | $ 24,242,152,940 | 57.1% |
| PORS | $ 893,768,696 | $ 5,938,707,767 | $ 2,998,979,179 | 66.4% |

The TPL is calculated by the Systems' actuary, and each plan's fiduciary net position is reported in the Systems' financial statements. The NPL is disclosed in accordance with the requirements of GASB 67 in the Systems' notes to the financial statements and required supplementary information. Liability calculations performed by the Systems' actuary for the purpose of satisfying the requirements of GASB 67 and 68 are not applicable for other purposes, such as determining the plans' funding requirements.

**Long-term Expected Rate of Return**

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

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

| Asset Class | Policy Target | Expected Arithmetic Real Rate of Return | Long-term Expected Portfolio Real Rate of Return |
|---|---|---|---|
| **Public Equity** [1] | 46.0% | 6.79% | 3.12% |
| **Bonds** | 26.0% | -0.35% | 0.09% |
| **Private Equity** [1,2] | 9.0% | 8.75% | 0.79% |
| **Private Debt** [2] | 7.0% | 6.00% | 0.42% |
| **Real Assets** | **12.0%** | | |
| Real Estate [2] | 9.0% | 4.12% | 0.37% |
| Infrastructure [2] | 3.0% | 5.88% | 0.00% |
| Total Expected Return [3] | 100.0% | | 4.79% |
| Inflation for Actuarial Purposes | | | 2.25% |
| | | | 7.04% |

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

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

**Discount Rate**

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

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

At June 30, 2023, the Council reported a liability of $3,415,569 (an decrease of $8,381 from previous year) for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Council's portion of the net pension liability was based on a projection of the Council's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

For the year ended June 30, 2023, the Council recognized pension expense of $122,054. At June 30, 2022, 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 | $ 29,675 | $ 14,885 |
| Changes of assumptions | 109,545 | - |
| Net difference between projected and actual investment earnings | 5,268 | - |
| Deferred amounts from changes in proportionate share and differences between Council contributions and proportionate share of total employer plan contributions | 15,957 | 312,934 |
| Council contributions subsequent to the measurement date | 299,476 | - |
| Total | $ 459,921 | $ 327,819 |

$(299,476) reported as deferred outflows of resources related to pensions resulting from Council contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2024.

The following schedule reflects the amortization of the net balance of remaining deferred outflows/(inflows) of resources at the measurement date. Average remaining service lives of all employees provided with pensions through the pension plan at the measurement date was 3.767 years for SCRS.

| Measurement Period Ending June 30, | |
|---|---|
| 2023 | $ (39,637) |
| 2024 | (53,992) |
| 2025 | (162,821) |
| 2026 | 89,075 |
| Net Balance of Deferred Outflow/(Inflow) of Resources | $ (167,375) |

**Sensitivity Analysis**

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

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

| System | 1.00% Decrease (6%) | Current Discount Rate (7%) | 1.00% Increase (8%) |
|---|---|---|---|
| SCRS | $ 4,379,181 | $ 3,415,569 | $ 2,614,451 |

*Pension Plan Fiduciary Net Position*

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

***Payable to the Pension Plan***

As of June 30, 2023, the Council did not have any outstanding payables due to the pension plans for its legally required contributions.

In addition, the Council employees may participate in a 403(b) and /or 401(k) deferred compensation plan and/or a Section 457 plan available to state and local governmental employees through the state public employee-retirement system. These programs are administered by a state approved non-governmental third party. The Council had added a policy to match two percent of a participating employee's contributions as long as the employee is contributing a minimum of two percent. If an employee is contributing two percent to more than one plan, the Council will only contribution a maximum of two percent.

## *NOTE 9 - OTHER POST EMPLOYMENT BENEFITS (OPEB)*

### *Plan Description, Contribution Information, and Funding Policies*

In addition to providing pension benefits, the Council provides certain post-employment health care benefits for retired employees. The Council sponsors a single-employer defined benefit health care plan (the "Plan") that provides post-employment medical, prescription drug, and dental benefits for employees. During the year ended June 30, 2009, the Council joined the South Carolina Other Retirement Benefits Employer Trust (SC ORBET), an agent multiple-employer investment plan administered by the Municipal Association of South Carolina. SC ORBET issues a publicly available financial report that includes financial statements and required supplementary information for the Plan. A copy of the report may be obtained through the Chief Financial Officer for Risk Management Services, Municipal Association of SC, Post Office Box 12109, Columbia, SC 29211. The coverage is optional and not all retirees participate. Council's employees hired prior to April 1, 2009 may become eligible for those benefits if they attain age sixty-five (65) while working for the Council or retire with a minimum of 20 years of service.

The amount of the Council's portion of the health insurance premium is based on the length of the employee's service as follows:

| Years of Service | Council's Portion of Premium |
|---|---|
| Age 65 & 20 years | |
| Retiree | 100% |
| Retiree's spouse | 60% |

Council's employees hired after April 1, 2009 may become eligible for those benefits if they attain age sixty-five (65) while working for the Council and retire with a minimum of 28 years of service. The amount of the Council's portion of the health insurance premium is based on the length of the employee's service as follows:

| Years of Service | Council's Portion of Premium |
|---|---|
| Age 65 & 28 years | |
| Retiree | 100% |
| Retiree's spouse | 0% |

The full cost of any other elected health insurance coverage by the eligible employee, such as dependent coverage, is paid 100% by the eligible employee.

The contribution requirements of plan members and the Council are established and may be amended by the Council. Plan members are not required to contribute to the Plan. The Council is required to contribute at an actuarially determined rate. The current employer contribution rate is 4.38% of the annual covered payroll.

Assets are held separately and may be used only for the payment of benefits to the members of the plan. Employees who terminate employment are not eligible for retiree health care benefits. Survivors of employees who die while actively employed are not eligible for COG participation for retiree health benefits.

Retirees are required to enroll in Medicare once eligible. Retiree pays full Medicare premiums. The Council's coverage continues when retiree becomes eligible for Medicare. Once actively retired, the Council's insurance becomes secondary. Employees and spouses retiring with retiree health care benefits are eligible for the Council's dental benefits.

Membership of the Plan is as follows:

| | |
|---|---|
| Retirees, Survivors and beneficiaries receiving benefits | 10 |
| Active Members | 29 |
| Total | **39** |

*Total OPEB Liability:* In previous years, the Council has reported a net OPEB obligation (liability) consisting of the difference between the annual required contribution into the Plan and the actual contributions made by the Council. New reporting standards (GASB 75) require employers to determine the total OPEB liability using the entry age normal actuarial funding method and to report a net OPEB liability consisting of the difference between the total OPEB liability and the plan's fiduciary net position. The TOL was determined by an actuarial valuation as of December 31, 2020, using the following key actuarial assumptions and other inputs:

| | |
|---|---|
| Inflation | 2.25% |
| Real wage growth | |
| SCRS | 0.75% |
| Wage inflation | |
| SCRS | 3.00% |
| Salary increases, including wage inflation | |
| SCRS | 3.00%-9.50% |
| Long-term investment rate of retun, net of OPEB plan investment expense, including price inflation | 4.75% |
| Municipal Bond Index Rate | |
| Prior measurment date | 2.12% |
| Measurement date | 2.06% |
| Year FNP is projected to be depleted | |
| Prior measurment date | N/A |
| Measurement date | N/A |
| Single equivalent interest rate, net of OPEB plan investment expense, including price inflation | |
| Prior measurement date | 4.75% |
| Measurment date | 4.75% |
| Health Care Cost Rates | |
| Pre-Medicare | 7% for 2021 decreasing to an ultimate rate of 4.50% by 2031 |
| Medicare | 5.25% for 2021 decreasing to an ultimate rate of 4.50% by 2025 |

The discount rate used to measure the TOL was based upon the long-term expected rate of return.

Mortality rates were based on the PUB-2010 Mortality Table for Employees with a 135% multiplier to better reflect anticipated experience and provide a margin for future improvements.

The demographic actuarial assumptions for retirement, disability incidence, withdrawal, and salary increases used in the December 31, 2020 valuation were based on the result of the 2020 actuarial experience study adopted by SCRS.

The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the December 31, 2020 valuation were based on a review of recent plan experience concurrently with the December 31, 2020 valuation.

Several factors should be considered in evaluating the long-term rate of return assumption, including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) are developed by the investment consultant for each major asset class. These ranges should be combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant may cover a shorter investment horizon and may not be useful in setting the long-term rate of return for funding OPEB plans which are likely to cover a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

As of the most recent adoption of the current long-term rate of return by the Plan, the target asset allocation for each major asset class, as provided by the Plan, are summarized in the following table:

| Asset Class | Policy Target | Expected Arithmetic Real Rate of Return |
|---|---|---|
| US Government Agency | 58.00% | 4.00% |
| US Govt MBS/CMO/CMBS | 40.00% | 5.60% |
| Cash and Short Duration | 2.00% | 3.90% |
| Total | 100.00% | |

Note: In accepting the long-term expected return for the Plan, the actuary performed a high-level review of the information provided by the Plan. Our review indicates the long-term expected rate of return assumption of 4.75% is reasonable.

*Discount Rate (SEIR):* The discount rate used to measure the TOL as of the Measurement Date was 4.75%. The projection of cash flows used to determine the discount rate was performed in accordance with GASB 74. The projection's basis was an actuarial valuation performed as of December 31, 2020. In addition to the actuarial methods and assumptions of the December 31, 2020 actuarial valuation, the following actuarial methods and assumptions were used in the projection of cash flows:

- Total payroll for the initial projection year consists of the payroll of the active membership present on the valuation date. In subsequent projection years, total payroll was assumed to increase annually using the payroll growth assumptions.
- Active employees do not explicitly contribute to the Plan.
- In all future years, the employer continues to contribute at least the average contribution or the last five years to the Trust and direct payment of benefits to plan members as the benefit comes due. The employer is assumed to have the ability and willingness to make contributions to the Trust and benefit payments from its own resources for all periods in the projection.
- Projected assets do not include employer contributions that fund the estimated service costs of future employees.
- Cash flows occur mid-year.

Based on these assumptions, the Plan's FNP was projected to not be depleted.

The FNP projections are based upon the Plan's financial status on the Valuation Date, the indicated set of methods and assumptions, and the requirements of GASB 74. As such, the FNP projections are not reflective of the cash flows and asset accumulations that would occur on an ongoing plan basis, reflecting the impact of future members. Therefore, the results of this test do not necessarily indicate whether or not the fund will actually run out of money, the financial condition of the Plan, or the Plan's ability to make benefit payments in future years.

The following exhibit presents the NOL of the Plan, calculated using current health care cost trend rates, as well as what the Plan's NOL would be if it were calculated using health care cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current rates:

Health Care Cost Trend Rate Sensitivity

| | 1% Decrease | Current | 1% Increase |
|---|---|---|---|
| Net OPEB Liability | $ 876,579 | $1,308,267 | $ 1,851,695 |

This paragraph requires disclosure of the sensitivity of the NOL to changes in the discount rate. The following exhibits present the NOL of the Plan, calculated using the discount rate of 4.75%, as well as what the Plan's NOL would be if it were calculated using a Discount Rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate.

Discount Rate Sensitivity

| | 1% Decrease (3.75%) | Current (4.75%) | 1% Increase (5.75%) |
|---|---|---|---|
| Net OPEB Liability | $1,759,877 | $1,308,267 | $ 942,984 |

Changes in the Net OPEB Liability

| | Total OPEB Liability (a) | Plan Net Position (b) | Net OPEB Liability (a) - (b) |
|---|---|---|---|
| **Balance as of December 31, 2021** | $ 2,652,730 | $ 1,681,369 | 971,361 |
| **Changes for the year:** | | | |
| Service cost at the end of the year* | 51,458 | - | 51,458 |
| Interest on TOL and cash flows | 124,072 | - | 124,072 |
| Difference between expected and actual experience | 17,443 | - | 17,443 |
| Contributions - employer | - | 103,457 | (103,457) |
| Net investment income | - | (246,140) | 246,140 |
| Benefit payments and implicit subsidy credit** | (82,343) | (82,343) | - |
| Plan administrative expenses*** | - | (1,250) | 1,250 |
| **Net Changes** | 110,630 | (226,276) | 336,906 |
| **Balance as of December 31, 2022** | $ 2,763,360 | $ 1,455,093 | $ 1,308,267 |

* The service cost includes interest for the year

** Benefit payments are net of participant contributions and include a payment of $7,000 for the implicit subsidy. Benefit payments include $75,343 paid outside the trust.

*** Administrative expenses are based on the fees paid from the plan's trust.

The TOL is based upon an actuarial valuation performed as of the Valuation Date, December 31, 2020. An expected TOL is determined as of December 31, 2022, the Measurement Date, using standard roll forward techniques. The roll forward calculation begins with the TOL, as of the Prior Measurement Date, December 31, 2021, subtracts the expected benefit payments for the year, applies interest at the Discount Rate for the year, and then adds the annual Normal Cost (also called the Service Cost).

Information regarding changes in benefit terms and changes to assumptions or other outputs should be noted. The following changes have been made since the prior measurement date:

**Changes to benefit terms:**

- None

**Changes to assumptions or other inputs:**

- None

Since certain expense items are recognized over closed periods each year, the deferred portions of these items must be tracked annually. If the amounts will increase OPEB Expense they are labeled Deferred Outflows of Resources. If they serve to reduce OPEB Expense they are labeled Deferred Inflows of Resources. The recognition of these amounts is accomplished on a level dollar basis, with no interest

included in the deferred amounts. Experience gains/losses and the impact of changes in actuarial assumptions or other inputs, if any, are recognized over the average expected remaining service lives of the active and inactive Plan members at the beginning of the measurement period.

*Deferred Inflows of Resources and Deferred Outflows of Resources:*

The following table provides a summary of the Deferred Outflows or Resources and Deferred Inflows of Resources as of December 31, 2022:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Differences between expected and actual experience | $ 22,718 | $ 505,546 |
| Changes of assumptions or other inputs | 6,674 | 9,183 |
| Net difference between projected and actual earnings on plan investments | 329,592 | - |
| Benefit payments and administrative costs made subsequent to the measurement date | 56,003 | - |
| Total | $ 414,987 | $ 514,729 |

$56,003 reported as deferred outflows of resources related to OPEB resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total OPEB liability in the year ended June 30, 2024.

*Schedule of the Recognition of Deferred (Inflows)/Outflows or Resources in OPEV Expense:*
Amounts reported as Deferred Outflows of resources and deferred Inflows of resources related to OPEB benefits will be recognized in OPEB expense as follows:

| Measurement Period Ended December 31, | |
|---|---|
| 2023 | $ (20,853) |
| 2024 | (19,919) |
| 2025 | (17,967) |
| 2026 | (15,226) |
| 2027 | (46,011) |
| Thereafter | (35,769) |
| Total | $ (155,745) |

Investment Earnings (Gain) Loss

| | | |
|---|---|---|
| Expected asset return rate | | 4.75% |
| Beginning of year market value of assets | $ | 1,681,369 |
| End of year market value of assets | | 1,455,093 |
| Expected return on beginning assets for plan year | | 79,865 |
| External cash flow (mid-year payments assumed): | | |
| Contributions-employer | | 103,457 |
| Contributions-active member | | - |
| Refunds of contributions | | - |
| Benefit payments | | (82,343) |
| Administrative expenses* | | (1,250) |
| Other | | - |
| Total external cash flow | | 19,864 |
| Expected return on external cash flow | | 466 |
| Projected earnings for plan year | | 80,331 |
| Net investment income | | (246,140) |
| **Investment earnings (gain) loss** | $ | 326,471 |

* Administrative expenses are based on the fees paid from the plan's trust.

The calculation of the OE for the year ended June 30, 2023 is shown in the following table:

OPEB Expense
For Year Ending June 30, 2022

| | |
|---|---|
| Service cost at end of year* | $ 51,458 |
| Interest on the Total OPEB Liability and cash flow | 124,072 |
| Current-period benefit changes | - |
| Expensed portion of current-period difference between expected and actual experience in the Total OPEB Liability | 2,228 |
| Expensed portion of current-period changes of assumptions or other inputs | - |
| Active member contributions | - |
| Projected earnings on plan investments | (80,331) |
| Expensed portion of current-period differences between actual and projected earnings on plan investments | 65,294 |
| Administrative costs** | 1,250 |
| Other | - |
| Recognition of beginning deferred outflows of resources as OPEB expense | 38,837 |
| Recognition of beginning deferred inflows of resources as OPEB | (118,200) |
| **OPEB Expense** | $ 84,608 |

* The service cost includes interest for the year.
** Administrative costs are based on the actuarial fees paid from the plan's trust.

## *NOTE 10 - RISK MANAGEMENT*

The Council has elected to provide a surety bond to the South Carolina Employment Security Commission in lieu of unemployment tax contributions. This bond ensures that the Council can provide for payment of the actual unemployment benefits payable to claimants under the South Carolina Employment Compensation Law. No separate liability for unemployment claims has been established due to the insignificant amounts of expenditures.

The Council continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

## *NOTE 11 - CONTINGENCIES*

The Council must apply for annual renewal of contracts and grants. Funding is subject to both increases and reductions at the discretion of the contractors, and some agreements also call for termination by either party contingent upon certain conditions. Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the Council expects such amounts, if any, to be immaterial. From time to time the Council is a party to litigation, either as a plaintiff or as a defendant, arising from normal operations. No material losses are anticipated in connection with legal matters at June 30, 2023.

## *NOTE 12 - DUE TO OTHER GOVERNMENTS/CONTRACTORS*

Balances at year end relate to drawdowns, either prior to or after meeting all eligibility requirements.

## *NOTE 13 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS*

The balances of inter-fund receivables and payables at June 30, 2023 were as follows:

| Receivable Fund | Payable Fund | Amount |
|---|---|---|
| General Fund | Grant Sub-funds | $ 49,348 |
| | | $ 49,348 |

Operating transfer activity for the year ended June 30, 2023 was as follows:

| | Transfers In | Transfers Out |
|---|---|---|
| General Fund | $ 957,784 | $ 294,312 |
| Grant Sub-funds | (88,475) | (1,163,621) |
| Total | $ 869,309 | $ (869,309) |

## *NOTE 14 - FUND BALANCE*

Amounts for specific purposes by Fund and Fund Balance classifications for the year ended June 30, 2023 are as follows:

| | General Fund | Regional Development Funds | Regional Information & Assistance Corp. | Total |
|---|---|---|---|---|
| Fund Balances | | | | |
| Nonspendable | | | | |
| Prepaid items | $ 46,180 | $ - | $ - | $ 46,180 |
| Restricted for | | | | |
| Human services | - | - | 17,397 | 17,397 |
| Committed to | | | | |
| Economic development | - | 101,993 | - | 101,993 |
| Human services | - | - | 2,097 | 2,097 |
| Unassigned | 2,478,620 | - | 124 | 2,478,744 |
| Total Fund Balances | $ 2,524,800 | $ 101,993 | $ 19,618 | $ 2,646,411 |

## *NOTE 15 – SUBSEQUENT EVENTS*

The Council evaluates the effects subsequent events would have on the financial statements through the date of the Auditor's Report, which is the date the financial statements were available for issuance.