

**SOUTH CAROLINA APPALACHIAN  
COUNCIL OF GOVERNMENTS**

**AUDITED FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2011**

**SOUTH CAROLINA APPALACHIAN  
COUNCIL OF GOVERNMENTS**

**AUDITED FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2011**

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## INDEPENDENT AUDITOR'S REPORT

Members  
American Institute of  
Certified Public Accountants  
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The Board of Directors  
South Carolina Appalachian  
Council of Governments  
Greenville, South Carolina

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the South Carolina Appalachian Council of Governments as of and for the year ended June 30, 2011, which collectively comprise the Council's basic financial statements as listed in the table of contents. These financial statements are the responsibility of South Carolina Appalachian Council of Governments' management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the South Carolina Appalachian Council of Governments as of June 30, 2011, and the respective changes in financial position thereof and the budgetary comparison for the general fund and the annually budgeted major special revenue fund for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 28, 2011, on our consideration of the South Carolina Appalachian Council of Government's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis 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.

Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the South Carolina Appalachian Council of Governments' basic financial statements. The accompanying schedule of expenditures of federal awards as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations* is presented for purposes of additional analysis and is not a required part of the basic financial statements. The 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 and supplemental schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*McKinley, Cooper & Co., LLC*

November 28, 2011

## Management's Discussion and Analysis

Management of the South Carolina Appalachian Council of Governments presents the following overview of the financial performance of the Council for the year ended June 30, 2011. This information should be read in conjunction with the audited financial statements and the accompanying notes.

### Financial Highlights

- The Council's assets exceeded its liabilities at June 30, 2011, by \$2,467,490 (shown as total net assets).
- As of the close of the fiscal year, the Council's governmental funds reported combined ending fund balances of \$1,708,771, an increase of \$39,415 from the prior year. A total of \$677,588 is nonspendable or assigned, resulting in a balance of \$1,031,183 available for spending at the Council's discretion (shown as unassigned fund balance).
- The Council's fiscal obligation for accumulated annual leave and salary-related fringe benefits was \$121,752.

### Overview of the Financial Statements

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

### Government-wide Financial Statements

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

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

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

The government-wide financial statements are shown on pages 7-8 of this report.

### Fund Financial Statements

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

**Governmental Funds:** The Council has two governmental funds. The General Fund is the general operating fund used to account for all financial resources except those required to be accounted for in another fund. The Special Revenue Fund is used to account for the proceeds of specific revenue sources that are restricted to specific purposes.

**Fiduciary Fund:** The Council has one fiduciary fund, its Agency Fund, which is used to account for the assets held by the Council as an agency for another entity. The fund is custodial in nature and does not impact the Council's operations.

The fund financial statements are shown on pages 9-14 of this report.

**Notes to Financial Statements**

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

**Government-wide Financial Analysis**

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

*Table 1:* Condensed Statement of Net Assets

*Table 2:* Change in Net Assets

Table 1  
Condensed Statement of Net Assets  
Year Ended June 30, 2011

	Governmental Activities	
	2011	2010
Current assets	\$ 3,651,796	\$ 3,400,086
Capital assets	1,073,972	1,149,986
Total assets	4,725,768	4,550,072
Current liabilities	1,988,504	1,776,209
Non-current liabilities	269,774	308,820
Total liabilities	2,258,278	2,085,029
Investment in capital assets, net of related debt	769,812	800,347
Unrestricted net assets	1,697,678	1,664,696
Total net assets	\$ 2,467,490	\$ 2,465,043

As noted earlier, net assets may serve over time as one useful indicator of a government's financial condition. The assets of the Council exceeded liabilities by \$2,467,490 as of June 30, 2011. The Council's net assets increased by \$2,447 for the fiscal year ended June 30, 2011.

Table 2  
Change in Net Assets  
Year Ended June 30, 2011

	Governmental Activities	
	2011	2010
<b>Revenues</b>		
Intergovernmental		
Federal	\$ 8,760,778	\$ 12,035,824
State	1,270,321	1,065,559
Local	435,687	435,687
Contracts and fees	696,569	999,500
Interest and other	12,103	10,698
Total revenues	<u>11,175,458</u>	<u>14,547,268</u>
<b>Expenses</b>		
Administration	89,529	140,012
Administrative services	590	-
Government services	378,978	342,126
Grant services	341,066	347,256
Aging services	4,503,250	4,382,121
Information services	378,463	360,836
Planning services	352,014	336,883
Workforce services	5,077,598	8,326,904
Loan services	51,523	318,107
Total expenses	<u>11,173,011</u>	<u>14,554,245</u>
Increase (decrease) in net assets	2,447	(6,977)
Beginning net assets	<u>2,465,043</u>	<u>2,472,020</u>
Ending net assets	<u>\$ 2,467,490</u>	<u>\$ 2,465,043</u>

### Financial Analysis of Council's Funds

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

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

The General Fund is the chief operating fund of the Council. At the end of the current fiscal year, total fund balance of the General Fund was \$1,708,771, of which \$677,588 has been assigned for equipment replacement, debt retirement, unemployment, future expansion, building maintenance and repair, and salary increases.

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

Revenues exceeded expenditures by \$39,415, an increase of \$8,810 over the final budget projection of \$30,605.

### **Capital Assets**

The Council's investment in capital assets for its governmental activities as of June 30, 2011, was \$1,073,972 (net of accumulated depreciation). These assets include the office building, vehicles, furniture, fixtures, equipment and software.

Major capital asset transactions during the year included additions of \$62,267 and disposals of \$47,228. The additions consisted of miscellaneous furniture and equipment. The deletions consisted of an automobile and miscellaneous items of furniture and equipment. The gain on assets which were sold during the year was \$1,373.

### **Budget Highlights for the Fiscal Year Ending June 30, 2012**

The Council has a conservative budget for the upcoming fiscal year. In response to projected budget cuts facing the state of South Carolina and the continuation of significant fiscal challenges facing member local governments, the Council's budgeted revenue and expenditure figures for FY 2012 are approximately 17 percent lower than those final figures for FY 2011. The Council continues to seek new and additional revenue sources and ways to cut costs.



**SOUTH CAROLINA APPALACHIAN COUNCIL OF GOVERNMENTS**

**STATEMENT OF NET ASSETS  
JUNE 30, 2011**

	<u>Primary Government Governmental Activities</u>
<b>Assets</b>	
Current assets	
Cash	\$ 1,038,742
Cash equivalents	645,184
Due from other governments	
Federal, state, and local	1,917,038
Due from other sources	723
Prepaid items	50,109
Total current assets	<u>3,651,796</u>
Capital assets	
Land	400,961
Property and equipment, net of depreciation	673,011
Total capital assets	<u>1,073,972</u>
Total assets	<u>4,725,768</u>
<b>Liabilities</b>	
Current liabilities	
Accounts payable	1,294,441
Accrued expenses	187,484
Current portion of compensated absences and related benefits	121,752
Current portion of notes payable	45,479
Deferred revenue	339,348
Total current liabilities	<u>1,988,504</u>
Noncurrent liabilities	
Compensated absences and related benefits	11,093
Notes payable	258,681
Total noncurrent liabilities	<u>269,774</u>
Total liabilities	<u>2,258,278</u>
<b>Net assets</b>	
Invested in capital assets, net of related debt	769,812
Unrestricted	1,697,678
Total net assets	<u><u>\$ 2,467,490</u></u>

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

**SOUTH CAROLINA APPALACHIAN COUNCIL OF GOVERNMENTS**

**STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2011**

Functions / Programs	Expenses	Program Revenues		Primary Government
		Charges for Services	Operating Grants and Contributions	Governmental Activities
<b>Governmental activities</b>				
Administration	\$ 89,529	\$ -	\$ -	\$ (89,529)
Administrative services	590	590	-	-
Government services	378,978	24,311	179,000	(175,667)
Grant services	341,066	219,480	63,000	(58,586)
Aging services	4,503,250	-	4,348,942	(154,308)
Information services	378,463	214,853	29,203	(134,407)
Planning services	352,014	67,190	217,472	(67,352)
Workforce services	5,077,598	-	5,088,034	10,436
Loan services	51,523	60,000	-	8,477
Total primary government	<u>\$ 11,173,011</u>	<u>\$ 586,424</u>	<u>\$ 9,925,651</u>	<u>(660,936)</u>
<b>General revenues</b>				
State appropriation				105,449
Local government dues				435,687
Unrestricted earnings				110,145
Interest and sundry				12,102
Total general revenues				<u>663,383</u>
<b>Change in net assets</b>				
				2,447
Net assets - beginning				<u>2,465,043</u>
Net assets - ending				<u>\$ 2,467,490</u>

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

**SOUTH CAROLINA APPALACHIAN COUNCIL OF GOVERNMENTS**

**BALANCE SHEET - GOVERNMENTAL FUNDS**

**JUNE 30, 2011**

	Major Funds		Total Governmental Funds
	General Fund	Special Revenue Fund	
<b>Assets</b>			
Cash	\$ 591,677	\$ 447,065	\$ 1,038,742
Cash equivalents	645,184	-	645,184
Due from other governments			
Federal, state, and local	-	1,917,038	1,917,038
Due from other funds	421,730	-	421,730
Due from other sources	71	652	723
Prepaid items	50,109	-	50,109
 Total assets	 \$ 1,708,771	 \$ 2,364,755	 \$ 4,073,526
 <b>Liabilities and fund balances</b>			
<b>Liabilities</b>			
Accounts payable	\$ -	\$ 1,294,441	\$ 1,294,441
Accrued expenses	-	187,484	187,484
Due to other funds	-	421,730	421,730
Deferred revenue	-	339,348	339,348
Current portion of compensated absences and related benefits	-	121,752	121,752
Total liabilities	-	2,364,755	2,364,755
 <b>Fund balances</b>			
Nonspendable	50,109	-	50,109
Assigned for			
Equipment replacement	50,000	-	50,000
Debt retirement	110,479	-	110,479
Unemployment	10,000	-	10,000
Future expansion	132,000	-	132,000
Building maintenance and repair	175,000	-	175,000
Salary increases	150,000	-	150,000
Unassigned	1,031,183	-	1,031,183
Total fund balances	1,708,771	-	1,708,771
 Total liabilities and fund balances	 \$ 1,708,771	 \$ 2,364,755	 \$ 4,073,526

(continued)

**SOUTH CAROLINA APPALACHIAN COUNCIL OF GOVERNMENTS**

**BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2011**

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets

Total fund balances per Balance Sheet - Governmental Funds	\$ 1,708,771
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	1,073,972
Some liabilities are not due and payable in the current period and therefore are not reported in the funds.	<u>(315,253)</u>
Net assets of government activities	<u><u>\$ 2,467,490</u></u>

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

**SOUTH CAROLINA APPALACHIAN COUNCIL OF GOVERNMENTS**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES - GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2011**

	Major Funds		Total Governmental Funds
	General Fund	Special Revenue Fund	
<b>Revenues</b>			
Intergovernmental			
Federal	\$ -	\$ 8,760,778	\$ 8,760,778
State of South Carolina	105,449	1,164,872	1,270,321
Local	435,687	-	435,687
Contracts and fees	110,145	586,424	696,569
Interest and other	4,414	7,688	12,102
Total revenues	655,695	10,519,762	11,175,457
<b>Expenditures</b>			
Current			
Management activities	34,459	(28,498)	5,961
Administrative services	-	590	590
Government services	-	377,638	377,638
Grant administrative services	-	340,348	340,348
Aging services	-	4,487,043	4,487,043
Information services	-	371,978	371,978
Planning services	-	351,019	351,019
Workforce services	-	5,042,343	5,042,343
Loan services	-	51,376	51,376
Capital outlay	2,744	59,523	62,267
Debt service			
Principal	45,479	-	45,479
Total expenditures	82,682	11,053,360	11,136,042
Excess (deficiency) of revenues over expenditures	573,013	(533,598)	39,415
<b>Other financing sources (uses)</b>			
Operating transfers from (to) other funds	(533,598)	533,598	-
Net change in fund balance	39,415	-	39,415
<b>Fund balances - July 1</b>	1,669,356	-	1,669,356
<b>Fund balances - June 30</b>	\$ 1,708,771	\$ -	\$ 1,708,771

*(continued)*

**SOUTH CAROLINA APPALACHIAN COUNCIL OF GOVERNMENTS**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2011**

Total net change in fund balances per Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	\$ 39,415
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of capital assets is allocated over their estimated useful lives and reported as depreciation expense. This is the change in capital assets, net of depreciation.	(76,019)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of the governmental funds. Neither transaction has any effect on net discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	45,479
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	<u>(6,428)</u>
Change in net assets of governmental activities	<u>\$ 2,447</u>

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

**SOUTH CAROLINA APPALACHIAN COUNCIL OF GOVERNMENTS**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND AND  
ANNUALLY BUDGETED MAJOR SPECIAL REVENUE FUND  
YEAR ENDED JUNE 30, 2011**

	General Fund			Variance with Final Positive (Negative)	Special Revenue Fund			Variance with Final Positive (Negative)
	Budgeted Amounts		Actual		Budgeted Amounts		Actual	
	Original	Final			Original	Final		
<b>Revenues</b>								
Intergovernmental								
Federal	\$ -	\$ -	\$ -	\$ -	\$ 10,666,941	\$ 10,580,321	\$ 8,760,778	\$ (1,819,543)
State of South Carolina	105,449	105,449	105,449	-	987,417	764,486	1,164,872	400,386
Local	435,685	435,685	435,687	2	-	-	-	-
Contracts and fees	115,000	115,000	110,145	(4,855)	653,075	859,336	586,424	(272,912)
Interest and other	4,000	6,000	4,414	(1,586)	-	-	7,688	7,688
Total revenues	<u>660,134</u>	<u>662,134</u>	<u>655,695</u>	<u>(6,439)</u>	<u>12,307,433</u>	<u>12,204,143</u>	<u>10,519,762</u>	<u>(1,684,381)</u>
<b>Expenditures</b>								
Current								
Management activities	40,000	40,000	34,459	5,541	20,000	10,000	(28,498)	38,498
Administrative services	-	-	-	-	-	-	590	(590)
Government services	-	-	-	-	383,850	381,500	377,638	3,862
Grant administrative services	-	-	-	-	395,240	347,000	340,348	6,652
Aging services	-	-	-	-	3,648,000	4,490,000	4,487,043	2,957
Information services	-	-	-	-	400,800	376,000	371,978	4,022
Planning services	-	-	-	-	382,500	352,800	351,019	1,781
Workforce services	-	-	-	-	7,554,300	6,657,893	5,042,343	1,615,550
Loan services	-	-	-	-	60,000	60,000	51,376	8,624
Capital outlay	18,841	3,000	2,744	256	12,000	72,000	59,523	12,477
Debt service								
Principal	45,479	45,479	45,479	-	-	-	-	-
Total expenditures	<u>104,320</u>	<u>88,479</u>	<u>82,682</u>	<u>5,797</u>	<u>12,856,690</u>	<u>12,747,193</u>	<u>11,053,360</u>	<u>1,693,833</u>
Excess (deficiency) of revenues over expenditures	<u>555,814</u>	<u>573,655</u>	<u>573,013</u>	<u>(642)</u>	<u>(549,257)</u>	<u>(543,050)</u>	<u>(533,598)</u>	<u>9,452</u>
<b>Other financing sources (uses)</b>								
Operating transfers from (to) other funds	<u>(442,307)</u>	<u>(482,217)</u>	<u>(533,598)</u>	<u>(51,381)</u>	<u>442,307</u>	<u>482,217</u>	<u>533,598</u>	<u>51,381</u>
Revenues and other financing sources over expenditures	<u>\$ 113,507</u>	<u>\$ 91,438</u>	39,415	<u>\$ (52,023)</u>	<u>\$ (106,950)</u>	<u>\$ (60,833)</u>	-	<u>\$ 60,833</u>
<b>Fund balances - July 1</b>			<u>1,669,356</u>				<u>-</u>	
<b>Fund balances - June 30</b>			<u>\$ 1,708,771</u>				<u>\$ -</u>	

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

**SOUTH CAROLINA APPALACHIAN COUNCIL OF GOVERNMENTS**

**STATEMENT OF FIDUCIARY NET ASSETS - FIDUCIARY FUND**

**JUNE 30, 2011**

	<u>Fiduciary Fund</u> <u>Agency</u> <u>Fund</u>
<b>Assets</b>	
Due from other governments	\$ 7,477
	<u>7,477</u>
<b>Liabilities</b>	
Due to Tri-County Landfill Trust	7,477
	<u>7,477</u>
<b>Net Assets</b>	
Unrestricted	\$ -
	<u>-</u>

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



**SOUTH CAROLINA APPALACHIAN  
COUNCIL OF GOVERNMENTS**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2011**

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

Reporting Entity

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

Basis of Presentation

***Government-wide Statements*** – The statement of net assets and the statement of activities display information about the primary government. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. These statements display the *governmental activities* of the Council. Governmental activities generally are financed through intergovernmental revenues and other non-exchange transactions.

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 or capital requirements of a particular program. Revenues that are not classified as program revenues, including member dues, are presented as general revenues.

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

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

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

Fiduciary Fund Type – The Council’s only fiduciary fund type is its Agency Fund. Agency Funds are used to account for assets held by the Council as an agency for other individuals, private organizations, other governments and/or other funds. Agency Funds are custodial in nature and do not involve measurements of results of operations.

### Measurement Focus and Basis of Accounting

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

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

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

Under the terms of grant agreements, the Council funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus when the program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the Council’s policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

The Council considers all revenues available if they are collected within 60 days after yearend.

Grant revenues that are unearned at yearend are recorded as unearned revenues.

Those revenues susceptible to accrual are member dues, investment earnings, and federal and state restricted intergovernmental revenues. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been satisfied.

All governmental activities of the Council follow FASB Statements and Interpretations issued on or before November 30, 1989, Accounting Principles Board Opinions, and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements.

The Council has implemented GASB Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments and related standards*. These new standards provide for significant changes in terminology and presentation and for the inclusion of Management’s Discussion and Analysis as required supplementary information.

Capital Assets

Purchased or constructed capital assets are reported at cost. Donated capital assets are recorded at their estimated fair value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend assets lives are not capitalized.

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

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

Long-term Obligations

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

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

Compensated Absences

Employees are granted compensated annual leave in varying amount as services are provided. They may accumulate, subject to certain limitations, unused annual leave earned and, upon retirement, termination, or death, may be compensated for the authorized unused annual leave earnings accumulated to their credit. It is the Council’s policy to recognize compensated absences as an expense in the period earned rather than the period such benefit is paid. The balance of vested compensated absences earned and not taken by June 30, 2011 in the amount of \$121,752 are included in accrued liabilities as of June 30, 2011.

Indirect Cost Plan

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

## Deferred Revenues

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

## Budgetary Practices

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

## Estimates

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

## Risk Management

The Council is exposed to various risks related to torts, theft and destruction of assets, error and omissions, injuries to employees, and natural disaster. The Council, along with other government agencies in the state, is insured under the State of South Carolina Insurance Reserve Fund, a public entity risk pool currently operating as a common risk management and insurance fund. The Council pays annual premiums to the Insurance Reserve Fund for its general insurance coverage. The Insurance Reserve Fund is self-sustaining through member premiums and by purchases of commercial insurance coverage on a portion of its liabilities. The Council continues to carry insurance for other risks of loss including workers compensation and employee health, dental, group life and accident insurance. The state accumulated assets to cover risks that its members incur in their normal operations. Specifically, the state assumes substantially all of the risk of the above.

## Net Assets/Fund Balances

Net assets in government-wide financial statements are classified as invested in capital assets, net of related debt, restricted and unrestricted. Restricted net assets represent 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.

The Council adopted Governmental Accounting Standards Board (GASB) Statement No. 54 for the year ended June 30, 2011. GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions was issued in March 2009. This statement is effective for fiscal periods beginning after June 15, 2010. The objective of this statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied.

Fund balance is classified in five categories as follows:

**Nonspendable**

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

**Restricted**

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

**Committed**

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

**Assigned**

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

**Unassigned**

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

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

Reconciliation of Government-wide and Fund Financial Statements

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets.

The governmental fund balance sheet includes reconciliation between fund balance - total governmental funds and net assets – governmental activities as reported in the government-wide statement of net assets. The net adjustment of \$758,719 consists of several elements as follows:

Description	Amount
Capital assets used in governmental activities are not financial resources and are therefore not reported in the funds (total capital assets on government-wide statement in governmental activities column)	\$ 2,610,034
Less: accumulated depreciation	1,536,062
Net capital assets	1,073,972
Liabilities that, because they are not due and payable in the current period, do not require current resources to pay and are therefore not recorded in the fund statements:	
Notes payable	(304,160)
Long-term compensated absences	(11,093)
Total adjustment	\$ 758,719

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balance and the government-wide statement of activities.

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. There are several elements of that total adjustment of \$(36,968) as follows:

Description	Amount
Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of activities.	\$ 62,267
Depreciation expense, the allocation of those assets over their useful lives, that is recorded on the statement of activities but not in the fund statements.	(135,755)
Loss on the disposal of assets that is recorded on the statement of activities but not in the fund statements.	(2,531)
Principal payments on debt owed are recorded as a use of funds on the fund statements but again affect only the statement of net assets in the government-wide statements	45,479
Expenses reported in the statement of activities that do not require the use of current resources to pay are not recorded as expenditures in the fund statements:	
Compensated absences are accrued in the government-wide statements but not in the fund statements because they do not use current resources.	(6,428)
Total adjustment	<u>\$ (36,968)</u>

**NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

Excess of Expenditures Over Appropriations

During the fiscal year ended June 30, 2011, the Council had no expenditures within the Special Revenue Fund that exceeded budgeted amounts.

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Special Revenue Fund			
Government services	\$ 381,500	\$ 377,638	\$ 3,862
Grant services	347,000	340,348	6,652
Aging services	4,490,000	4,487,043	2,957
Information services	376,000	371,978	4,022
Planning services	352,800	351,019	1,781
Workforce services	6,657,893	5,042,343	1,615,550
Loan services	60,000	51,376	8,624

### **NOTE 3 – DETAIL NOTES ON ALL FUNDS**

#### **Deposits and Investments**

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

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

Following are the components of the Council's book values for cash and investments at June 30, 2011:

Cash	\$	1,038,742
Cash equivalents		
South Carolina Local Government Investment Fund		<u>645,184</u>
	\$	<u><u>1,683,926</u></u>

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

The Council's bank balances totaled \$1,202,037 at June 30, 2011, and were insured as follows:

Amount insured by FDIC	\$	590,906
Amount collateralized with securities held by pledging financial institutions trust department or agent in the entity's name		-
Amount collateralized with securities held by pledging financial institutions trust department or agent not in the entity's name		720,417
Uncollateralized		<u>-</u>
	\$	<u><u>1,311,323</u></u>

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

*Credit risk.* As of June 30, 2011, the Council's investment with the S.C. Local Government Investment Pool is overseen by the State, which invests in instruments allowed under state laws.

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

*Custodial credit risk – deposits.* In the case of deposits, this is the risk that in the event of a bank failure, the Council's deposits may not be returned to it. The Council's policy is that all deposits in excess of federal insurance amounts be collateralized with securities held by the pledging financial institution's trust department or agent in the Council's name. As of June 30, 2011, all deposits are either insured or fully collateralized.

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

Grants, Other Receivables and Deferred Revenues from Federal, State and Local Governments

Amounts due from other governments and deferred revenues consist of the following at June 30, 2011:

	Receivables	Deferred Revenues
Federal	\$ 1,537,172	\$ 197,414
State	170,969	117,524
Local	209,549	24,410
Total	<u>\$ 1,917,690</u>	<u>\$ 339,348</u>

Property and Equipment

Changes in property and equipment consist of the following for the year ended June 30, 2011:

	Balance June 30, 2010	Additions	Deletions	Balance June 30, 2011
Property and equipment:				
Land	\$ 400,961	\$ -	\$ -	\$ 400,961
Land improvements	64,567	-	-	64,567
Building	1,265,511	-	-	1,265,511
Furniture and equipment	318,086	2,744	1,974	318,856
Grant funded assets	387,493	59,523	30,860	416,156
Automobiles	158,377	-	14,394	143,983
Total	<u>2,594,995</u>	<u>62,267</u>	<u>47,228</u>	<u>2,610,034</u>
Accumulated depreciation:				
Land improvements	39,133	3,671	-	42,804
Building	683,496	57,906	-	741,402
Furniture and fixtures	286,709	11,409	1,534	296,584
Grant funded assets	298,828	50,511	28,669	320,670
Automobiles	136,738	12,258	14,394	134,602
	<u>1,444,904</u>	<u>135,755</u>	<u>44,597</u>	<u>1,536,062</u>
Property and equipment, net	<u>\$ 1,150,091</u>			<u>\$ 1,073,972</u>

Depreciation was charged to governmental functions as follows:

Administration	\$ 84,224
Government services	1,340
Grant services	717
Aging services	10,752
Information services	6,485
Planning services	1,100
Workforce development	30,991
Loan services	146
	<u>\$ 135,755</u>



## Unemployment Insurance

The Council has elected to provide its own unemployment insurance coverage rather than making payments to the state unemployment reserve fund. The various grantors of the Council's programs are charged for estimated unemployment insurance expenditures in accordance with a specified formula. The cash received from the grantors for the unemployment insurance is maintained with short-term investments and accounted for separately in the books to restrict the usage. The account balance of \$10,000 at June 30, 2011, includes principal of \$10,000 net of claims paid. The principal balance of the fund is not to exceed \$10,000 at anytime. Should the claims of prior employees exceed the balance of the fund, the Council must pay the excess from local funds. Unemployment claims paid during the year ended June 30, 2011, were \$16,388.

## Long-term Debt

The following is a summary of changes in general long-term debt for the year ended June 30, 2011:

	<u>Balance</u> <u>June 30, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2011</u>
Notes payable:				
Greenville County	\$ 122,068	\$ -	\$ 15,877	\$ 106,191
Spartanburg County	89,662	-	11,656	78,006
Anderson County	60,287	-	7,841	52,446
Pickens County	36,662	-	4,771	31,891
Oconee County	22,396	-	2,924	19,472
Cherokee County	18,564	-	2,410	16,154
	<u>349,639</u>	<u>-</u>	<u>45,479</u>	<u>304,160</u>
Compensated absences payable	<u>4,660</u>	<u>6,443</u>	<u>-</u>	<u>11,093</u>
Total	<u>\$ 354,299</u>	<u>\$ 6,443</u>	<u>\$ 45,479</u>	<u>\$ 315,253</u>

The notes payable to the six counties are payable in twenty annual payments of principal in varying amounts. The notes are non-interest bearing. The notes are due in June 2018 and are uncollateralized.

The general and other governmental funds typically liquidate compensated absences.

The aggregate maturities of notes payable subsequent to the year ended June 30, 2011 are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>
2012	\$ 45,479	\$ -
2013	45,479	-
2014	45,479	-
2015	45,479	-
2016	45,479	-
2017	45,479	-
2018	<u>31,286</u>	<u>-</u>
	<u>\$ 304,160</u>	<u>\$ -</u>

## Operating Leases

The Council has entered into agreements to lease certain equipment. The leases are classified as operating leases. Future minimum lease payments under these operating leases are as follows:

Year Ended June 30,	Amount
2012	\$ 24,886
2013	24,886
2014	7,930
2015	4,757
	\$ 62,459

### Fund Balance Classifications and Assignments

The nonspendable fund balance is the portion of the fund balance that does not represent cash available for expenditure. The amount reserved, \$50,109, represents prepaid operating expenditures for fiscal year 2012 which have been paid during the fiscal year 2011.

The Council elected to set aside an assigned amount for replacement of equipment and to establish \$175,000 as the maximum amount of the funds. The amount set aside for replacement of equipment totaled \$50,000 as of June 30, 2011. The Council also elected to set aside an assigned amount for debt retirement, future expansion, building maintenance, and salary increases. The amount of these funds as of June 30, 2011 was \$110,479, \$132,000, \$175,000, and \$150,000, respectively.

### Pension Plan

The Council contributes to the South Carolina Retirement System (SCRS), a cost-sharing, multiple-employer defined benefit pension plan administered by the Retirement Division of the State Budget and Control Board. SCRS provides retirement and disability benefits, cost-of-living adjustments on an ad-hoc basis, life insurance benefits, and survivor benefits to plan members and beneficiaries. The Plans' provisions are established under Title 9 of the SC Code of Laws. A Comprehensive Annual Financial Report (CAFR) containing financial statements and required supplementary information for the SCRS is publicly available on the South Carolina Retirement System's website at [www.retirement.sc.gov](http://www.retirement.sc.gov), or a copy may be obtained by submitting a request to the South Carolina Retirement Systems, P.O. Box 11960, Columbia, SC 29211-1960.

Contribution rates are established by the SCRS. During the year ending June 30, 2011, the member rate was 6.5% of annual covered salary and the Council's rate was 9.24% of annual covered payroll. In addition to the preceding rate, participating employers contribute .15% of covered payroll to a group life insurance benefit for their participants. The contribution requirement of plan members and the Council is established under Title 9 of the South Carolina Code of Laws. The Council's contributions to SCRS are summarized as follows:

Year Ended	Employer	Employee
June 30, 2011	\$ 222,618	\$ 144,370
June 30, 2010	230,326	147,916
June 30, 2009	223,269	149,170

The contributions are equal to the required contributions for each year. The Council began participating in SCRS as of May 1, 1995.

## Agency Fund

The Council has agreed to act as administrator/controller of funds designated for a regional landfill/resource recovery park with funding being provided by three counties within the South Carolina Appalachian region. This has been accounted for as an agency fund in the financial statements. The balance in the fund consists of \$7,477 at June 30, 2011.

## Related Parties

In an effort to increase employment in the Council's six counties, the Council's board members incorporated the Appalachian Development Corporation (ADC) that assists employers in obtaining loans for start-up and expansion.

## Post-retirement Benefits

The Council is a member of the South Carolina Retirement Systems. SCRS was established July 1, 1945. Membership is comprised of state employees, public and charter school employees, public higher education personnel, and employees of cities, counties, and other local subdivisions of government that have joined the Retirement Systems. SCRS is a defined benefit retirement plan. Funding of the plan is made from employee/employer contributions. Benefits vest after five years of service and are based on length of service and average final compensation. There are three payment plans available to retirees, all of which pay a monthly annuity for life.

Members are eligible for normal retirement (unreduced annuity) after 28 years of service, five years of which must be earned; or at age 65 with five years of earned service. Members are eligible for early retirement (reduced annuity) at age 60 with 5 years of earned service; or at age 55 with 25 years of service, five years of which must be earned.

## Post-employment Benefits

The Council provides death benefits to employees through the group life insurance program for members of the South Carolina Retirement System ("System"). The beneficiaries of those employees who die in active service after one year of credited service are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the budgeted salary of the deceased member. The Council has no liability beyond the payment of monthly contributions. Contributions are determined as a percentage of monthly covered payroll. The Council does not determine the number of eligible participants. For the year ended June 30, 2011, the Council made contributions to the State for death benefits representing .15% of covered payroll.

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

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

## **NOTE 4 – SUBSEQUENT EVENTS**

Subsequent events have been evaluated through November 30, 2011, which is the date the financial statements were available to be issued.

**SOUTH CAROLINA APPALACHIAN COUNCIL OF GOVERNMENTS**

**SCHEDULE OF REVENUE AND EXPENDITURES - TRANSPORTATION PROGRAMS  
YEAR ENDED JUNE 30, 2011**

	Mass Transit 5316 Reverse Commute	Mass Transit 5317 New Freedom	Intermodal Transportation	Mass Transit	Total
<b>Revenue:</b>					
Federal Funds	\$ 10,000	\$ 10,000	\$ 73,588	\$ 23,675	\$ 117,263
Local Funds	2,723	2,500	18,397	5,918	29,538
<b>Total Revenue</b>	<u>12,723</u>	<u>12,500</u>	<u>91,985</u>	<u>29,593</u>	<u>146,801</u>
<b>Expenditures:</b>					
Personnel	6,505	7,017	47,118	17,975	78,615
Fringe Benefits	2,360	2,482	17,053	5,050	26,945
Travel Expense	289	287	568	362	1,506
Supplies	-	-	749	-	749
Printing	640	-	704	-	1,344
Advertising	156	-	-	-	156
Professional Activities	-	-	535	-	535
Conference/Meetings	-	-	585	-	585
Equipment Repairs and Maintenance	-	-	6,678	-	6,678
Indirect Cost Pool	2,773	2,714	17,995	6,206	29,688
<b>Total Expenditures</b>	<u>12,723</u>	<u>12,500</u>	<u>91,985</u>	<u>29,593</u>	<u>146,801</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**South Carolina Appalachian Council of Governments**

**Schedule of Revenues and Expenditures - Aging Programs  
Year Ended June 30, 2011**

	In-House							
	Ombudsman			Title III-B	Title III-D		Title III-E Family Caregiver	
	Aging Program Planning & Administration	Title III-B Title VII-EA Title VII-LTC Medicaid	State Volunteer	Information Referral & Assistance	Medicare Patrol	Medication Management	Planning & Administration	Family Caregiver Staff
Revenues:								
Federal Funds	242,455	204,135	-	57,562	29,002	16,262	34,765	132,109
State Funds Match	-	5,446	-	3,386	-	957	222	-
State Funds - Other	-	67,635	65,738	-	-	-	-	-
Local Funds	80,821	10,891	-	6,772	5,609	1,913	11,366	17,606
Total revenues	<u>323,276</u>	<u>288,107</u>	<u>65,738</u>	<u>67,720</u>	<u>34,611</u>	<u>19,132</u>	<u>46,353</u>	<u>149,715</u>
Expenditures:								
Pass Thru - Other Aging Services								
Pass Thru - Title III-E Services								
Personnel	170,770	157,994	36,965	37,414	19,957	10,912	23,178	83,288
Fringe Benefits	51,873	56,107	13,113	13,104	6,436	3,787	7,978	24,975
Travel Expense	8,686	5,933	366	1,028	6	11	424	504
Supplies	5,012	678	-	25	-	-	171	2,237
Consulting Services	338	-	-	63	-	-	-	-
Contractual	-	-	-	-	-	-	-	-
Insurance	335	-	-	-	-	-	-	-
Postage	610	319	28	65	-	-	1,806	3,172
Printing	5,278	2,793	774	1,336	488	-	1,309	3,047
Telephone/Cell Phones/Pagers	1,082	14	-	365	1	-	173	408
Professional Activities	1,430	-	-	440	-	-	80	-
News Papers/Magazines/Books	-	-	-	-	-	-	-	-
Conference/Meetings	1,932	24	100	-75	207	-	75	-
Bank Charges	-	-	-	-	-	-	55	192
Training	275	425	40	105	-	-	265	65
Computer Parts/Software	-	502	-	-	-	-	-	342
Legal Fees	112	-	-	-	-	-	-	-
Advertising	-	-	-	-	-	182	-	-
Recruitment/Travel/Advertising	992	-	-	-	-	-	-	-
Repair & Maint - Equipment	960	-	-	-	-	-	1,440	-
Repairs/Maintenance/Gas - Fleet	195	-	-	-	-	-	-	-
Unemployment Claims	5,660	-	-	-	-	-	-	-
Miscellaneous	36	143	430	-	-	-	-	-
Capital Outlay-Furniture/Equipment	-	3,046	-	-	-	-	-	1,015
Indirect Cost Pool	67,700	60,129	13,922	13,850	7,516	4,240	9,399	30,470
Total Expenditures	<u>323,276</u>	<u>288,107</u>	<u>65,738</u>	<u>67,720</u>	<u>34,611</u>	<u>19,132</u>	<u>46,353</u>	<u>149,715</u>
Excess(deficiency) of revenues over expenditures	-	-	-	-	-	-	-	-

**South Carolina Appalachian Council of Governments**  
**Schedule of Revenues and Expenditures - Aging Programs**  
**Year Ended June 30, 2011**

Pass-Through										Totals	
CMS							SC - DOT				
I-CARE	Systems Transformation	Hospital Discharge	MIPPA ADRC Outreach	MIPPA ADRC	MIPPA SHIP	MIPPA AAA	New Freedom Rural	New Freedom Urban	Total In-House	Total Pass-Through	In-House and Pass-Through
72,896	4,040	141,734	19,639	12,500	22,674	15,000	5,695	1,992	1,012,460	2,171,609	3,184,069
-	-	-	-	-	-	-	-	-	10,011	104,862	114,873
-	-	-	-	-	-	-	-	-	133,373	916,627	1,050,000
334	213	7,083	20	66	-	-	-	-	142,694	-	142,694
<u>73,230</u>	<u>4,253</u>	<u>148,817</u>	<u>19,659</u>	<u>12,566</u>	<u>22,674</u>	<u>15,000</u>	<u>5,695</u>	<u>1,992</u>	<u>1,298,538</u>	<u>3,193,098</u>	<u>4,491,636</u>
										3,017,369	3,017,369
										175,729	175,729
34,963	1,421	67,893	7,555	7,057	12,863	9,004	3,002	937	685,173	-	685,173
12,483	456	22,164	2,822	2,232	4,416	2,862	1,029	334	226,171	-	226,171
2,884	150	4,026	367	94	133	-	236	-	24,848	-	24,848
170	-	8,369	717	-	25	-	-	-	17,404	-	17,404
-	236	-	-	-	288	-	-	-	925	-	925
5,000	-	15,338	-	-	-	-	-	-	20,338	-	20,338
-	111	-	-	-	-	-	125	125	696	-	696
2,099	-	88	20	-	107	-	3	-	8,317	-	8,317
1,085	5	1,667	4,855	750	-	-	-	-	23,387	-	23,387
79	360	1,177	11	-	6	-	-	-	3,676	-	3,676
-	-	-	-	-	-	-	-	-	1,950	-	1,950
-	-	-	-	-	-	-	250	250	500	-	500
-	-	838	196	-	184	-	-	-	3,481	-	3,481
-	-	-	-	-	-	-	-	-	247	-	247
-	-	-	-	-	-	-	-	-	1,175	-	1,175
-	-	-	-	-	-	-	-	-	844	-	844
-	-	-	-	-	-	-	-	-	112	-	112
-	-	258	-	-	-	-	-	-	440	-	440
-	-	-	-	-	-	-	-	-	992	-	992
-	-	-	-	-	-	-	-	-	2,400	-	2,400
-	942	772	-	-	-	-	-	-	1,909	-	1,909
-	-	-	-	-	-	-	-	-	5,660	-	5,660
-	-	154	-	-	25	-	-	-	788	-	788
-	-	533	-	-	-	-	-	-	4,594	-	4,594
14,467	572	25,540	3,116	2,433	4,627	3,134	1,050	346	262,511	-	262,511
<u>73,230</u>	<u>4,253</u>	<u>148,817</u>	<u>19,659</u>	<u>12,566</u>	<u>22,674</u>	<u>15,000</u>	<u>5,695</u>	<u>1,992</u>	<u>1,298,538</u>	<u>3,193,098</u>	<u>4,491,636</u>
-	-	-	-	-	-	-	-	-	-	-	-

**SOUTH CAROLINA APPALACHIAN COUNCIL OF GOVERNMENTS**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2011**

**Section I. Summary of Auditors' Results**

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified: No
- Reportable condition(s) identified that are not considered to be material weaknesses: None reported

Noncompliance material to financial statements noted No

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified: No
- Reportable condition(s) identified that are not considered to be material weaknesses None reported

Type of auditors' report issued on compliance for major federal programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133 No

Identification of major Federal programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
	<u>Aging Cluster</u>
93.045	Title III-C1 and C2– Congregate Meals
93.044	Title III-B – Special Aging Programs
93.053	Title III-C1 and C2 – NSIP
93.707	Congregate Meals – ARRA
93.052	Title III-E Services
17.245, 17.258-17.260, 17.278	Workforce Investment Act

(continued)

**SOUTH CAROLINA APPALACHIAN COUNCIL OF GOVERNMENTS**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2011**

Dollar threshold used to distinguish between Type A and Type B Programs	\$ 300,000
Auditee qualified as low-risk auditee?	Yes

**Section II. Financial Statement Findings**

None reported

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

None reported



**SOUTH CAROLINA APPALACHIAN COUNCIL OF GOVERNMENTS**

**Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2011**

	<b>Federal CFDA Number</b>	<b>Grant Number</b>	<b>Expenditures</b>
<b>Aging Programs</b>			
<b>US Department of Health and Human Services</b>			
<b>Passed through SC Lt. Governor's Office on Aging</b>			
Aging Programs (In-house)			
Title VII Elder Abuse Ombudsman	93.041	R1MG11	\$ 28,637
Title VII - Long Term Care Ombudsman	93.042	R1MG11	82,921
Planning and Administration	93.044	R1MG11	242,455
Title III-B IR&A	93.044	R1MG11	57,562
Title III-B Ombudsman	93.044	R1MG11	92,577
Title III-D Medication Management	93.044	R1MG11	16,262
Senior Medicare Patrol & Fraud Counseling	93.048	R1IC11	29,002
Title III-E Family Care Giver Planning & Admin	93.052	R1MG11	34,765
Title III-E Family Care Giver Staff - In-house	93.052	R1MG11	132,109
Special Aging Programs (Pass-through)			
Title III-D	93.043	R1MG11	33,477
Title III-B	93.044	R1MG11	726,350
Title III-C1	93.045	R1MG11	508,960
Title III-C2	93.045	R1MG11	440,614
Title III-E Services	93.052	R1MG11	175,729
Title III-C1 and C2- NSIP	93.053	R1MG11	210,356
Title XX - SSBG	93.667	R1MG11	2,828
ARRA - Congregate Meals	93.707	ARRA1 R1	73,295
<b>Center for Medicare &amp; Medicaid Services</b>			
<b>Passed through SC Lt. Governor's Office on Aging</b>			
MIPPA - ADRC	93.071	R1IC11	2,399
MIPPA - AAA	93.518	R1IC11	15,000
MIPPA - ADRC	93.518	R1IC11	12,500
CMS Hospital Discharge Project	93.779	CCLHDR111	141,734
I-CARE	93.779	R1IC11	72,896
MIPPA - Outreach	93.779	R1IC11	17,240
MIPPA - SHIP	93.779	R1IC11	22,674
System Transformation	93.779	SYTR108	4,040
<b>US Department of Transportation</b>			
<b>Passed through SC Lt. Governor's Office on Aging</b>			
Section 5317 - New Freedom Rural Grant	20.521	NFRGR111	5,695
Section 5317 - New Freedom Urban Grant	20.521	NFUGR111	1,992
Total Aging Programs			<u>3,184,069</u>

(continued)

**SOUTH CAROLINA APPALACHIAN COUNCIL OF GOVERNMENTS**

**Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2011**

	<b>Federal CFDA Number</b>	<b>Grant Number</b>	<b>Expenditures</b>
<b>Workforce Development Programs</b>			
<b>US Department of Labor</b>			
<b>Passed through SC Department of Commerce</b>			
Workforce Investment Act (In-house)			
Trade Assistance Program	17.245	9TAA001	\$ 30,328
Adminstration - Adult	17.258	10A001	35,804
Adult	17.258	10A001	79
Adult	17.258	9A001	27,411
ARRA - Adult	17.258	ARRA-8A001	180,548
Adminstration - ARRA - Youth	17.259	ARRA-8Y001	5,412
Adminstration - Youth	17.259	10Y001	50,295
Adminstration - Youth	17.259	9Y001	53,730
ARRA - Youth	17.259	ARRA-8Y001	19,049
ARRA State Reserve Funds for Symposium Participatio	17.259	10ASP01	500
Youth Activities	17.259	10Y001	33,305
Youth Activities	17.259	9Y001	36,227
Adminstration - ARRA - Dislocated Worker	17.260	ARRA-8DW001	4,178
Adminstration - Dislocated Worker (OJT NEG)	17.260	10ANO01	5,988
ARRA - Dislocated Worker	17.260	ARRA-8DW001	281,521
Dislocated Worker	17.260	10DW001	3
Dislocated Worker	17.260	9DW001	2,032
Incentive	17.260	8INC001	2,975
Adminstration - Dislocated Worker	17.278	10DW001	82,073
Workforce Investment Act (pass-through)			
Trade Assistance Program	17.245	9TAA001	351,435
Adult	17.258	10A001	694,300
Adult	17.258	9A001	7,907
ARRA - Adult	17.258	ARRA-8A001	474,336
Incentive	17.258	8INC001	2,570
Incentive	17.258	9INC001	8,988
ARRA - Youth	17.259	ARRA-8Y001	362,135
ARRA State Reserve Funds	17.259	9ARSF01	408,538
ARRA State Reserve Funds for WorkKeys Job Profiling	17.259	10AWP01	7,000
Technology Upgrade	17.259	10ATU01	54,251
Youth Activities	17.259	10Y001	583,643
Youth Activities	17.259	9Y001	216,299
ARRA - Dislocated Worker	17.260	ARRA-8DW001	299,279
ARRA OJT NEG	17.260	10ANO01	9,000
Dislocated Worker	17.260	10DW001	366,565
Dislocated Worker	17.260	9DW001	226,470
Incumbent Worker	17.278	10IWT01	163,860
Total Workforce Development Programs			<u>5,088,034</u>

(continued)

**SOUTH CAROLINA APPALACHIAN COUNCIL OF GOVERNMENTS**

**Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2011**

	<u>Federal CFDA Number</u>	<u>Grant Number</u>	<u>Expenditures</u>
<b>Other Programs</b>			
<b>Appalachian Regional Commission</b>			
Local Development District Administration	23.009	SC-0709-C43	\$ 89,500
Local Development District Administration	23.009	SC-0709-C44	89,500
<b>Environmental Protection Agency</b>			
<b>Passed through SC Department of Health and Environmental Control</b>			
Water Quality Management	66.454	EQ-0-761	5,289
Water Quality Management	66.454	EQ-1-709	11,199
ARRA - Water Quality Management	66.454	EQ-0-590	8,871
<b>Department of Commerce/Economic Development Administration</b>			
District Planning Grant Year	11.302	048306320	31,500
District Planning Grant Year	11.302	048306320	31,500
District Planning Grant Year	11.303	04-06-06473	29,203
<b>Department of Housing and Urban Development</b>			
<b>Passed through Oconee County:</b>			
CDBG Planning Grant	14.228	4-RP-09-001	50,000
<b>Passed through the City of Gaffney:</b>			
CDBG Villasge Renaissance Grant	14.228	4-V-10-007	13,351
<b>Passed through the City of Pickens:</b>			
CDBG Villasge Renaissance Grant	14.228	4-V-10-008	11,499
<b>Department of Transportation</b>			
<b>Passed through the SC Department of Transportation</b>			
Intermodal Transportation Plan	20.205		73,588
Mass Transit Assistance	20.515	PT-1M504-D6	23,675
Mass Transit/Job Access Reverse Commute	20.516	MT-1M516-B9	10,000
Mass Transit/New Freedom Program	20.521	MT-1M517-C1	10,000
			<hr/>
<b>Total Other Programs</b>			488,675
			<hr/>
<b>Total Aging, Workforce Development and Other Programs</b>			\$ 8,760,778
			<hr/> <hr/>

**SOUTH CAROLINA APPALACHIAN COUNCIL OF GOVERNMENTS**

**Notes to the Schedule of Expenditures of Federal Awards  
For Year Ended June 30, 2011**

<b>Program Description</b>	<b>Federal CFDA Number</b>	<b>Subrecipient</b>	<b>Amount Provided to Subrecipients</b>	<b>Total Amount Provided to Subrecipients</b>
<b>Aging Programs</b>				
<b>US Department of Health and Human Services: Passed Through SC Lt. Governor's Office on Aging</b>				
Title III-B Support Services	93.044	Senior Solutions	195,958	
		Senior Centers of Cherokee County	84,501	
		SC Legal Services	53,550	
		Pickens County Seniors Unlimited	89,740	
		Senior Action	164,653	
		Senior Centers of Spartanburg County	137,948	\$ 726,350
Title III-C1 Congregate Meals	93.045	Senior Solutions	107,071	
		Senior Centers of Cherokee County	56,285	
		Pickens County Seniors Unlimited	80,468	
		Senior Action	175,401	
		Senior Centers of Spartanburg County	89,735	508,960
Title III-C2 Home Delivered Meals	93.045	Senior Solutions	198,213	
		Senior Centers of Cherokee County	73,668	
		Pickens County Seniors Unlimited	58,437	
		Senior Action	84,579	
		Senior Centers of Spartanburg County	25,717	440,614
NSIP - Title III-C1 and III-C2	93.053	Senior Solutions	70,686	
		Senior Centers of Cherokee County	36,183	
		Pickens County Seniors Unlimited	36,174	
		Senior Action	33,661	
		Senior Centers of Spartanburg County	33,652	210,356
ARRA Congregate Meals	93.707	Senior Solutions	19,142	
		Senior Centers of Cherokee County	14,240	
		Senior Action	15,781	
		Senior Centers of Spartanburg County	24,132	73,295
Title III-D Preventive Health	93.043	Senior Solutions	9,884	
		Senior Centers of Cherokee County	3,743	
		Pickens County Seniors Unlimited	4,302	
		Senior Action	8,407	
		Senior Centers of Spartanburg County	7,141	33,477
SSBG	93.667	Senior Solutions	1,414	
		Senior Centers of Cherokee County	1,414	2,828
Title III-E Family Caregiver Services	93.052	Pass Through to Vendors	175,729	175,729
Total Paid to Vendors by Aging Program				<u>2,171,609</u>
<b>Workforce Development Programs</b>				
<b>US Department of Labor</b>				
<b>Passed through SC Department of Employment &amp; Workforce</b>				
Trade Assistance Program	17.245	SC Dept Employment & Workforce	<u>351,435</u>	351,435
Adult	17.258	Arbor E&T, LLC	686,978	
		SC Dept Employment & Workforce	<u>15,229</u>	702,207
ARRA - Adult	17.258	Anderson Adult Ed	2,208	
		Arbor E&T, LLC	41,228	
		Oconee County School District	2,837	
		Pickens Adult Learning Center	1,437	
		SC Dept Employment & Workforce	<u>45,683</u>	485,894
ARRA - Adult Set Aside for ARRA - DW	17.258	Anderson Adult Ed	5,232	
		Anderson School Districts	10,125	
		Arbor E&T, LLC	291,600	
		SC Dept Employment & Workforce	59,133	
		Oconee County School District	5,942	
		Pickens Adult Learning Center	<u>8,911</u>	380,943
Incentive	17.258	ACT Inc.	1,570	
		Upstate Workforce Innovations	<u>1,000</u>	2,570
Incentive	17.258	ACT Inc.	1,763	
		Anderson Adulet Ed	225	
		Phillips Staffing	3,000	
		Upstate Workforce Innovations	<u>4,000</u>	8,988
ARRA - Youth	17.259	Anderson School Districts	10,278	
		Henkels & McCoy	328,183	
		Oconee County School District	<u>23,674</u>	362,135

(continued)

SOUTH CAROLINA APPALACHIAN COUNCIL OF GOVERNMENTS

Notes to the Schedule of Expenditures of Federal Awards  
For Year Ended June 30, 2011

Program Description	Federal CFDA Number	Subrecipient	Amount Provided to Subrecipients	Total Amount Provided to Subrecipients
ARRA - State Reserve Funds	17.259	Arbor E&T, LLC	408,538	408,538
ARRA - SRF's for Workkeys Job Profiling	17.259	Phillips Staffing Upstate Workforce Innovations	3,000 4,000	7,000
Tech Upgrade	17.259	SC Dept Employment & Workforce	54,251	54,251
Youth Activities	17.259	Henkels & McKoy	799,942	799,942
ARRA - Dislocated Worker	17.260	Anderson Adult Ed Anderson School Districts Arbor E&T, LLC Oconee County School District Pickens Adult Learning Center SC Dept Employment & Workforce	9,437 8,129 250,417 8,780 10,393 12,123	299,279
ARRA On the Job Training	17.260	SC Dept Employment & Workforce	9,000	9,000
Dislocated Worker	17.260	Arbor E&T, LLC SC Dept Employment & Workforce	327,921 38,644	366,565
Dislocated Worker Set Aside for Adult	17.260	Arbor E&T, LLC SC Dept Employment & Workforce	216,549 9,921	226,470
Incumbent Worker Training	17.278	Cornell Dubilier Marketing Covidien Imperial Die Casting Johnson Controls Metco, Inc. Parkway Products, Inc. Richmond Gear Sargent Metal Fabricators Technology Solutions of SC, Inc. Tri Tech USA, Inc. Ulbrich Precision Flat Wire US Engine Valve	10,045 10,000 7,600 17,452 15,475 17,000 16,194 10,000 13,380 13,500 19,214 14,000	163,860
Total Paid to Vendors by Workforce Development Programs				4,629,077
Total Paid to Vendors/Subrecipients				<u>\$ 6,800,686</u>

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## **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**

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

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the South Carolina Appalachian Council of Governments, as of and for the year ended June 30, 2011, which collectively comprise the South Carolina Appalachian Council of Government's basic financial statements and have issued our report thereon dated November 28, 2011. 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.

### Internal Control Over Financial Reporting

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

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.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

The Board of Directors  
South Carolina Appalachian  
Council of Governments  
November 28, 2011

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the South Carolina Appalachian Council of Governments' 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*.

This report is intended solely for the information and use of management, members of the Board, and federal and state awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Mckinley, Cooper & Co., LLC*

November 28, 2011

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## **REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR FEDERAL PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

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

### Compliance

We have audited the compliance of the South Carolina Appalachian Council of Governments with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on major federal programs for the year ended June 30, 2011. The South Carolina Appalachian Council of Governments' major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the South Carolina Appalachian Council of Governments' management. Our responsibility is to express an opinion on the South Carolina Appalachian Council of Governments' compliance based on our audit.

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, *Governmental Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 South Carolina Appalachian Council of Governments' 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. Our audit does not provide a legal determination on the South Carolina Appalachian Council of Governments' compliance with those requirements.

In our opinion, the South Carolina Appalachian Council of Governments complied, in all material respects, with the 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, 2011.



The Board of Directors  
South Carolina Appalachian  
Council of Governments  
November 28, 2011

### Internal Control Over Compliance

The management of the South Carolina Appalachian Council of Governments is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to its federal programs. In planning and performing our audit, we considered the South Carolina Appalachian Council of Governments' internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 South Carolina Appalachian Council of Governments' 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, misstatements 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.

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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, members of the Board, and federal and state awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Mckinley, Cooper & Co., LLC*

November 28, 2011