

**SOUTH CAROLINA APPALACHIAN  
COUNCIL OF GOVERNMENTS**

**AUDITED FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2012**

**SOUTH CAROLINA APPALACHIAN  
COUNCIL OF GOVERNMENTS**

**AUDITED FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2012**

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## INDEPENDENT AUDITOR'S REPORT

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, 2012, 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, 2012, 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 15, 2012, 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.

South Carolina Appalachian  
Council of Governments  
Greenville, South Carolina  
November 15, 2012

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 conducted for the purpose of forming opinions on the financial statements that collectively comprise the South Carolina Appalachian Council of Governments' financial statements as a whole. The supplemental schedules are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and is also not a required part of the financial statements. The supplemental schedules and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

*Mckinley, Cooper & Co., LLC*

November 15, 2012

## 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, 2012. 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, 2012, by \$2,424,297 (shown as total net assets).
- As of the close of the fiscal year, the Council's governmental funds reported combined ending fund balances of \$1,735,544, an increase of \$26,773 from the prior year. A total of \$688,088 is nonspendable or assigned, resulting in a balance of \$1,047,456 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 \$120,350.

### 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 improving or deteriorating.

**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 8-9 of this report.

### Fund Financial Statements

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

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

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

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

The fund financial statements are shown on pages 10-14 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.

**Other Information**

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

**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, 2012

	Governmental Activities	
	2012	2011
Current and other assets	\$ 2,880,599	\$ 3,651,796
Capital assets	966,589	1,073,972
Total assets	<u>3,847,188</u>	<u>4,725,768</u>
Current liabilities	1,190,534	1,988,504
Long-term liabilities	232,357	269,774
Total liabilities	<u>1,422,891</u>	<u>2,258,278</u>
Investment in capital assets, net of related debt	707,908	769,812
Unrestricted net assets	<u>1,716,389</u>	<u>1,697,678</u>
Total net assets	<u>\$ 2,424,297</u>	<u>\$ 2,467,490</u>

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 \$2,424,297 as of June 30, 2012. The Council's net assets decreased by \$43,193 for the fiscal year ended June 30, 2012.

Table 2  
Change in Net Assets  
Year Ended June 30, 2012

	Governmental Activities	
	2012	2011
General revenues		
Intergovernmental		
Federal	\$ 7,323,210	\$ 8,760,778
State	1,010,051	1,270,321
Local	435,687	435,687
Interest and other	72,144	12,103
Program revenues		
Contracts and fees	941,293	696,569
Total revenues	<u>9,782,385</u>	<u>11,175,458</u>
Expenses		
Administration	112,390	89,529
Administrative services	317,733	590
Government services	386,546	378,978
Grant services	321,102	341,066
Aging services	4,485,369	4,503,250
Information services	379,696	378,463
Planning services	319,701	352,014
Workforce services	3,442,753	5,077,598
Loan services	60,288	51,523
Total expenses	<u>9,825,578</u>	<u>11,173,011</u>
Increase (decrease) in net assets	(43,193)	2,447
Beginning net assets	<u>2,467,490</u>	<u>2,465,043</u>
Ending net assets	<u>\$ 2,424,297</u>	<u>\$ 2,467,490</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 \$1,735,544, of which \$60,609 is nonspendable, \$627,479 has been assigned for equipment replacement, debt retirement, unemployment, future expansion, building maintenance and repair, and salary increases, and \$1,047,456 is unassigned.

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

Revenues exceeded expenditures by \$26,773, an increase of \$19,672 over the final budget projection of \$7,101.

**Capital Assets**

The Council’s capital assets, net of accumulated depreciation, consisted of the following at June 30, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Land	\$ 400,961	\$ 400,961
Land improvements	18,145	21,763
Buildings	466,980	524,109
Franchise and equipment	12,756	22,272
Grant funded assets	23,618	95,486
Automobiles	44,129	9,381
Total capital assets	<u>\$ 966,589</u>	<u>\$ 1,073,972</u>

Major capital asset transactions during the year included additions of \$41,164 and disposals of \$62,092. The additions consisted of an automobile and miscellaneous furniture and equipment. The deletions consisted of miscellaneous items of furniture and equipment. The gain on assets which were sold during the year was \$195.

**Long-term Obligations**

The Council’s long-term obligations are made up of the following at June 30, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Accrued compensated absences	\$ 139,505	\$ 132,845
Notes payable	258,681	304,160
	398,186	437,005
Less: current portion	(165,829)	(167,231)
Total long-term obligations	<u>\$ 232,357</u>	<u>\$ 269,774</u>

**Budget Highlights for the Fiscal Year Ending June 30, 2013**

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 2013 are approximately 5 percent lower than those final figures for FY 2012. The Council continues to seek new and additional revenue sources and ways to cut costs.



## **Requests for Financial Information**

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

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

**SOUTH CAROLINA APPALACHIAN COUNCIL OF GOVERNMENTS**

**STATEMENT OF NET ASSETS  
JUNE 30, 2012**

	<u>Primary Government Governmental Activities</u>
<b>Assets</b>	
Current assets	
Cash	\$ 919,418
Cash equivalents	647,065
Due from other governments	
Federal, state, and local	1,251,947
Due from other sources	1,560
Prepaid items	60,609
Total current assets	<u>2,880,599</u>
Capital assets	
Land	400,961
Property and equipment, net of depreciation	565,628
Total capital assets	<u>966,589</u>
 Total assets	 <u>3,847,188</u>
<b>Liabilities</b>	
Current liabilities	
Accounts payable and accrued expenses	868,377
Due to other governments	46,708
Current portion of compensated absences and related benefits	120,350
Current portion of notes payable	45,479
Deferred revenue	109,620
Total current liabilities	<u>1,190,534</u>
Noncurrent liabilities	
Compensated absences and related benefits	19,155
Notes payable	213,202
Total noncurrent liabilities	<u>232,357</u>
 Total liabilities	 <u>1,422,891</u>
<b>Net assets</b>	
Invested in capital assets, net of related debt	707,908
Unrestricted	1,716,389
Total net assets	<u>\$ 2,424,297</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, 2012**

Functions / Programs	Expenses	Program Revenues		Primary Government
		Charges for Services	Operating Grants and Contributions	Governmental Activities
<b>Governmental activities</b>				
Administration	\$ 112,390	\$ -	\$ -	\$ (112,390)
Administrative services	317,733	239,103	78,630	-
Government services	386,546	30,715	179,000	(176,831)
Grant services	321,102	225,212	63,000	(32,890)
Aging services	4,485,369	-	4,301,849	(183,520)
Information services	379,696	209,511	20,797	(149,388)
Planning services	319,701	68,009	214,373	(37,319)
Workforce services	3,442,753	-	3,377,352	(65,401)
Loan services	60,288	60,000	-	(288)
Total primary government	<u>\$ 9,825,578</u>	<u>\$ 832,550</u>	<u>\$ 8,235,001</u>	<u>(758,027)</u>
<b>General revenues</b>				
State appropriation				98,260
Local government dues				435,687
Unrestricted earnings				108,743
Interest and other				72,144
Total general revenues				<u>714,834</u>
<b>Change in net assets</b>				(43,193)
Net assets - beginning				<u>2,467,490</u>
Net assets - ending				<u>\$ 2,424,297</u>

**SOUTH CAROLINA APPALACHIAN COUNCIL OF GOVERNMENTS**

**BALANCE SHEET - GOVERNMENTAL FUNDS**

**JUNE 30, 2012**

	Major Funds		
	General Fund	Special Revenue Fund	Total Governmental Funds
<b>Assets</b>			
Cash	\$ 540,293	\$ 379,125	\$ 919,418
Cash equivalents	647,065	-	647,065
Due from other governments			
Federal, state, and local	-	1,251,947	1,251,947
Due from other funds	487,517	-	487,517
Due from other sources	60	1,500	1,560
Prepaid items	60,609	-	60,609
 Total assets	 \$ 1,735,544	 \$ 1,632,572	 \$ 3,368,116
 <b>Liabilities and fund balances</b>			
<b>Liabilities</b>			
Accounts payable and accrued expenses	\$ -	\$ 868,377	\$ 868,377
Due to other governments - local	-	46,708	46,708
Due to other funds	-	487,517	487,517
Deferred revenue	-	109,620	109,620
Current portion of compensated absences and related benefits	-	120,350	120,350
Total liabilities	-	1,632,572	1,632,572
 <b>Fund balances</b>			
Nonspendable	60,609	-	60,609
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	1,047,456	-	1,047,456
Total fund balances	1,735,544	-	1,735,544
 Total liabilities and fund balances	 \$ 1,735,544	 \$ 1,632,572	 \$ 3,368,116

(continued)

**SOUTH CAROLINA APPALACHIAN COUNCIL OF GOVERNMENTS**

**BALANCE SHEET - GOVERNMENTAL FUNDS**

**JUNE 30, 2012**

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

Total fund balances per Balance Sheet - Governmental Funds	\$ 1,735,544
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.	966,589
Some liabilities are not due and payable in the current period and therefore are not reported in the funds.	<u>(277,836)</u>
Net assets of government activities	<u><u>\$ 2,424,297</u></u>

**SOUTH CAROLINA APPALACHIAN COUNCIL OF GOVERNMENTS**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES - GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2012**

	Major Funds		Total Governmental Funds
	General Fund	Special Revenue Fund	
<b>Revenues</b>			
Intergovernmental			
Federal	\$ -	\$ 7,323,210	\$ 7,323,210
State of South Carolina	98,256	911,795	1,010,051
Local	435,687	-	435,687
Contracts and fees	108,743	832,550	941,293
Interest and other	71,949	195	72,144
Total revenues	<u>714,635</u>	<u>9,067,750</u>	<u>9,782,385</u>
<b>Expenditures</b>			
Current			
Management activities	40,017	(1,403)	38,614
Administrative services	-	317,733	317,733
Government services	-	384,562	384,562
Grant administrative services	-	320,593	320,593
Aging services	-	4,474,711	4,474,711
Information services	-	376,207	376,207
Planning services	-	318,858	318,858
Workforce services	-	3,377,548	3,377,548
Loan services	-	60,143	60,143
Capital outlay	39,513	1,651	41,164
Debt service			
Principal	45,479	-	45,479
Total expenditures	<u>125,009</u>	<u>9,630,603</u>	<u>9,755,612</u>
Excess (deficiency) of revenues over expenditures	589,626	(562,853)	26,773
<b>Other financing sources (uses)</b>			
Operating transfers from (to) other funds	<u>(562,853)</u>	<u>562,853</u>	<u>-</u>
Net change in fund balance	26,773	-	26,773
<b>Fund balances - July 1</b>	<u>1,708,771</u>	<u>-</u>	<u>1,708,771</u>
<b>Fund balances - June 30</b>	<u>\$ 1,735,544</u>	<u>\$ -</u>	<u>\$ 1,735,544</u>

**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, 2012**

Total net change in fund balances per Statement of Revenues, Expenditures  
and Changes in Fund Balances - Governmental Funds \$ 26,773

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. (107,383)

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 (8,062)

Change in net assets of governmental activities \$ (43,193)

**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, 2012**

	General Fund			Variance	Special Revenue Fund			Variance
	Budgeted Amounts		Actual	with Final	Budgeted Amounts		with Final	
	Original	Final		Positive (Negative)	Original	Final	Positive (Negative)	
<b>Revenues</b>								
Intergovernmental								
Federal	\$ -	\$ -	\$ -	\$ -	\$ 7,117,975	\$ 8,720,855	\$ 7,323,210	\$ (1,397,645)
State of South Carolina	99,122	99,122	98,256	(866)	836,128	1,055,893	911,795	(144,098)
Local	435,685	435,685	435,687	2	-	-	-	-
Contracts and fees	113,000	113,000	108,743	(4,257)	614,794	915,701	832,550	(83,151)
Interest and other	3,800	73,043	71,949	(1,094)	-	-	195	195
Total revenues	<u>651,607</u>	<u>720,850</u>	<u>714,635</u>	<u>(6,215)</u>	<u>8,568,897</u>	<u>10,692,449</u>	<u>9,067,750</u>	<u>(1,624,699)</u>
<b>Expenditures</b>								
Current								
Management activities	25,599	42,599	40,017	2,582	15,200	15,202	(1,403)	16,605
Administrative services	-	-	-	-	5,948	333,810	317,733	16,077
Government services	-	-	-	-	376,357	376,357	384,562	(8,205)
Grant administrative services	-	-	-	-	329,973	320,298	320,593	(295)
Aging services	-	-	-	-	4,207,796	4,427,587	4,474,711	(47,124)
Information services	-	-	-	-	406,565	421,114	376,207	44,907
Planning services	-	-	-	-	319,450	310,390	318,858	(8,468)
Workforce services	-	-	-	-	3,419,541	4,992,410	3,377,548	1,614,862
Loan services	-	-	-	-	51,995	52,490	60,143	(7,653)
Capital outlay	-	39,000	39,513	(513)	5,600	29,461	1,651	27,810
Debt service								
Principal	45,480	45,480	45,479	1	-	-	-	-
Total expenditures	<u>71,079</u>	<u>127,079</u>	<u>125,009</u>	<u>2,070</u>	<u>9,138,425</u>	<u>11,279,119</u>	<u>9,630,603</u>	<u>1,648,516</u>
Excess (deficiency) of revenues over expenditures	<u>580,528</u>	<u>593,771</u>	<u>589,626</u>	<u>(4,145)</u>	<u>(569,528)</u>	<u>(586,670)</u>	<u>(563,853)</u>	<u>23,817</u>
<b>Other financing sources (uses)</b>								
Operating transfers from (to) other funds	<u>(569,528)</u>	<u>(586,670)</u>	<u>(562,853)</u>	<u>23,817</u>	<u>569,528</u>	<u>586,670</u>	<u>562,853</u>	<u>(23,817)</u>
Revenues and other financing sources over expenditures	<u>\$ 11,000</u>	<u>\$ 7,101</u>	<u>26,773</u>	<u>\$ 19,672</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
<b>Fund balances - July 1</b>			<u>1,708,771</u>				<u>-</u>	
<b>Fund balances - June 30</b>			<u>\$ 1,735,544</u>				<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, 2012**

**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.

## 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, 2012 in the amount of \$120,350 are included in accrued liabilities as of June 30, 2012.

### 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 \$688,753 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)	\$ 2,589,106
Less: accumulated depreciation	<u>1,622,517</u>
Net capital assets	966,589
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	(258,681)
Long-term compensated absences	<u>(19,155)</u>
Total adjustment	<u>\$ 688,753</u>

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 \$(69,966) as follows:

Description	Amount
Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of activities.	\$ 41,164
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.	(104,198)
Loss on the disposal of assets that is recorded on the statement of activities but not in the fund statements.	(44,349)
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.	(8,062)
Total adjustment	\$ (69,966)

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

### **Excess of Expenditures Over Appropriations**

During the fiscal year ended June 30, 2012, the Council's budget to actual within the Special Revenue Fund is as follows:

	Budget	Actual	Variance
Special Revenue Fund			
Administrative services	\$ 333,810	\$ 317,733	\$ 16,077
Government services	376,357	384,562	(8,205)
Grant services	320,298	320,593	(295)
Aging services	4,427,587	4,474,711	(47,124)
Information services	421,114	376,207	44,907
Planning services	310,390	318,858	(8,468)
Workforce services	4,992,410	3,377,548	1,614,862
Loan services	52,490	60,143	(7,653)

Program expenditure deficiencies or excesses to budget have correlating program revenue deficiencies or excesses. Note that the Workforce Services budget is prepared by Workforce Services personnel and consolidated into the Council's budget.

## **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, 2012:

Cash	\$	919,418
Cash equivalents		
South Carolina Local Government Investment Fund		<u>647,065</u>
	\$	<u><u>1,566,483</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 \$919,368 at June 30, 2012, and were insured as follows:

Amount insured by FDIC	\$	250,000
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		677,186
Uncollateralized		<u>-</u>
	\$	<u><u>927,186</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, 2012, 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, 2012, 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, 2012:

	<u>Receivables</u>	<u>Deferred Revenues</u>
Federal	\$ 829,231	\$ 101,089
State	115,101	8,531
Local	<u>307,615</u>	<u>-</u>
Total	<u>\$ 1,251,947</u>	<u>\$ 109,620</u>

Property and Equipment

Changes in property and equipment consist of the following for the year ended June 30, 2012:

	<u>Balance June 30, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2012</u>
Property and equipment:				
Land	\$ 400,961	\$ -	\$ -	\$ 400,961
Land improvements	64,567	-	-	64,567
Building	1,265,511	-	-	1,265,511
Furniture and equipment	318,856	-	10,437	308,419
Grant funded assets	416,156	1,651	51,655	366,152
Automobiles	<u>143,983</u>	<u>39,513</u>	<u>-</u>	<u>183,496</u>
Total	<u>2,610,034</u>	<u>41,164</u>	<u>62,092</u>	<u>2,589,106</u>
Accumulated depreciation:				
Land improvements	42,804	3,618	-	46,422
Building	741,402	57,129	-	798,531
Furniture and fixtures	296,584	9,516	10,437	295,663
Grant funded assets	320,670	29,170	7,306	342,534
Automobiles	<u>134,602</u>	<u>4,765</u>	<u>-</u>	<u>139,367</u>
	<u>1,536,062</u>	<u>104,198</u>	<u>17,743</u>	<u>1,622,517</u>
Property and equipment, net	<u>\$ 1,073,972</u>			<u>\$ 966,589</u>

Depreciation was charged to governmental functions as follows:

Administration	\$ 72,775
Government services	1,577
Grant services	509
Aging services	5,132
Information services	3,430
Planning services	1,082
Workforce development	19,548
Loan services	<u>145</u>
	<u>\$ 104,198</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 amount of any benefits that would become due in the future and therefore be required to be reimbursed by the Council is not determinable. The Council budgets for unemployment claims based on historical claims. Should claims in any given year exceed the amount budgeted, the Board of Directors has elected to assign \$10,000 to be held as a reserve for unemployment claims. Unemployment claims paid during the year ended June 30, 2012, were \$6,273.

The Council is of the opinion that the ultimate liability above what has been recorded, if any, at June 30, 2012, will not have a material effect on the financial position of the Council.

Long-term Debt

The following is a summary of changes in general long-term debt for the year ended June 30, 2012:

	Balance June 30, 2011	Additions	Deletions	Balance June 30, 2012
Notes payable:				
Greenville County	\$ 106,191	\$ -	\$ 15,877	\$ 90,314
Spartanburg County	78,006	-	11,656	66,350
Anderson County	52,446	-	7,841	44,605
Pickens County	31,891	-	4,771	27,120
Oconee County	19,472	-	2,924	16,548
Cherokee County	16,154	-	2,410	13,744
	<u>304,160</u>	<u>-</u>	<u>45,479</u>	<u>258,681</u>
Compensated absences payable	<u>11,093</u>	<u>8,062</u>	<u>-</u>	<u>19,155</u>
 Total	 <u>\$ 315,253</u>	 <u>\$ 8,062</u>	 <u>\$ 45,479</u>	 <u>\$ 277,836</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, 2012 are as follows:

Year Ended June 30,	Principal	Interest
2013	\$ 45,479	\$ -
2014	45,479	-
2015	45,479	-
2016	45,479	-
2017	45,479	-
2018	<u>31,286</u>	<u>-</u>
	<u>\$ 258,681</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
2013	\$ 27,148
2014	27,148
2015	27,148
2016	22,392
2017	14,928
	<u>\$ 118,764</u>

## 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, \$60,609, represents prepaid operating expenditures for fiscal year 2013 which have been paid during the fiscal year 2012.

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, 2012. 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, 2012 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, 2012, the member rate was 6.5% of annual covered salary and the Council's rate was 9.385% 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, 2012	\$ 211,795	\$ 133,984
June 30, 2011	222,618	144,370
June 30, 2010	230,326	147,916

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 was not holding any assets as an agency for other individuals as of June 30, 2012.

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, 2012, 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

Contingencies

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

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

#### **NOTE 4 – SUBSEQUENT EVENTS**

Subsequent events have been evaluated through November 15, 2012, 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, 2012**

	Mass Transit 5316 Reverse Commute	Mass Transit 5317 New Freedom	Intermodal Transportation	Mass Transit	Total
Revenue:					
Federal Funds	\$ 10,000	\$ 10,000	\$ 75,000	\$ 42,589	\$ 137,589
Local Funds	2,500	2,500	18,750	10,647	34,397
Total Revenue	<u>12,500</u>	<u>12,500</u>	<u>93,750</u>	<u>53,236</u>	<u>171,986</u>
Expenditures:					
Personnel	7,477	7,621	48,886	30,949	94,933
Fringe Benefits	1,984	2,010	13,715	9,274	26,983
Travel Expense	-	14	121	17	152
Contractual	-	-	4,817	-	4,817
Printing	572	-	-	210	782
Professional Activities	-	-	550	-	550
Equipment Repairs and Maintenance	-	-	6,634	-	6,634
Indirect Cost Pool	2,467	2,855	19,027	12,786	37,135
Total Expenditures	<u>12,500</u>	<u>12,500</u>	<u>93,750</u>	<u>53,236</u>	<u>171,986</u>
Excess (deficiency) of revenues over expenditures	<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, 2012**

	Ombudsman		Title III-B		In-House		Title III-E Family Caregiver		Arthritis Evidence Based	MALAS Model Approach to Legal Assist.
	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	\$ 243,126	\$ 261,624	\$ -	\$ 59,500	\$ 30,963	\$ 12,593	\$ 35,356	\$ 133,537	\$ 9,164	\$ 357
State Funds Match	-	8,827	-	3,500	-	741	-	-	-	-
State Funds - Other	-	-	65,738	-	-	-	-	-	-	-
Local Funds	90,008	29,208	310	10,224	5,934	1,523	11,785	18,020	254	119
Total revenues	333,134	299,659	66,048	73,224	36,897	14,857	47,141	151,557	9,418	476
Expenditures:										
Pass Thru - Other Aging Services	-	-	-	-	-	-	-	-	-	-
Pass Thru - Title III-E Services	-	-	-	-	-	-	-	-	-	-
Personnel	187,290	166,522	37,240	38,414	18,735	8,834	25,101	84,367	-	239
Fringe Benefits	48,277	50,676	10,464	11,866	5,304	2,507	7,275	23,425	-	82
Travel Expense	8,389	8,552	826	2,259	1,687	-	182	1,082	155	-
Supplies	1,429	536	520	586	1,021	-	1,362	1,517	-	-
Consulting Services	-	-	-	62	-	-	-	-	-	-
Contractual	-	-	-	-	-	-	-	-	5,859	-
Insurance	446	-	-	-	-	-	-	-	-	-
Postage	93	675	120	729	199	-	1,004	3,017	-	61
Printing	1,148	2,179	667	1,755	1,467	-	784	1,340	-	-
Telephone/Cell Phones/Pagers	847	1	-	243	-	-	164	144	-	-
Professional Activities	1,330	-	-	520	-	-	-	55	-	-
News Papers/Magazines/Books	-	-	-	-	-	-	-	-	-	-
Conference/Meetings	1,659	-	343	560	618	-	125	125	-	-
Bank Charges	-	-	-	-	-	-	51	238	-	-
Training	-	100	-	-	-	-	-	-	-	-
Advertising	677	-	-	-	-	-	-	-	3,404	-
Recruitment/Travel/Advertising	690	-	-	-	-	-	-	-	-	-
Repair & Maint - Equipment	2,400	-	-	-	-	-	-	-	-	-
Miscellaneous	107	(5)	-	-	25	-	-	-	-	-
Capital Outlay-Furniture/Equipment	-	-	-	-	-	-	-	-	-	-
Indirect Cost Pool	78,352	70,423	15,868	16,230	7,841	3,516	11,093	36,247	-	94
Total Expenditures	333,134	299,659	66,048	73,224	36,897	14,857	47,141	151,557	9,418	476
Excess(deficiency) of revenues over expenditures	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

(continued)

**SOUTH CAROLINA APPALACHIAN COUNCIL OF GOVERNMENTS**

**SCHEDULE OF REVENUES AND EXPENDITURES - AGING PROGRAMS  
YEAR ENDED JUNE 30, 2012**

	In-House						New Freedom Rural	New Freedom Urban	Total In-House	Pass-Through	Totals
	CMS			SC - DOT							
	I-CARE	Hospital Discharge	MIPPA ADRC Outreach	MIPPA ADRC	MIPPA SHIP	MIPPA AAA				Total Pass- Through	In-House and Pass- Through
Revenues:											
Federal Funds	\$ 56,811	\$ 120,170	\$ 1,994	\$ 18,285	\$ 18,063	\$ 26,085	\$ 20,672	\$ 12,205	\$ 1,060,505	\$ 2,329,553	\$ 3,390,058
State Funds Match	-	-	-	-	-	-	-	-	13,068	113,543	126,611
State Funds - Other	-	-	-	-	-	-	-	-	65,738	719,442	785,180
Local Funds	108	6,164	-	551	273	33	-	-	174,514	-	174,514
Total revenues	56,919	126,334	1,994	18,836	18,336	26,118	20,672	12,205	1,313,825	3,162,538	4,476,363
Expenditures:											
Pass Thru - Other Aging Services	-	-	-	-	-	-	-	-	-	2,986,943	2,986,943
Pass Thru - Title III-E Services	-	-	-	-	-	-	-	-	-	175,595	175,595
Personnel	27,301	53,423	-	7,892	8,919	12,901	9,166	5,596	691,940	-	691,940
Fringe Benefits	8,344	15,616	-	2,644	3,056	4,359	2,561	1,489	197,945	-	197,945
Travel Expense	2,169	1,805	-	97	61	419	125	82	27,890	-	27,890
Supplies	1,125	1,825	-	390	621	1,166	310	224	12,632	-	12,632
Consulting Services	76	29	-	-	-	-	-	-	167	-	167
Contractual	-	21,700	-	-	-	-	3,696	2,744	33,999	-	33,999
Insurance	-	-	-	-	-	-	249	-	695	-	695
Postage	2,097	177	-	52	-	125	-	1	8,350	-	8,350
Printing	2,654	1,704	1,994	3,429	699	45	335	25	20,225	-	20,225
Telephone/Cell Phones/Pagers	204	1,822	-	260	360	360	-	-	4,405	-	4,405
Professional Activities	15	-	-	-	-	-	-	-	1,920	-	1,920
News Papers/Magazines/Books	-	-	-	-	-	-	500	-	500	-	500
Conference/Meetings	1,050	470	-	336	244	-	25	-	5,555	-	5,555
Bank Charges	-	-	-	-	-	-	-	-	289	-	289
Training	-	4,000	-	-	-	-	-	-	4,100	-	4,100
Advertising	-	-	-	-	-	502	274	-	4,857	-	4,857
Recruitment/Travel/Advertising	-	-	-	-	-	-	-	-	690	-	690
Repair & Maint - Equipment	-	-	-	-	-	-	-	-	2,400	-	2,400
Miscellaneous	-	-	-	-	-	-	-	-	127	-	127
Capital Outlay-Furniture/Equipment	-	-	-	550	551	550	-	-	1,651	-	1,651
Indirect Cost Pool	11,884	23,763	-	3,186	3,825	5,691	3,431	2,044	293,488	-	293,488
Total Expenditures	56,919	126,334	1,994	18,836	18,336	26,118	20,672	12,205	1,313,825	3,162,538	4,476,363
Excess(deficiency) of revenues over expenditures	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

**SOUTH CAROLINA APPALACHIAN COUNCIL OF GOVERNMENTS**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2012**

<b>Federal Grantor/Pass-Through Grantor Program Title</b>	<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 III-B Planning and Administration	93.044	R1MG12	\$ 242,098
Title III-B State Administration	93.044	R1MG12	285
Title III-C1 State Administration	93.044	R1MG12	668
Title III-C2 State Administration	93.044	R1MG12	75
Title III-B IR&A	93.044	R1MG12	59,500
Title III-B Ombudsman	93.044	R1MG12	150,066
Arthritis - Evidence Based Disease Prevention	93.043	R1MG12	8,402
Title III-D State Administration	93.044	R1MG12	762
Title III-D Medication Management	93.043	R1MG12	12,593
Title VII Elder Abuse Ombudsman	93.041	R1MG12	28,637
Title VII Long-term Care Ombudsman	93.042	R1MG12	82,921
Senior Medicare Patrol & Fraud Counseling - Basic 4B66	93.048	R1IC11	1,940
Senior Medicare Patrol & Fraud Counseling - Basic 4B66	93.048	R1IC12	15,815
Senior Medicare Patrol & Fraud Counseling - Expansion 5B07	93.048	R1IC12	13,208
MALAS - Model Approaches to Legal Assistance	93.048	MALR112	357
Title III-E Family Care Giver Planning & Administration	93.052	R1MG12	34,705
Title III-E State Administration	93.052	R1MG12	651
Title III-E Family Care Giver Staff - In-house	93.052	R1MG12	133,537
Special Aging Programs (Pass-through)			
Title III-B	93.044	R1MG12	820,860
Title III-C1	93.045	R1MG12	540,238
Title III-C2	93.045	R1MG12	535,995
NSIP - Title III-C1 & III-C2	93.053	R1MG12	223,721
Title III-D	93.043	R1MG12	33,144
Title III-E Services	93.052	R1MG12	175,595
<b>Center for Medicare &amp; Medicaid Services</b>			
<b>Passed through SC Lt. Governor's Office on Aging</b>			
I-CARE 4B85	93.779	R1IC12	56,811
Connections for Community Living - Hospital Discharge	93.779	CCLHDR112	120,170
MIPPA - ADRC 5B00 Carry Over	93.071	R1IC11	1,994
MIPPA - ADRC 5B05	93.518	R1IC12	18,285
MIPPA - SHIP 5B06	93.779	R1IC12	18,063
MIPPA - AAA 5B04	93.518	R1IC12	26,085
<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	12,403
Section 5317 - New Freedom Rural Grant	20.521	NFRGR112	8,269
Section 5317 - New Freedom Urban Grant	20.521	NFUGR111	6,522
Section 5317 - New Freedom Urban Grant	20.521	NFUGR112	5,683
Total Aging Programs			<u>3,390,058</u>

(continued)



**SOUTH CAROLINA APPALACHIAN COUNCIL OF GOVERNMENTS**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2012**

Federal Grantor/Pass-Through Grantor Program Title	Federal CFDA Number	Grant Number	Expenditures
<b>Workforce Development Programs</b>			
<b>US Department of Labor</b>			
<b>Passed through SC Department of Commerce</b>			
Workforce Investment Act (In-house)			
Adminstration - Adult	17.258	10A001	\$ 72,246
Adminstration - Adult	17.258	11A001	9,189
Adult	17.258	10A001	75,685
Adult	17.258	11A001	85,113
Adminstration - Youth	17.259	10Y001	69,999
Adminstration - Youth	17.259	11Y001	26,563
SC Works Singage	17.259	11SRS01	15,784
Youth Activities	17.259	10Y001	42,112
Youth Activities	17.259	11Y001	25,533
Adminstration - Dislocated Worker	17.260	10DW001	63,137
Adminstration - Dislocated Worker	17.278	11DW001	8,221
ARRA On the Job Training	17.260	10ANO01	665
Dislocated Worker	17.260	10DW001	61,827
Dislocated Worker	17.278	11DW001	41,016
Dislocated Worker - Set Aside for Adult	17.260	10DW001	69,077
Incentive - Youth	17.259	10INC001	41,848
Incentive - Adult	17.258	11INC001	208
Workforce Investment Act (pass-through)			
Adult	17.258	10A001	204,452
Adult	17.258	11A001	383,826
Youth Activities	17.259	10Y001	418,645
Youth Activities	17.259	11Y001	507,229
ARRA On the Job Training	17.260	10ANO01	33,482
Dislocated Worker	17.260	10DW001	225,935
Dislocated Worker	17.278	11DW001	280,768
Dislocated Worker - Set Aside for Adult	17.260	10DW001	585,401
Incumbent Worker	17.260	10IWT01	29,392
Total Workforce Development Programs			<u>3,377,353</u>

(continued)

**SOUTH CAROLINA APPALACHIAN COUNCIL OF GOVERNMENTS**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2012**

<b>Federal Grantor/Pass-Through Grantor Program Title</b>	<b>Federal CFDA Number</b>	<b>Grant Number</b>	<b>Expenditures</b>
<b>Other Programs</b>			
<b>Appalachian Regional Commission</b>			
Local Development District Administration	23.009	SC-0709-C44	\$ 89,500
Local Development District Administration	23.009	SC-0709-C45	89,500
<b>Environmental Protection Agency</b>			
<b>Passed through SC Department of Health and Environmental Control</b>			
Water Quality Management	66.454	EQ-1-709	6,633
<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	20,797
<b>Department of Housing and Urban Development</b>			
<b>Passed through Oconee County:</b>			
CDBG Planning Grant	14.228	4-RP-10-001	50,000
<b>Passed through the City of Gaffney:</b>			
CDBG Village Renaissance Grant	14.228	4-V-10-007	11,649
<b>Passed through the City of Pickens:</b>			
CDBG Village Renaissance Grant	14.228	4-V-10-008	8,501
<b>Department of Transportation</b>			
<b>Passed through the SC Department of Transportation</b>			
Intermodal Transportation Plan	20.205		75,000
Mass Transit Assistance	20.515	PT-1M504-D6	42,589
Mass Transit/Job Access Reverse Commute	20.516	MT-1M516-B9	10,000
Mass Transit/New Freedom Program	20.521	MT-9M516-A3	10,000
<b>National Fund for Workforce Solutions</b>			
<b>Passed through Jobs for the Future, Inc.</b>			
Greenville Works Collaborative	94.019	10SIHMA001	<u>78,630</u>
<b>Total Other Programs</b>			<u>555,799</u>
<b>Total Aging, Workforce Development and Other Programs</b>			<u><u>\$ 7,323,210</u></u>

See accompanying notes to schedule of expenditures of federal awards.

**SOUTH CAROLINA APPALACHIAN COUNCIL OF GOVERNMENTS**

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2012**

**NOTE 1 - BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of South Carolina Appalachian Council of Governments under programs of the federal government for the year ended June 30, 2012. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of South Carolina Appalachian Council of Governments, it is not intended to and does not present the financial position, changes in net assets, or cash flows of South Carolina Appalachian Council of Governments.

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

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**NOTE 3 - SUBRECIPIENTS**

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

**SOUTH CAROLINA APPALACHIAN COUNCIL OF GOVERNMENTS**

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2012**

Federal Grantor/Pass-Through Grantor Program Title	Federal CFDA Number	Subrecipient	Amount Provided to Subrecipients	Total Amount Provided to Subrecipients
<b>Aging Programs</b>				
<b>US Department of Health and Human Services:</b>				
<b>Passed Through SC Lt. Governor's Office on Aging</b>				
Title III-B Support Services	93.044	Senior Solutions	\$ 175,777	
		Senior Centers of Cherokee County	112,230	
		SC Legal Services	63,000	
		Pickens County Seniors Unlimited	105,907	
		Senior Action	192,621	
		Senior Centers of Spartanburg County	<u>171,325</u>	820,860
Title III-C1 Congregate Meals	93.045	Senior Solutions	122,454	
		Senior Centers of Cherokee County	73,645	
		Pickens County Seniors Unlimited	76,093	
		Senior Action	153,279	
		Senior Centers of Spartanburg County	<u>114,767</u>	540,238
Title III-C2 Home Delivered Meals	93.045	Senior Solutions	182,702	
		Senior Centers of Cherokee County	86,334	
		Pickens County Seniors Unlimited	79,019	
		Senior Action	127,925	
		Senior Centers of Spartanburg County	<u>60,015</u>	535,995
NSIP - Title III-C1 and III-C2	93.053	Senior Solutions	72,382	
		Senior Centers of Cherokee County	37,856	
		Pickens County Seniors Unlimited	34,303	
		Senior Action	50,127	
		Senior Centers of Spartanburg County	<u>29,053</u>	223,721
Title III-D Preventive Health	93.043	Senior Solutions	9,786	
		Senior Centers of Cherokee County	3,704	
		Pickens County Seniors Unlimited	4,260	
		Senior Action	8,324	
		Senior Centers of Spartanburg County	<u>7,070</u>	33,144
Title III-E Family Caregiver Services	93.052	Pass Through to Vendors	<u>175,595</u>	<u>175,595</u>
<b>Total Paid to Subrecipients by Aging Program</b>				<u>2,329,553</u>
<b>Workforce Development Programs</b>				
<b>US Department of Labor</b>				
<b>Passed through SC Department of Employment &amp; Workforce</b>				
Adult	17.258	Anderson Adult Ed	14,687	
		Anderson School District 1 & 2	11,018	
		Arbor E&T, LLC	477,596	
		Belton Metal	5,131	
		BorgWarner	3,177	
		Cornell Dubilier Marketing	960	
		Cross Country Home Services	6,619	
		Henkles & McCoy	12,868	
		Industrial bonded Warehouse LLC	374	
		King Asphalt	1,849	
		Lakeside Steel & Machine, Inc.	3,471	
		Liberty Denim	824	
		MTS Office Machines	2,197	
		Oconee Adult Ed	4,120	
		Oconee County School District	10,518	
		Orian Rugs	4,000	
		Pickens Adult Learning Center	23,699	
		Sharp Manufacturing	1,920	
		US Engine Valve	2,127	
		W. E. Black Termite and Pest Control	<u>1,123</u>	588,278
Youth Activities	17.259	Henkels & McCoy	<u>925,874</u>	925,874
ARRA On the Job Training	17.260	BorgWarner	5,889	
		Closet Pro	860	
		Cross Country Home Services	8,521	
		Lakeside Steel & Machine, Inc.	14,508	
		US Engine Valve	2,633	
		W. E. Black Termite and Pest Control	<u>1,071</u>	33,482

SOUTH CAROLINA APPALACHIAN COUNCIL OF GOVERNMENTS

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2012

Federal Grantor/Pass-Through Grantor Program Title	Federal CFDA Number	Subrecipient	Amount Provided to Subrecipients	Total Amount Provided to Subrecipients
Dislocated Worker	17.260	Anderson Adult Ed	8,463	
		Anderson School District 1 & 2	7,682	
		Arbor E&T, LLC	451,753	
		BorgWarner	649	
		Bowers Emergency Services	3,748	
		Closet Pro	5,880	
		Henkels & McKoy	8,908	
		Hudson Bagal Co.	1,920	
		Oconee Adult Ed	1,030	
		Oconee County School District Pickens Adult Learning Center	7,670 9,000	506,703
Dislocated Worker Set Aside for Adult	17.260	Anderson Adult Ed	19,164	
		Anderson School District 1 & 2	28,408	
		Arbor E&T, LLC	494,221	
		Belton Metal	3,000	
		Bowers Emergency Services	3,748	
		Cross Country Home Services	2,000	
		Oconee County School District	20,159	
		Pickens Adult Learning Center	12,301	
		WATTSNU	2,400	585,401
		Incumbent Worker Training	17.260	Technology Solutions of SC
Tri Tech USA, Inc.	7,112			
Imperial Die Casting	7,900			
Sargent Metal Fabricators	1,200			29,392
<b>Total Paid to Subrecipients by Workforce Development Programs</b>				<u>2,669,130</u>
<b>Total Paid to Subrecipients</b>				<u>\$ 4,998,683</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, 2012, which collectively comprise the South Carolina Appalachian Council of Governments' basic financial statements and have issued our report thereon dated November 15, 2012. 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

Management of the South Carolina Appalachian Council of Governments is responsible for establishing and maintaining effective 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 our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Council's 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.

The Board of Directors  
South Carolina Appalachian  
Council of Governments  
November 15, 2012

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.

#### 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 15, 2012

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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, 2012. 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, 2012.



The Board of Directors  
South Carolina Appalachian  
Council of Governments  
November 15, 2012

### Internal Control Over Compliance

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 to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 15, 2012

**SOUTH CAROLINA APPALACHIAN COUNCIL OF GOVERNMENTS**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2012**

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

Financial Statements

Type of auditor's report issued Unqualified

Internal control over financial reporting:

- Material weakness(es) identified None
- Reportable condition(s) identified that are not considered to be material weaknesses None reported

Noncompliance material to financial statements noted None

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified None
- Reportable condition(s) identified that are not considered to be material weaknesses None reported

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

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133 None

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
93.052	Title III-E Services
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, 2012**

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**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
YEAR ENDED JUNE 30, 2012**

There were no federal award-related audit findings in the prior year.