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SOUTHWEST GEORGIA REGIONAL
COMMISSION

CAMILLA, GEORGIA

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2012

SOUTHWEST GEORGIA REGIONAL COMMISSION
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 JUNE 30, 2012

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INDEPENDENT AUDITOR'S REPORT

To the Council Members
Southwest Georgia Regional Commission
Camilla, Georgia

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the Southwest Georgia Regional Commission ("the RC") as of and for the year ended June 30, 2012, which collectively comprise the basic financial statements as listed in the table of contents. These financial statements are the responsibility of the RC's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and aggregate remaining fund information of the RC as of June 30, 2012, and the respective changes in financial position and the cash flows, where applicable, thereof 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 January 25, 2013, on our consideration of the RC'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.

Management's discussion and analysis, budgetary comparison information and the schedule of retirement plan funding progress are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consist principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the RC's basic financial statements. The combining and individual fund statements and schedules described in the accompanying table of contents, including the accompanying schedule of expenditures of federal awards required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* are presented for purposes of additional analysis and are not a required part of the basic financial statements of the Southwest Georgia Regional Commission. Such information is the responsibility of management and was derived from, and relates 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 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 basic financial statements taken as a whole.

Valenti, Rackley & Assoc., LLC

Valenti, Rackley & Associates, LLC
Certified Public Accountants
Valdosta, Georgia

January 25, 2013

SOUTHWEST GEORGIA REGIONAL COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

This discussion and analysis of the Southwest Georgia Regional Commission's ("the Commission") financial performance provides an overview of the Agency's financial activities for fiscal year ended June 30, 2012.

FINANCIAL HIGHLIGHTS

- As a result of this year's operations, the Commission's total primary government net assets decreased 31.79% from the prior year. A detailed explanation for this decrease is included in the body of this report.
- During the year, the Commission experienced a deficit of revenues over expenditures in the amount of \$363,188 in the governmental activities. Revenues of the governmental activities increased 1.51% from the prior year. Expenditures increased by approximately 9.89%.
- The Commission's business type activities experienced a decrease in net assets in the amount of \$817,267. This amount decreased significantly from the previous year. The business-type activities consist of the U.S. Department of Commerce Economic Development Administration (EDA) Revolving Loan Fund (RLF) and the Georgia Department of Community Health Non-Emergency Transportation (NET) Program.
- The net assets of the Commission's Fiduciary Fund (Employee Retirement Plan) increased \$111,168 or 5.9%. Net assets of the Employee Retirement Plan at June 30, 2012 were \$1,982,424.
- Resources available for appropriation in the general fund were \$12,153 (2.48%) more than budget and charges to appropriations were \$285,722 (57.40%) more than budget. The result to the general fund balance was a decrease of \$281,569 for the year, which was \$273,569 less than budget.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Government-Wide Statement of Net Assets and the Government-Wide Statement of Activities (on pages 1 and 2 of the Commission's audit report, respectively) provide information about the activities of the Commission as a whole and present a longer-term view of the Commission's finances. Fund financial statements begin on page 3. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund

SOUTHWEST GEORGIA REGIONAL COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2012

financial statements also report the Commission's operations in more detail than the government-wide statements by providing information about the Commission's most significant funds. The remaining statement provides financial information about activities for which the Commission acts solely as a trustee or agent for the benefit of those outside of the government.

Reporting the Commission as a Whole

One of the most important questions asked about the Commission's finances is, "Is the Commission, as a whole, better off or worse off as a result of the year's activities?" The Government-Wide Statement of Net Assets and the Government-Wide Statement of Activities report information about the Commission as a whole and about its activities in a way that helps to answer this question. These statements include *all* assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Commission's *net assets* and changes in them. The Commission's net assets – the difference between assets and liabilities – are one way to measure the Commission's financial health, or *financial position*. Over time, *increases or decreases* in the Commission's net assets are one indicator of whether its *financial position* is improving or deteriorating. Of course, other non-financial factors may also need to be considered.

In the Government-Wide Statement of Net Assets and the Government-Wide Statement of Activities, the Commission is divided into three kinds of activities:

- Governmental activities – Most of the Commission's basic services are reported here, including General Government, Planning and Community Development, Economic Development, Historic Preservation, Grant Administration, Workforce Investment, Human Services and Transportation Services (excluding the Non-Emergency Transportation Program). Local Dues and Fees from member governments along with Federal and State grants finance the majority of these activities.
- Business-type activities – The business-type activities are comprised of the Commission's Revolving Loan Fund (RLF) and the Commission's Non-Emergency Transportation (NET) program. The RLF is a locally controlled source of capital used to provide "gap" financing to eligible start-up and expanding businesses whose projects will create permanent jobs and leverage private sector investment. As borrowers repay their RLF loans, the principal and interest payments are returned to the fund for lending to other businesses to create more jobs and investment opportunities. The NET program provides medical non-emergency transportation to Medicaid eligible recipients in a forty county area and makes up the largest percentage of the Commission's annual budget.

SOUTHWEST GEORGIA REGIONAL COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2012

- Component unit – The Commission includes the separate legal entity of SOWEGA Economic Development Corporation, Inc. in its report. Although legally separate, this “component unit” is includable in the Commission’s financial statements because the Commission is financially accountable for it.

Reporting the Commission’s Most Significant Funds

An analysis of the Commission’s major funds begins on page 3 of the audit report with the fund financial statements and provides detailed information about the most significant funds – not the Commission as a whole. These funds are required to be established by State law and by bond covenants but they also assist in controlling and managing money for specific purposes or to show it is meeting certain legal responsibilities for using certain grants and other money. The Commission’s two kinds of funds – *governmental* and *proprietary* – use different accounting approaches.

- *Governmental funds* – Most of the Commission’s basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed *short-term view* of the Commission’s general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Commission’s programs. The relationship (or differences) between governmental *activities* (reported in the Government-Wide Statement of Net Assets and the Government-Wide Statement of Activities) and governmental *funds* is described in a reconciliation at the bottom of the fund financial statements (pages 3 and 4 of the audit report).
- *Proprietary funds* - The Commission’s proprietary funds include the Revolving Loan Fund, the Non-Emergency Transportation (NET) program and the Internal Service Fund. Proprietary funds are reported in the same way that all activities are reported in the Government-Wide Statement of Net Assets and the Government-Wide Statement of Activities. The Commission’s Revolving Loan Fund and NET Program are enterprise funds, which are components of the proprietary fund. They are the same as the business-type activities that are reported in the government-wide statements but provide more detail and additional information, such as the Statement of Cash Flows seen on page 7, for proprietary funds. The Commission’s Internal Service fund is used to report activities that provide supplies and services for the Commission’s other program and activities on a cost reimbursement basis.

SOUTHWEST GEORGIA REGIONAL COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2012

The Commission as Trustee

The Commission is the trustee, or fiduciary, for its employees' pension plan. The Commission's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets on pages 10 and 11. These activities are excluded from the Commission's other financial statements because the Commission cannot use these assets to finance its operations. The Commission is responsible for ensuring that the assets reported in these funds are used appropriately and for their intended purposes.

THE COMMISSION AS A WHOLE

The Commission's combined net assets decreased, from \$3,713,332 at June 30, 2011 to \$2,532,877 at June 30, 2012. The analysis below focuses on the net assets (Table 1) and changes in net assets (Table 2) of the Commission's governmental and business-type activities.

**Table 1
Net Assets**

	Governmental Activities		Business Type Activities		Total Primary Government	
	2012	2011	2012	2011	2012	2011
Current and Other Assets	\$ 2,346,374	\$ 3,120,459	\$ 305,405	\$ 962,587	\$ 2,651,779	\$ 4,083,046
Capital assets	2,437,796	2,285,236	-	315,634	2,437,796	2,600,870
Total assets	<u>4,784,170</u>	<u>5,405,695</u>	<u>305,405</u>	<u>1,278,221</u>	<u>5,089,575</u>	<u>6,683,916</u>
Long-term debt outstanding	126,392	181,053	-	-	\$ 126,392	\$ 181,053
Other liabilities	2,420,674	2,624,350	9,632	165,181	\$ 2,430,306	\$ 2,789,531
Total liabilities	<u>2,547,066</u>	<u>2,805,403</u>	<u>9,632</u>	<u>165,181</u>	<u>2,556,698</u>	<u>2,970,584</u>
Net assets:						
Invested in capital assets,						
net of debt	2,311,404	2,104,183	-	315,634	2,311,404	2,419,817
Restricted			295,773	300,519	295,773	300,519
Unrestricted	(74,300)	496,109	-	496,887	(74,300)	992,996
Total net assets	<u>2,237,104</u>	<u>2,600,292</u>	<u>295,773</u>	<u>1,113,040</u>	<u>2,532,877</u>	<u>3,713,332</u>

Net assets of the Commission's governmental activities decreased 11.5% (from \$2,600,292 to \$2,237,104). *Unrestricted* net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased from \$496,109 at June 30, 2011 to a deficit of \$74,300 at June 30, 2012. Net assets of the business-type activities decreased 73.43%, from \$1,113,040 to \$295,773.

SOUTHWEST GEORGIA REGIONAL COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2012

The net change in the fund balance for total governmental funds from normal operations was a decrease of \$576,747 (see page four of the audit report) due primarily to a transfer to cover a substantial loss suffered in the NET program, which is discussed in more detail in "The Commission's Funds" section of this report. The government wide statement of activities had a decrease in net assets in the amount of \$363,188, which includes capital assets and capital contributions that are not reported in the governmental funds.

A contract with the Georgia Department of Community Health (DCH) provided funding for the Commission to supply non-emergency transportation (NET) services through third party operators to eligible Medicaid members in a forty county region in South Georgia. The Commission was awarded the contract in January 2007 with a ninety day start up period, to begin services April 1, 2007. This contract is what is referred to as the Southwest Georgia Non-Emergency Transportation (NET) Program. Revenues for this program are paid at a "PMPM" (per member, per month) contractual rate, regardless of services (number of trips) provided. Services for the program began in the last quarter of fiscal year (FY) 2007 with FY 2008 being the first full year of operations. The contract was awarded for a period of five years, and was scheduled to terminate June 30, 2011. DCH issued a request for proposal for the subsequent five years in the summer of 2011 and current contracts were extended during the RFP process. In November 2011, the Intent to Award was announced by DCH and the Commission was notified that it was not selected for the upcoming contract period. The Commission ceased providing non-emergency transportation under this program on March 31, 2012.

For the fiscal period ending June 30, 2012, the NET program experienced a substantial decrease in net assets (before capital contributions and transfers in the amount of \$1,211,040. The program suffered this large deficit due to the cost associated with providing substantially more trips in FY12 than had been required in previous years and a decrease in revenue from DCH due to unknown and unsupported revenue adjustments. For comparison purposes, FY11 figures reported here are for the nine month period of July 1, 2010 through March 31, 2011 to correspond to the same period in FY12, during which the Commission was providing services under the contract. Total trips provided in the nine month period of FY11 were 442,216, at a cost of \$8,258,350, compared to 495,648 trips provided, at a cost of \$9,371,827 in FY12. The cost of providing transportation increased 13.5% (\$1,113,477) in FY12, while administrative costs were essentially the same. The Commission was contractually obligated to provide transportation to all eligible members and could not refuse service. DCH, however, was not obligated to increase funding to the Commission simply because trip volume increased; in fact, funding from DCH decreased approximately \$200,000 in FY12, due to what DCH referred to as "Accounts Receivable Offsets". Revenues from DCH in FY11 were \$10,296,755, while revenues during the same period of FY12 were \$10,062,230, a decrease of \$234,525 or 2.3%. DCH described these amounts that were withheld from the Commission's funding as prior overpayments for members who were either counted multiple times or deceased. The Commission does not accept this explanation, as the number of eligible members from the download file supplied by DCH stayed essentially the same. In the opinion of the Commission, DCH has been unable to

SOUTHWEST GEORGIA REGIONAL COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2012

satisfactorily provide documentation or a valid explanation for the decrease in revenue and the Commission is in the process of attempting to recoup this amount unless a valid explanation is provided.

Also included in the Enterprise Fund is the Revolving Loan Fund. The Revolving Loan Fund experienced a small decrease in net assets for the current year in the amount of \$4,746. At June 30, 2012, the loan fund had three active loans. Two loans are now current, and one is in default. As reported at June 30, 2011, of the same three loans, only one loan was current, one was delinquent and one was in default. At the loan recipient's request, the Revolving Loan Fund Board renegotiated the loan that was in a delinquent status by lowering the current interest rate, and therefore avoiding another default situation. The decrease in net assets was due to the additional work performed for the program in working with this loan recipient and the Board, and marketing to area small businesses in an effort to attract new loan business. The efforts spent in FY12 paid off in FY13 with a new RLF loan that closed in September 2012. Concerning the loan in default, the Revolving Loan Fund Board, in FY11, engaged the attorney to foreclose on the loan, which is still in process.

SOUTHWEST GEORGIA REGIONAL COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2012

Table 2
Change in Net Assets

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2012	2011	2012	2011	2012	2011
Revenues						
Charges for Services	\$ 201,505	\$ 209,101	\$ 10,141,164	\$ 13,846,128	\$ 10,342,669	\$ 14,055,229
Operating Grants and Contributions	10,147,054	9,971,295			10,147,054	9,971,295
Capital Grants and Contributions					-	-
Other General Revenues	356,916	365,644	993	1,836	357,909	367,480
Total Revenues	<u>10,705,475</u>	<u>10,546,040</u>	<u>10,142,157</u>	<u>13,847,964</u>	<u>20,847,632</u>	<u>24,394,004</u>
Expenditures						
General Government	429,681	278,836			429,681	278,836
Community Service	5,834,718	4,942,453	11,343,193	13,512,143	17,177,911	18,454,596
Planning and Zoning	370,592	418,423			370,592	418,423
Economic Development	-	112,472			-	112,472
Urban Redevelopment	54,477	84,254			54,477	84,254
Economic Opportunity	3,974,286	3,860,295			3,974,286	3,860,295
Other Protection					-	-
Conservation	6,390	12,866			6,390	12,866
Revolving Loan Prog.	-	-	14,750	6,006	14,750	6,006
Total Expenditures	<u>10,670,144</u>	<u>9,709,599</u>	<u>11,357,943</u>	<u>13,518,149</u>	<u>22,028,087</u>	<u>23,227,748</u>
Transfers In (Out)	(398,519)	-	398,519	-	-	-
Net change in net Assets	<u>\$ (363,188)</u>	<u>\$ 836,441</u>	<u>\$ (817,267)</u>	<u>\$ 329,815</u>	<u>\$ (1,180,455)</u>	<u>\$ 1,166,256</u>

Governmental and Business-Related Activities

Revenues in the governmental activities increased 1.51% from \$10,546,040 for the year ended June 30, 2011 to \$10,705,475 for the year ended June 30, 2012. Revenues for the Workforce Investment Act (WIA) program increased from the prior year due to the program operating for an entire twelve months in FY12, as compared to a nine month period in FY11. The goal of the WIA Program, which is funded through the Georgia Department of Labor, is to increase the employment, retention and earnings of qualified participants, and as a result, improve the quality of the workforce, reduce welfare dependency, and enhance the productivity and competitiveness of the Nation. The Commission serves as the fiscal and administrative entity for the WIA Program. There were also revenue increases in the Commission's coordinated transportation program as a result of funding through the Georgia Department of Transportation for operational costs for our sub-contractors and the purchase of replacement and expansion vehicles.

SOUTHWEST GEORGIA REGIONAL COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2012

Revenues in the business-type activities decreased 26.76% due to a decrease in revenues of the "NET" program. As discussed in the prior section, the Commission ceased operations for this program March 31, 2012; therefore, revenues for the FY12 period were only over a nine month period, compared to the FY11 twelve month period. Also, the Department of Community Health reduced revenues during those nine months approximately \$200,000 as a revenue adjustment as discussed at the top of the previous page. Overall, the revenues for the total primary government decreased 14.54% for the current year.

Expenditures increased in the governmental activities approximately 9.89%. Expenditures of the WIA Program increased due to the program operating a full twelve full months in FY12, as compared to the nine month period of operation in FY11, while expenditures for vehicles and equipment, funded by Department of Transportation grants decreased in FY12. Expenditures decreased in the business-type activities approximately 16%. The decrease in business-type expenditures is primarily attributable to the NET Program ending March 31, 2012, as opposed to operating for a full twelve months as it did in FY11. It is important to note, however, that while the expenditures of the NET Program decreased 16%, they did not decrease at the same rate as the revenues for the same period (26.8%), resulting in the large deficit. It is also important to point out the transfer from the Governmental Activities to the Business-Type Activities that was necessary to cover the losses of the NET Program. Overall, expenditures decreased 5.2%, from \$23,227,748 to \$22,028,087 for the total primary government.

THE COMMISSION'S FUNDS

At June 30, 2012, the Commission's governmental fund balance (as shown on page 3 of the audit report) was \$22,933. The total governmental fund balance decreased in the FY 2012 approximately 96.1%, from the FY 2011 fund balance of \$599,680. Turning over to page 4 of the audit report, the reader will see that in FY 2012 the net change in the fund balance of the General Fund decreased \$281,569 (or 92.4%). The net transfer of \$383,850 in FY12 significantly contributed to the decrease in the fund balance of the general fund. In comparison, the General Fund in FY 2011 netted a positive change (increase) to the fund balance in the amount of \$64,728.

The State Administered Grants Fund, which had an increase in its fund balance in FY 2011 of \$107,166, decreased its fund balance in the amount of \$295,178 (100%) in FY 2012. The net change in the fund balance for FY 2012 for total government funds, as shown on page 4 of the audit report, is a decrease of \$576,747.

SOUTHWEST GEORGIA REGIONAL COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2012

General Fund Budgetary Highlights

Over the course of FY 2012, the Commission amended the budget one time. At least one budget revision is necessary each year due to the nature of the Commission's funding. The Commission's budget process typically begins in April of each year, with the budget year beginning July 1st. It is often difficult to accurately identify funding for the year as early as April due to the uncertainty of funding coming from Federal and State grants and/or contracts. Annual contracts are often not received by the Commission until after the start of the fiscal period and others are awarded later in the fiscal period. Often when larger contracts are awarded later in the year, the Commission will need to hire additional staff, specifically for that project, which also would increase salaries and benefits and other expenditures. Amounts estimated before the beginning of the fiscal year for contracts that carry over from one year to the next may also need amending to reflect the actual amounts. The budget may also need amending near the end of the fiscal year to increase expenditures to prevent budget overruns. For these reasons, the budget is amended at least once, as it was during this fiscal year, and more often if necessary. The FY12 budget was amended in May 2012 to make several necessary adjustments to the budget, including the amendment to discontinue the NET Program which ended March 31, 2012.

In comparison of the amended budget to actual (Table 3, below), general fund revenues were \$12,153 more than the amended budget, bringing actual revenues to a total of \$501,961. Charges to Appropriations of the General fund were 57.4% or \$285,722 over the amended budget, bringing them to a total of \$783,530. The Commission was budgeted in FY 2012 to experience a deficit of revenues over expenditures in the general fund of \$8,000; however, the actual deficit for the fiscal period was \$281,569, or \$273,569 more than the amended budget. This large discrepancy in the budget compared to actual was due to the Transfers to Other Funds. The large transfer to cover losses of the NET Program was not budgeted to the General Fund.

SOUTHWEST GEORGIA REGIONAL COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2012

Table 3
Budgetary Comparison - General Fund

	<u>Original FY</u> <u>2012 Budget</u>	<u>Amended FY</u> <u>2012 Budget</u>	<u>Actual</u>	<u>Variance with</u> <u>Amended</u> <u>Budget</u>
Resource (inflows):				
Local Government Dues	\$ 356,433	\$ 356,433	\$ 356,433	\$ -
Charges for Services	100,000	115,000	126,423	11,423
Workshop/Meeting Income	-	12,500	13,383	883
Investment Earnings	300	275	258	(17)
Rental Income	-	4,850	4,879	29
Map/Printing Income	500	750	439	(311)
Other Income	-	-	146	146
Total Resources	<u>457,233</u>	<u>489,808</u>	<u>501,961</u>	<u>12,153</u>
Expenditures				
General Government				
Direct				
Personnel Services	241,935	296,249	270,960	(25,289)
Operating Costs	44,000	43,490	59,285	15,795
Indirect				
Cost Allocation Plan	72,058	97,714	99,435	1,721
Transfers	<u>149,240</u>	<u>60,355</u>	<u>353,850</u>	<u>293,495</u>
Total Charges to Appropriations	<u>507,233</u>	<u>497,808</u>	<u>783,530</u>	<u>285,722</u>
Revenues over (under) Expenditures	<u>\$ (50,000)</u>	<u>\$ (8,000)</u>	<u>\$ (281,569)</u>	<u>\$ (273,569)</u>

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of FY 2012, the Commission had \$2,437,796 invested in capital assets in the governmental activities and no investment in capital assets in the business-type activities (Table 4, below). There was a 6.68% increase (\$152,560) in capital assets from FY 2011 to FY 2012 in the governmental activities. The increase was due primarily to the transfer of assets from the NET Program when it ceased operations. While most of the NET Program assets were disposed of, some assets were usable for other programs of the Commission. The usable assets, such as certain furniture and equipment, were transferred to the Governmental Activities. Assets (vehicles) of the GDOT 5311 (Public Transportation) Program did not change significantly overall, because as vehicles age and are disposed of as surplus, they are replaced with a comparable vehicle. These vehicles make up the largest portion of capital assets in the

SOUTHWEST GEORGIA REGIONAL COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2012

governmental activities. In the business-type activities, all assets (of the NET Program) were either disposed of or transferred to the Governmental Activities. The reader should refer to Note 7 on page 28 of the financial statements for more detail on capital asset activity.

Table 4
Capital Assets at June 30, 2012

	Balance at <u>June 30, 2011</u>	<u>Increases</u>	<u>Decreases</u>	Contributions/ <u>Transfers</u>	Balance at <u>June 30, 2012</u>
Governmental Activities					
Equipment	\$ 504,577	\$ 49,042	\$ (75,544)	\$ 123,350	\$ 601,425
Vehicles	3,168,764	911,835	(962,856)	-	3,117,743
Leasehold Improvements	-	-	-	17,696	17,696
Total Other Capital Assets	3,673,341	960,877	(1,038,400)	141,046	3,736,864
Less: Accum Depreciation for:					
Equipment	(314,784)	(52,405)	67,702	(38,445)	(337,932)
Vehicles	(1,073,321)	(580,135)	694,255	-	(959,201)
Leasehold Improvements	-	-	-	(1,935)	(1,935)
Total Accum. Depreciation	(1,388,105)	(632,540)	761,957	(40,380)	(1,299,068)
Total Governmental Activities Capital Assets	<u>\$ 2,285,236</u>	<u>\$ 328,337</u>	<u>\$ (276,443)</u>	<u>\$ 100,666</u>	<u>\$ 2,437,796</u>
Business-type Activities					
Equipment	\$ 607,478	\$ -	\$ (484,128)	\$ (123,350)	\$ -
Leasehold Improvements	17,696	-	-	(17,696)	-
Total Capital Assets	625,174	-	(484,128)	(141,046)	-
Less: Accum Depreciation:					
Equipment	(308,784)	(87,069)	357,408	38,445	-
Leasehold Improvements	(756)	(1,179)	-	1,935	-
Total Accum. Depreciation	(309,540)	(88,248)	357,408	40,380	-
Total Business-type Capital Assets	<u>\$ 315,634</u>	<u>\$ (88,248)</u>	<u>\$ (126,720)</u>	<u>\$ (100,666)</u>	<u>\$ -</u>

Debt

Capital leases decreased \$54,661 (Table 5, below) during the FY12 period to \$126,392 at June 30, 2012. One new lease was entered into during the FY 2012 for staff computers. Of the total capital lease balance shown below (Table 5), \$68,004 is due within one year. Total payments (decreases) on capital leases were made in the amount of \$87,938. The reader should refer to Note 8 on pages 29 and 30 for more detail on long-term debt activity.

SOUTHWEST GEORGIA REGIONAL COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2012

Table 5
Capital Leases at June 30, 2012

<u>Balance,</u> <u>July 1, 2011</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance,</u> <u>June 30, 2012</u>	<u>Due Within</u> <u>One Year</u>
\$ 181,053	\$ 33,277	\$ (87,938)	\$ 126,392	\$ 68,004

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

As the date of this audit report, there is a currently known decision expected to have a significant impact on next year's budget and/or financial condition or beyond and it is described below:

As of January 1, 2013, the RC will no longer act as the Administrator and Fiscal Agent for the Workforce Investment Act (WIA) Program. The loss of this program, along with the loss of the NET Program in FY12, will directly affect the RC budget for FY13 and the years ahead, as these two programs contributed substantially to funding the indirect costs of the Commission. The operating loss of the NET program in FY12 has also negatively affected cash flow and reserves of the Commission.

The following actions are being taken to alleviate the potential negative effects of the aforementioned events. First, staff reductions have occurred in order to stay within budget for fiscal year 2013. Second, discretionary costs such as travel, memberships, etc. have been reduced, where practicable. Third, additional grants and contracts are being aggressively pursued in order to generate additional revenues. Fourth, full payment of the retirement plan contribution for the year ended June 30, 2012 has been delayed to conserve working capital. Fifth, an additional actuarial valuation on the Commission's retirement plan was requested to reflect the effects of the personnel reductions, reducing the retirement plan obligation for the current year. Sixth, non-essential assets such as vehicles, computers, furniture, etc. are being sold. Lastly, management is pursuing a claim against the Georgia Department of Community Health asserting underpayment to the Commission for the NET program for the year ending June 30, 2012.

CONTACTING THE COMMISSION'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the Commission's finances and to show the Commission's accountability for the money it receives. If you have any questions about this report or need additional financial information, please contact the Commission's Deputy Director at Southwest Georgia Regional Commission, 181 E Broad Street, Camilla, GA, 31730.

SOUTHWEST GEORGIA REGIONAL COMMISSION
GOVERNMENT-WIDE STATEMENT OF NET ASSETS
JUNE 30, 2012

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Cash	\$ 176,692	\$ -	\$ 176,692	\$ 1,164
Accounts receivable	2,169,682	7,251	2,176,933	-
Due from primary government	-	-	-	12,846
Notes receivable, net	-	125,508	125,508	-
Restricted cash	-	172,646	172,646	-
Capital assets:				
Equipment and vehicles and leasehold improvements, net of depreciation	2,437,796	-	2,437,796	-
Total assets	<u>4,784,170</u>	<u>305,405</u>	<u>5,089,575</u>	<u>14,010</u>
LIABILITIES				
Accounts payable and accrued expenses	1,957,195	71,647	2,028,842	-
Compensated absences	69,969	-	69,969	-
Unapplied funds	18,649	-	18,649	-
Due to component unit	12,846	-	12,846	-
Internal balances	362,015	(62,015)	300,000	-
Long-term liabilities				
Due within one year	68,004	-	68,004	-
Due in more than one year	58,388	-	58,388	-
Total liabilities	<u>2,547,066</u>	<u>9,632</u>	<u>2,556,698</u>	<u>-</u>
NET ASSETS				
Invested in capital assets, net of related debt	2,311,404	-	2,311,404	-
Restricted for:				
Programs:				
Economic development -RLF	-	295,773	295,773	-
SOWEGA Economic Dev. Corp.	-	-	-	14,010
Unrestricted	(74,300)	-	(74,300)	-
Total net assets	<u>\$ 2,237,104</u>	<u>\$ 295,773</u>	<u>\$ 2,532,877</u>	<u>\$ 14,010</u>

See accompanying notes to the financial statements.

**SOUTHWEST GEORGIA REGIONAL COMMISSION
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012**

Function/Programs: PRIMARY GOVERNMENT:	Net (Expense) Revenue and Changes in Net Assets											
	Program Revenues				Primary Government			Business-			Component Unit	
	Direct Expenses	Indirect Expense Allocation	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total				
Governmental activities												
General government	\$ 1,276,161	\$ (846,480)	\$ 145,270	\$ -	\$ -	\$ (284,411)	\$ (284,411)	\$ (284,411)				
Community service	5,791,298	43,420	-	4,991,788	911,835	68,905	68,905	68,905				
Planning and zoning	276,491	94,101	-	271,473	-	(99,119)	(99,119)	(99,119)				
Economic opportunity	3,571,812	402,474	-	3,971,938	-	(2,328)	(2,328)	(2,328)				
Urban redevelopment/housing	39,858	14,619	49,843	-	-	(4,634)	(4,634)	(4,634)				
Conservation	5,001	1,389	6,392	-	-	2	2	2				
Interest on long-term debt	11,413	(11,413)	-	-	-	-	-	-				
Total governmental activities	10,972,034	(301,890)	201,505	9,235,219	911,835	(321,585)	(321,585)	(321,585)				
Business-type activities												
Revolving loan program	11,118	3,632	9,670	-	-	(5,080)	(5,080)	(5,080)				
DCH NET	11,053,935	289,258	10,131,494	-	-	(1,211,699)	(1,211,699)	(1,211,699)				
Total business type act.	11,065,053	292,890	10,141,164	-	-	(1,216,779)	(1,216,779)	(1,216,779)				
Total primary government	\$ 22,037,087	\$ (9,000)	\$ 10,342,669	\$ 9,235,219		(321,585)	(321,585)	(1,538,364)				
COMPONENT UNIT:												
SOWEGA Economic Dev. Corp.	\$ 20	\$ -	\$ -	\$ -								(20)
General revenues:												
Local dues						356,433	-	356,433				-
Investment earnings						483	993	1,476				35
* Transfers						(398,519)	398,519	-				-
Total general revenues						(41,603)	399,512	357,909				35
Change in net assets						(363,188)	(817,267)	(1,180,455)				15
Net assets - beginning						2,600,292	1,113,040	3,713,332				13,995
Net assets - ending						\$ 2,237,104	\$ 295,773	\$ 2,532,877				\$ 14,010

See accompanying notes to the financial statements.

SOUTHWEST GEORGIA REGIONAL COMMISSION
BALANCE SHEETS – GOVERNMENTAL FUNDS
JUNE 30, 2012

	General Fund	State Administered Grants Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash	\$ 2,443	\$ 102,974	\$ -	\$ 105,417
Receivables:				
Intergovernmental	29,717	1,852,404	40,583	1,922,704
Other receivables	-	246,268	-	246,268
Interfund balances	249,085	-	-	249,085
Total assets	<u>\$ 281,245</u>	<u>\$ 2,201,646</u>	<u>\$ 40,583</u>	<u>\$ 2,523,474</u>

**LIABILITIES AND FUND
BALANCES**

Liabilities:				
Accounts payable	\$ -	\$ 1,689,995	\$ -	\$ 1,689,995
Accrued wages	-	58,731	-	58,731
Unapplied funds	-	-	18,649	18,649
Interfund balances	258,312	452,920	21,934	733,166
Total liabilities	<u>258,312</u>	<u>2,201,646</u>	<u>40,583</u>	<u>2,500,541</u>
Fund balances:				
Committed for transportation program	-	-	-	-
Unassigned	22,933	-	-	22,933
Total fund balances	<u>22,933</u>	<u>-</u>	<u>-</u>	<u>22,933</u>
Total liabilities and fund balances	<u>\$ 281,245</u>	<u>\$ 2,201,646</u>	<u>\$ 40,583</u>	

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.	2,089,056 ✓
An internal service fund is used by management to charge indirect costs and fringe benefits to individual funds. The assets and liabilities of the internal service fund is included in governmental activities in the statement of net assets.	<u>125,115</u> ✓
Net assets of governmental activities	<u>\$ 2,237,104</u> ✓

See accompanying notes to the financial statements.

SOUTHWEST GEORGIA REGIONAL COMMISSION
STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	General Fund	State Administered Grants Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES				
Intergovernmental	\$ -	\$ 10,095,847	\$ 101,192	\$ 10,197,039
Dues	356,433	-	-	356,433
Charges for services	126,423	-	-	126,423
Training/meeting income	13,383	-	-	13,383
Investment earnings	258	225	-	483
Map/printing income	439	-	-	439
Program income	-	-	6,250	6,250
Rental income	4,879	-	-	4,879
Other income	146	-	-	146
Total revenues	<u>501,961</u>	<u>10,096,072</u>	<u>107,442</u>	<u>10,705,475</u>
EXPENDITURES				
Current:				
General government	429,680	-	-	429,680
Community service	-	5,949,940	-	5,949,940
Planning and zoning	-	293,515	77,077	370,592
Economic opportunity	-	3,971,958	-	3,971,958
Urban redevelopment and housing	-	4,578	49,899	54,477
Conservation	-	6,391	-	6,391
Total expenditures	<u>429,680</u>	<u>10,226,382</u>	<u>126,976</u>	<u>10,783,038</u>
Excess (deficiency) of revenues over (under) expenditures	72,281	(130,310)	(19,534)	(77,563)
OTHER FINANCING SOURCES (USES)				
Transfers in	249,085	84,217	19,534	352,836
Transfers out	<u>(602,935)</u>	<u>(249,085)</u>	<u>-</u>	<u>(852,020)</u>
Total other financing sources and uses	<u>(353,850)</u>	<u>(164,868)</u>	<u>19,534</u>	<u>(499,184)</u>
Net change in fund balances	<u>(281,569)</u>	<u>(295,178)</u>	<u>-</u>	<u>(576,747)</u>
Fund balances - beginning	304,502	295,178	-	599,680
Fund balances - ending	<u>\$ 22,933</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22,933</u>

See accompanying notes to the financial statements.

SOUTHWEST GEORGIA REGIONAL COMMISSION
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

Net change in fund balances - total governmental funds	\$	(576,747)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay (\$911,835) exceeded depreciation (\$545,908) in the current period.		
		365,927
Internal service fund capital contributions are not recorded in the funds but are reported as revenues in the statement of activities		100,665
Loss on disposal of capital assets is not reported in the funds but is reported as an expense in the statement of activities.		<u>(253,033)</u>
Change in net assets of governmental activities	\$	<u>(363,188)</u>

See accompanying notes to the financial statements.

SOUTHWEST GEORGIA REGIONAL COMMISSION
STATEMENTS OF NET ASSETS – PROPRIETARY FUNDS
JUNE 30, 2012

	Enterprise Funds			Governmental Fund
	Revolving Loan Fund	DCH NET Fund	Total	Internal Service Fund
ASSETS				
Current assets:				
Cash - unrestricted	\$ -	\$ -	\$ -	\$ 71,275
Cash - restricted	172,646	-	172,646	-
Receivables:				
Other	7,251	-	7,251	710
Notes receivable - current portion	52,590	-	52,590	-
Interfund balances	-	71,561	71,561	422,066
Total current assets	<u>232,487</u>	<u>71,561</u>	<u>304,048</u>	<u>494,051</u>
Noncurrent assets:				
Notes receivable, less current portion	119,516	-	119,516	-
Allowance for uncollectible debt	(46,598)	-	(46,598)	-
Buildings, equipment and vehicles	-	-	-	613,978
Less: accumulated depreciation	-	-	-	(265,238)
Total noncurrent assets	<u>72,918</u>	<u>-</u>	<u>72,918</u>	<u>348,740</u>
Total assets	<u>305,405</u>	<u>71,561</u>	<u>376,966</u>	<u>842,791</u>
LIABILITIES				
Current liabilities:				
Accounts payable	86	71,561	71,647	141,268
Accrued salaries	-	-	-	67,201
Due to component unit	-	-	-	12,846
Interfund balances	9,546	-	9,546	300,000
Capital leases payable - current portion	-	-	-	68,004
Total current liabilities	<u>9,632</u>	<u>71,561</u>	<u>81,193</u>	<u>589,319</u>
Long-term liabilities:				
Compensated absences payable	-	-	-	69,969
Capital leases payable, less current portion	-	-	-	58,388
Total liabilities	<u>9,632</u>	<u>71,561</u>	<u>81,193</u>	<u>717,676</u>
NET ASSETS				
Invested in capital assets, net of related debt	-	-	-	125,115
Restricted for revolving loan program	295,773	-	295,773	-
Unrestricted	-	-	-	-
Total net assets	<u>\$ 295,773/</u>	<u>\$ -/</u>	<u>\$ 295,773</u>	<u>\$ 125,115/</u>

See accompanying notes to the financial statements.

SOUTHWEST GEORGIA REGIONAL COMMISSION
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	Enterprise Funds			Governmental Fund
	Revolving Loan Fund	DCH NET Fund	Total	Internal Service Fund
OPERATING REVENUES				
Charges for services	\$ -	\$ 10,100,294	\$ 10,100,294	\$ 2,314,337
Interest on notes receivable	6,544	-	6,544	-
Other income	3,126	24,000	27,126	-
Total operating revenue	<u>9,670</u>	<u>10,124,294</u>	<u>10,133,964</u>	<u>2,314,337</u>
OPERATING EXPENSES				
Transportation services	-	9,489,346	9,489,346	-
Personnel services	9,899	891,074	900,973	1,624,036
Indirect costs	3,632	289,258	292,890	222,849
Depreciation	-	88,249	88,249	86,633
Per diem and fees	-	78,773	78,773	47,288
Software maintenance	-	77,395	77,395	-
Legal settlements	-	71,561	71,561	-
Telecommunications	-	42,911	42,911	38,704
Insurance and bonding	-	42,481	42,481	24,423
Liquidated damages	-	33,500	33,500	-
Rent	-	25,860	25,860	97,600
Other supplies and expenses	708	23,170	23,878	68,729
Repairs and maintenance	500	16,777	17,277	24,993
Utilities	-	17,109	17,109	26,359
Auto and travel	11	2,367	2,378	59,532
Total operating expenses	<u>14,750</u>	<u>11,189,831</u>	<u>11,204,581</u>	<u>2,321,146</u>
Operating income (loss)	<u>(5,080)</u>	<u>(1,065,537)</u>	<u>(1,070,617)</u>	<u>(6,809)</u>
NONOPERATING REVENUES				
(EXPENSES)				
Gain on disposal of capital asset	-	7,200	7,200	18,222
Loss on disposal of capital assets	-	(126,720)	(126,720)	-
Severance pay	-	(26,642)	(26,642)	-
Interest income	334	659	993	-
Interest expense	-	-	-	(11,413)
Total nonoperating revenues	<u>334</u>	<u>659</u>	<u>993</u>	<u>-</u>
(expenses)	<u>334</u>	<u>(145,503)</u>	<u>(145,169)</u>	<u>6,809</u>
Change in net assets before transfers/capital contribution	<u>(4,746)</u>	<u>(1,211,040)</u>	<u>(1,215,786)</u>	<u>-</u>

See accompanying notes to the financial statements.

SOUTHWEST GEORGIA REGIONAL COMMISSION
 STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
 PROPRIETARY FUNDS (CONTINUED)
 FOR THE YEAR ENDED JUNE 30, 2012

	Enterprise Funds		Governmental Fund
	Revolving Loan Fund	DCH NET Fund	Total
			Internal Service Fund
TRANSFERS AND CAPITAL			
CONTRIBUTIONS			
Transfer in	-	499,184	499,184
Capital contribution	-	(100,665)	(100,665)
Total transfers and capital contribution	-	398,519	398,519
Change in net assets after capital contribution	(4,746)	(812,521)	(817,267)
Total net assets - beginning	300,519	812,521	1,113,040
Total net assets - ending	\$ 295,773	\$ -	\$ 295,773

See accompanying notes to the financial statements.

**SOUTHWEST GEORGIA REGIONAL COMMISSION
STATEMENTS OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2012**

	Enterprise Funds			Gov. Fund
	Revolving Loan Fund	DCH Net Fund	Total	Internal Service Fund
CASH FLOW FROM OPERATING ACTIVITIES				
Receipts from borrowers/customers	\$ 22,490	\$ 10,139,311	\$ 10,161,801	\$ -
Internal activity - payments from (to) other funds	(5,733)	684,777	679,044	2,269,425
Payments to employees or for their benefit	(9,899)	(917,715)	(927,614)	(1,662,957)
Payments to suppliers	(4,796)	(10,646,638)	(10,651,434)	(697,269)
Net cash provided (used) by operating activities	<u>2,062</u>	<u>(740,265)</u>	<u>(738,203)</u>	<u>(90,801)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds on disposal of capital assets	-	7,200	7,200	41,631
Capital contribution	-	100,665	100,665	-
Purchase of capital assets	-	-	-	(15,766)
Principal paid on capital debt	-	-	-	(87,938)
Interest paid on capital debt	-	-	-	(11,413)
Net cash provided (used) by capital and related financing activities	<u>-</u>	<u>107,865</u>	<u>107,865</u>	<u>(73,486)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest income	335	659	994	-
Net cash provided by investing activities	<u>335</u>	<u>659</u>	<u>994</u>	<u>-</u>
Net increase (decrease) in cash	2,397	(631,741)	(629,344)	(164,287)
Balances - beginning	170,249	631,741	801,990	235,562
Balances - ending	<u>\$ 172,646</u>	<u>\$ -</u>	<u>\$ 172,646</u>	<u>\$ 71,275</u>

**RECONCILIATION OF OPERATING INCOME (LOSS)
TO NET CASH PROVIDED (USED) BY OPERATING
ACTIVITIES**

Operating income (loss)	\$ (5,080)	\$ (1,065,537)	\$ (1,070,617)	\$ (6,809)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation expense	-	88,249	88,249	86,633
Severance pay included in discontinuation of a segment	-	(26,641)	(26,641)	-
Change in assets and liabilities:				
Receivables, net	12,820	15,017	27,837	(710)
Interfund balances	(5,733)	684,777	679,044	(44,912)
Accounts and other payables	55	(436,130)	(436,075)	(125,003)
Net cash provided by operating activities	<u>\$ 2,062</u>	<u>\$ (740,265)</u>	<u>\$ (738,203)</u>	<u>\$ (90,801)</u>

Noncash activity. Capital assets with a cost of \$141,046 and accumulated depreciation of \$40,381 were transferred from DCH NET fund to the internal service fund. Capital assets with a cost of \$39,351 and accumulated depreciation of \$39,351 were disposed of in the internal service fund. Capital assets with a cost of \$33,277 were purchased with a capital lease in the amount of \$33,277 in the internal service fund. ✓

See accompanying notes to the financial statements.

SOUTHWEST GEORGIA REGIONAL COMMISSION
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
JUNE 30, 2012

	Employee Retirement Plan
ASSETS	
Investments at fair value:	
Corporate and government bonds	\$ 801,598
Corporate stocks	880,826
Total investments	1,682,424
Interfund balances	300,000
Total assets	\$1,982,424
 NET ASSETS	
Held in trust for pension benefits (see Schedule of Retirement Plan Funding Progress)	\$1,982,424

See accompanying notes to the financial statements.

SOUTHWEST GEORGIA REGIONAL COMMISSION
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND
FOR THE YEAR ENDED JUNE 30, 2012

	<u>Employee Retirement Plan</u>
ADDITIONS	
Contributions:	
Employer	\$ 300,293
Net increase in fair value of investments	<u>57,440</u>
Total contributions	<u>357,733</u>
 DEDUCTIONS	
Benefits	246,535
Administrative expense	<u>30</u>
Total deductions	<u>246,565</u>
Change in net assets	111,168
Net assets - beginning	<u>1,871,256</u>
Net assets - ending	<u><u>\$1,982,424</u></u>

See accompanying notes to the financial statements.

SOUTHWEST GEORGIA REGIONAL COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Southwest Georgia Regional Commission (hereafter referred to as the RC) is one of twelve regional commissions in Georgia. The RC was created by state legislation, as amended by House Bill 1216, requiring, among others, that the regional development centers be changed to a regional commissions. The Official Code of Georgia Annotated (OCGA) Section 50-8-41 provided for the succession.

The regional commissions are quasi-governmental regional planning organizations created and managed by member local governments. The responsibilities and authority of regional commissions are contained in Sections 50-8-30 through 50-8-67 of the OCGA. The RC staff, including technical experts in a number of specialized fields, team with local governments to solve problems and to increase the prosperity and quality of life in the region.

The RC is a multi-funded organization receiving funds from federal, state, and local agencies, plus member governments. In some cases, federal grants may be passed through and administered by a state agency via a contractual relationship with the RC. Additionally, state agencies contract with the RC to perform certain services. These contracts are funded with money appropriated by the Georgia Legislature. Additionally, member governments provide funds to the RC through dues or other contracts with the RC for a specific product or service.

The RC's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. Although the RC has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, the RC has chosen not to do so.

A. Reporting Entity

These financial statements present the RC (the primary government) and its component unit, SOWEGA Economic Development Corporation. As defined by GASBS No. 14, component units are legally separate entities that are included in the RC's reporting entity because of the significance of their operating or financial relationship with the RC. Separate financial statements are not issued for the SOWEGA Economic Development Corporation.

SOWEGA Economic Development Corporation is organized pursuant to the provisions of the Georgia Non-Profit Corporation Code. The Corporation's primary purpose is furthering the economic development and social welfare of the Southwest Georgia area by packaging Small Business Administration loans for a fee. The area it serves is the same as Southwest Georgia Regional Commission. The Corporation formerly served as a Certified Development Corporation pursuant to Section 503 of Title V of the Small Business Investment Act of 1958, as amended. The current status of the corporation is that of Associate Development Corporation. The RC's employees manage and operate the Corporation. The Corporation contracts with the RC for these services and the contract provides for payments of these services to the RC.

There are no potential component units that are excluded from the RC's reporting entity.

SOUTHWEST GEORGIA REGIONAL COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basic Financial Statements – Government-wide Statements

The RC's basic financial statements include both government-wide (reporting the RC as a whole) and fund financial statements (reporting the RC's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. The RC's Direct Federal Grants Fund, State Administered Grants Fund, Local Program Fund and General Fund are classified as governmental activities. The RC's Revolving Loan Fund and DCH Non-Emergency Transportation Fund (DCH NET fund) are classified as business-type activities. Neither fiduciary funds nor component units that are fiduciary in nature are included.

In the government-wide Statement of Net Assets, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, (b) and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The RC's net assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The RC first utilizes restricted resources to finance qualifying activities. /

The government-wide Statement of Activities reports both the gross and net cost of each of the RC's functions and business-type activities (grant administration, DCH NET program, and revolving loan program, etc.). The functions are also supported by general government revenues (dues, investment earnings, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function (community service, economic development, etc.) or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

The net costs (by function or business-type activity) are normally covered by general revenue (investment earnings, dues, etc.).

The RC normally does not have excess indirect costs to allocate in preparing government-wide statements. An administrative service fee is charged by the Internal Service Fund to the other operating funds in preparing the government-wide financial statements. This fee and associated costs is eliminated like a reimbursement (reducing the revenue and expense in the Internal Service Fund) to recover the direct costs of the Internal Service Fund services provided.

The government-wide focus is more on the sustainability of the RC as an entity and the change in the RC's net assets resulting from the current year's activity.

SOUTHWEST GEORGIA REGIONAL COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basic Financial Statements – Fund Financial Statements

The financial transactions of the RC are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses.

The emphasis in fund financial statements is on the major funds in either the government or business-type activities categories. The RC's major funds are the General Fund, the State Administered Grants Fund, DCH NET Fund, and the Revolving Loan Fund. Nonmajor funds by category are summarized into a single column. GASB No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expense of either fund category or the governmental and enterprise combined) for the determination of major funds.

The following fund types are used by the RC:

1. Governmental Funds:

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the RC:

- a. The **general fund** is used to account and report financial resources not accounted for in another fund. Specifically, this fund recognizes as revenue dues paid by the RC's member governments. These dues are principally used as matching funds for grants and contracts and, additionally, to fund projects or activities which are not funded by other sources. If the RC performs non-contractual services for a local government, these services would be accounted for in the general fund. Matching funds for grants and contracts are transferred to the special revenue fund through transfers.
- b. **Special revenue funds** are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than for debt service or capital projects. Activities for grants, contracts, and special projects are accounted for in these funds.
 - (1) Direct Federal Grants Fund - used to account for revenues and costs associated with direct federal grants.
 - (2) State Administered Grants Fund - used to account for revenues and costs associated with state grants and federal grants passed through state agencies.
 - (3) Local Programs Fund - used to account for revenues and expenditures of contracts with local governments.

SOUTHWEST GEORGIA REGIONAL COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. Proprietary Funds:

The focus of proprietary fund measurement is upon determination of operating income, changes in net assets, financial position and cash flows. Goods or services from such activities provided to outside parties are accounted for in enterprise funds. The generally accepted accounting principles applicable are similar to businesses in the private sector. The following is a description of the proprietary funds of the RC:

- a. **Enterprise funds** are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity (a) is financed with debt that is solely secured by a pledge of the net revenues, (b) has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges or (c) establishes fees and charges based on a pricing policy designed to recover similar costs. Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities. Nonoperating revenues and expenses include subsidies, interest expense from financing and investment earnings resulting from nonexchange transactions or ancillary activities.

EDA Revolving Loan Fund. The EDA RLF accounts for transactions related to the United States Department of Commerce's Economic Development Administration's Revolving Loan Fund. Revenue sources consist of charges for packaging loan applications and interest received on outstanding loans. The RC's personnel administer the outstanding loans and assist potential borrowers with loan packaging.

DCH Non-Emergency Transportation Fund (DCH NET fund.) The DCH fund is used to account for activity related to the Georgia Department of Community Health Non-Emergency Transportation Services contract.

- b. **Internal service funds** are used to account for the financing of goods or services provided by an activity to other departments, funds or component units of the RC on a cost-reimbursement basis.

Cost Pools. The RC accounts for employee benefits and indirect costs in accordance with its cost allocation plan in its Internal Service Fund. These costs are pooled and billed to the grants and contracts and other activities accounted for in other funds. These reimbursements from the special revenue fund are recognized as revenue in the Internal Service Fund as cost recoveries.

The RC's internal service fund is presented in the proprietary funds financial statements. Because the principal users of the internal services are the RC's governmental activities, the financial statements of the internal service fund are consolidated into the governmental column when presented in the government-wide financial statements. The cost of these services is reported in the appropriate functional activity (community service, economic development, economic opportunity, etc.)

SOUTHWEST GEORGIA REGIONAL COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3. Fiduciary Funds:

Fiduciary Funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support the RC's programs. The reporting focus is on net assets and changes in net assets and is reported using accounting principles similar to proprietary funds.

The RC's fiduciary funds are presented in the fiduciary fund financial statements by type (pension, private purpose and agency). Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, pension participants, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements.

Pension Trust Fund:

The Southwest Georgia Regional Commission's Employee Retirement Plan is administered by a board of trustees appointed by the Board of Directors of Southwest Georgia Regional Commission. The RC is obligated to fund all pension fund costs based upon actuarial valuations. The Pension Trust Fund accounts for all activity of the RC's Retirement Plan.

D. Measurement Focus and Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurement made regardless of the measurement focus applied.

1. Government-wide, Proprietary and Fiduciary Fund Financial Statements:

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

2. Governmental Fund Financial Statements:

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

SOUTHWEST GEORGIA REGIONAL COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Other Significant Accounting Policies

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

The RC's general policy is to charge prepaid amounts to the period in which the expenditure is made. An exception is made for payments to the RC's retirement plan in excess of the required contribution.

Revenues of the governmental funds susceptible to accrual are dues from member county and municipal governments and the earned portion of grants and contracts.

Recognized costs of grants and contracts are used as the basis of recording revenues from the grantor and/or contractor. Accounts receivable will reflect amounts earned that are undrawn, and unapplied funds will show balances of advance contract receipts that have not been earned.

F. Financial Statement Amounts

1. Cash and Equivalents

Cash shown on the balance sheets and statements of cash flows includes amounts in demand deposits and short-term investments with a maturity date within three months of the date acquired by the RC.

2. Investments

Investments are stated at cost except for investments included in the Pension Trust Fund which are reported at fair market value. The RC's general policy is to invest only in the type of investments permitted by state law pertaining to local governments. Such investments are limited to obligations of the State of Georgia or other states; obligations issued by the U. S. Government or by one of its agencies or corporations; prime bankers' acceptances; the local government investment pool established by state law; repurchase agreements; and obligations of other political subdivisions of the State of Georgia.

For the Pension Trust Fund, the trustees have established investment policies, which include investing in equities not to exceed fifty-five percent of asset value, in compliance with state law. Investments of the Pension Trust Fund were held by Prudential Annuities, a Prudential Company, in a separate account.

3. Receivables

All receivables are recorded at their gross value. Receivables from grants and contracts represent amounts earned (i.e., allowable expenditures which have been incurred and for which reimbursement is due the RC).

SOUTHWEST GEORGIA REGIONAL COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4. Notes Receivable and Allowance for Bad Debts

Notes receivable consist of loans made through the RC-administered Revolving Loan Fund (RLF). Bad debt expense in the RLF fund is accounted for using the allowance method. Uncollectible loans are charged off against this allowance.

5. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the fund financial statements for proprietary funds. All capital assets are valued at historical cost or estimated historical cost if actual historical is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized. Interest has not been capitalized during the construction period on property, plant, and equipment.

Assets that have an original cost of \$500 or more are capitalized. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives of equipment and vehicles are considered to be 5 to 15 years and 5 years, respectively.

The RC has no public domain or infrastructure capital assets, such as roads and bridges.

Capital assets acquired with grantor agency funds are charged as direct costs to the particular grant and/or contract.

The RC recognizes depreciation in its indirect cost allocation plan as an allowable cost in accordance with United States Office of Management and Budget Circular A-87. The depreciation charge is recovered as a reimbursable cost from grants, contracts, and local projects in the RC's Special Revenue Funds.

6. Compensated Absences and Employee Benefits

The RC provides the following compensated absences and employee benefits:

The RC charges employee benefits and compensated absences in accordance with its cost allocation plan as an allowable reimbursable cost under the provisions of United States Office of Management and Budget (OMB) Circular A-87. The compensated absences and employee benefits are recognized in the Cost Pools Fund and accumulated in an employee benefit pool. The compensated absences are identified in the Internal Service Fund as released time (identifying these costs as time the employee is released from work). These costs are pooled with other paid benefits (fringe benefits) to be shared by all programs and not directly charged to a particular program.

Compensated absences and employee benefits incurred by the RC are recognized in the Cost Pool Fund. Released time and fringe benefit allocations are recorded in the special revenue funds (at actual costs) each month. Recoveries of these costs are recognized as revenue in the Cost Pool Fund. Please refer to the Schedule of Employee Benefit Costs Pool – Actual Rate in the State Compliance Section of this report for actual released time, fringe benefit rate and the allocation base for the year.

SOUTHWEST GEORGIA REGIONAL COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Types of Leave - The RC recognizes seven (7) types of leave that are available to employees. They are annual leave, sick leave, military leave, court leave, leave-of-absence, leave under the Family and Medical Leave Act of 1993, and one day per year of personal leave (anniversary date).

Annual Leave

Annual Leave is leave that is earned to be used for vacations, personal business activities and other personal activities. Compensated absences payable is recorded for annual leave that has been earned but not yet paid.

Eligibility. All full-time employees, acting full-time and half-time employees and "longer term temporary employees" are eligible. Acting half-time employees and half-time employees will earn leave on a prorated basis consistent with the number of regularly scheduled hours worked as compared with a 40 hour normal work week. Part-time, seasonal, substitute and short-term temporary workers are not eligible.

Method of Earning Annual Leave. Depending on length of service, eligible full-time employees earn leave at rates of from .8333 to 1.67 days per month depending on years of service. Additionally, all eligible employees earn one additional day of annual leave per year which is credited to their account on the employee's anniversary date.

Method of Accumulating Leave. Maximum accumulation, which includes anniversary date leave, depends on length of service and ranges from 21 days for up to 5 years to 41 days for 10 years and over. All leave in excess of these maximums is forfeited. (In cases where job demands and staff work load prevent the taking of leave, as determined by the Executive Director, this rule may be waived.)

Method of Taking Annual Leave. Employees may take annual leave as earned in any increments with Department Head or Supervisor approval.

Payment of Terminal Leave. Payment of terminal leave, which includes anniversary date leave, is subject to prescribed maximums ranging from 11 to 21 days based on length of service. Terminal leave is computed using the daily compensation rate, which is determined by dividing the annual salary by 260 working days.

Sick Leave

Sick Leave is leave accumulated to be taken for bona fide illness and injury and other medical related necessities such as physician appointments, medical examinations, dental appointments and funerals in the immediate family. Sick leave is available for the employee's personal health care as well as for the care of members of the immediate family.

Eligibility. All full-time, acting full-time, half-time and longer term temporary employees are eligible. Half-time and acting half-time employees will earn sick leave on a prorated basis consistent with the number of hours worked as compared with a normal week. Temporary short-term, seasonal, part-time and substitute employees are not eligible for sick leave.

SOUTHWEST GEORGIA REGIONAL COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Method of Earning Sick Leave. All employees, regardless of length of service, earn sick leave at the rate of one (1) day per month.

Accumulating Sick Leave. Sick leave may be accumulated to a maximum of 42 working days. All leave in excess of 42 days is forfeited. Sick leave can run 60 consecutive days, including weekends. Upon termination of employment, all accumulated sick leave is forfeited.

No liability is recorded for non-vesting accumulating rights to sick pay benefits. The cost of sick leave is recognized as it is taken by the employee.

Other Benefits

Insurance. The RC maintains group insurance plans covering disability, term life, dental and health. Dental and health insurance plans allow for employee contributory participation.

Payroll tax expense. Payroll tax expense consists of employer share of FICA tax and federal and Georgia unemployment taxes.

Retirement Benefits. The RC maintains a non-contributory retirement plan administered by a board of trustees appointed by the RC's Board of Directors. Additional information on the RC's retirement plan is contained in Note 11.

Please refer to the Schedule of Employee Benefit Cost Pool – Actual Rate in the State Compliance Section of this report for more details.

7. Fund Balances and Fund Equity

Fund Balances. Generally, fund balance represents the difference between the current assets and current liabilities. In the fund financial statements, governmental funds report fund classifications that comprise a hierarchy based primarily on the extent to which the RC is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Fund balances are classified as follows:

1. Nonspendable – Fund balances are reported as nonspendable when amounts cannot be spent because they are either (a) not in spendable form (i.e., items that are not expected to be converted to cash) or (b) legally or contractually required to be maintained intact.
2. Restricted – Fund balances are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the entity or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.
3. Committed – Fund balances are reported as committed when they can be used only for specific purposes pursuant to constraints imposed by formal action of the Council (the RC's highest level of decision-making authority) through the adoption of a resolution. The Council also may modify or rescind the commitment.

SOUTHWEST GEORGIA REGIONAL COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4. Assigned – Fund balances are reported as assigned when amounts are constrained by the RC's intent to be used for specific purposes, but are neither restricted nor committed. Through resolution the Council can authorize the finance committee or executive director to assign fund balances.
5. Unassigned – Fund balances are reported as unassigned as the residual amount when the balances do not meet any of the above criterion.

Flow assumption. When both restricted and unrestricted amounts of fund balance are available for use for expenditures incurred, it is the RC's policy to use restricted amounts first and then unrestricted amounts as they are needed. For unrestricted amounts of fund balance, it is the RC's policy to use fund balances in the following order: (a) committed, (b) assigned, (c) unassigned.

Contributed capital. Contributed capital is recorded in proprietary funds that have received grants from federal, state or private sources designated for the specific activity or monies received from other fund entities of the RC. These contributions are included in net assets. The contributed capital in the enterprise fund, \$750,000, represents contributions from the U.S. Department of Commerce-Economic Development Administration for the revolving loan fund program and its required matching funds from the RC, SOWEGA Economic Development Corporation, and the RC's member governments.

8. Interfund Activity

Interfund activity is reported as loans, as services provided, as reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

The principal purpose of the RC's interfund transfers is to satisfy grant contracts that require a percentage of the costs to be expended from local resources. Local dues, which are transferred from the general fund to the special revenue funds, are used as matching funds for grants and contracts. Cost reimbursements received from grants and contracts in the special revenue fund are recognized in the Internal Service Fund as cost recoveries (revenue) instead of transfers in accordance with the requirements of the "Uniform Accounting and Financial Management Manual for Georgia's Regional Development Centers".

The principal purpose of interfund balances is to provide working capital in the funds where management deems appropriate.

Receipts and/or payments to or from other governmental units included in the reporting entity of the RC are not reported as transfers. They are classified according to the purpose for which the receipt or payment has been made.

SOUTHWEST GEORGIA REGIONAL COMMISSION
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

9. Direct Costs/Indirect Costs

Costs that can be identified specifically with a particular cost objective are considered direct costs and are charged directly to the applicable grant or contract. Costs that are incurred for a common or joint purpose, benefiting more than one cost objective or are not readily assignable to the cost objectives specifically benefited without effort disproportionate to the results achieved, are considered indirect costs.

The RC charges indirect costs in accordance with its cost allocation plan as allowable reimbursable costs under the provisions of OMB Circular A-87.

The RC has adjusted allocations charged to the grants and contracts in the special revenue fund to reflect the actual cost incurred. Indirect costs are recognized in the Internal Service Fund. Cost reimbursements received in the Special Revenue Fund from the various grants and contracts are transferred to the Cost Pools Fund and recognized as cost recoveries.

Please refer to the Schedule of Indirect Costs – Actual Rate in the State Compliance section of this report for more details.

NOTE 2 – CASH

Cash balances are as follows:

	Insured or Collateralized	
	Carrying Amount	Bank Balance
Primary Government		
Deposits	\$ 349,038	\$ 399,452
Petty cash	300	-
Total primary government	\$ 349,338	\$ 399,452
Component Unit	\$ 1,164	\$ 1,164

Restricted cash is as follows:

Business-type activities:

Enterprise Fund – Revolving Loan Fund – restricted by grant agreement to use for loans in conformity with Department of Commerce, Economic Development Administration grant requirements - \$172,646.

SOUTHWEST GEORGIA REGIONAL COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 3 – INVESTMENTS – FIDUCIARY FUND – RETIREMENT PLAN

The only investments of the RC are carried in the retirement plan - Prudential Annuities, a Prudential Company, annuity contract. The investments of the pension trust fund are as follows:

Advanced Series LifeVest Investments	Average Maturities	Fair Value	Morningstar Risk and Rating
Stock Mutual Funds:			
AST AllianceBernstein Growth & Income	N/A	\$ 198,706	N/A
AST QMA US Equity Alpha	N/A	260,022	N/A
AST Small Cap Value	N/A	171,266	N/A
AST Marsico Capital Growth	N/A	171,604	N/A
Bond Mutual Funds:			
AST High Yield	N/A	100,018	2 star
AST Lord Abbett Bond - Debenture	N/A	102,613	US Government
AST PIMCO Total Return Fund	5.59 years	617,809	4 star
AST PIMCO Limited Maturity Bond	2.48 years	60,386	4 star
Total investments		<u>\$1,682,424</u>	

The RC's investment policy with regard to the retirement plan is to invest only in the type of investments which are legally authorized by state statutes. As required by state statutes no more than 55% of the investments can be in equities. The above investments are legally authorized by the state and meet the required 55% threshold. Investments are restricted for payments of retirement benefits or administration expenses. Investments are stated at fair market value as determined by the investment managing company.

Interest Rate Risk

The mutual bond funds are invested primarily in securities of varying maturities, so that the portfolios' expected average duration will be from one to twelve years.

Credit Risk

State statutes limit the RC's investments, other than retirement plan investments, to: obligations of the state of Georgia and other states; obligations issued by the U.S. government; obligations fully insured or guaranteed by the U.S. government or by a government agency of the United States; obligation of any corporation of the U.S. government; prime bankers' acceptances; the local government investment pool; and obligations of other political subdivisions of the state of Georgia.

The risk of a fund or portfolio investing primarily in fixed income securities is determined largely by the quality and maturity characteristics of its portfolio security. The mutual bond funds above are invested primarily in higher-quality fixed income securities.

SOUTHWEST GEORGIA REGIONAL COMMISSION
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2012

NOTE 3 – INVESTMENTS – FIDUCIARY FUND – RETIREMENT PLAN (CONTINUED)

Equity securities and fixed income securities can decline in value, and the primary risk of each of the above portfolios is that the value of the securities they hold will decline. Accordingly, loss of money is a risk of investing in each of these portfolios.

NOTE 4 - NOTES RECEIVABLE AND ALLOWANCE FOR BAD DEBT

Loans receivable consist of balances of revolving loan funds loaned to area businesses in the amount of \$172,106.

An allowance for uncollectible debt of \$46,598 has been recorded. There were no changes in the allowance from prior year.

NOTE 5 - UNAPPLIED FUNDS AND RECEIVABLES

Unapplied funds - includes amounts due to grantor agencies where funds were received in advance and balances remain which are unearned.

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
UNAPPLIED FUNDS			
ACF Compact	\$ 18,649	\$ -	\$ 18,649
Total unapplied funds	<u>\$ 18,649</u>	<u>\$ -</u>	<u>\$ 18,649</u>

SOUTHWEST GEORGIA REGIONAL COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 5 - UNAPPLIED FUNDS AND RECEIVABLES (CONTINUED)

Intergovernmental receivables relating to federal, state and local grants, contracts and fees are detailed below:

	Governmental Activities	Business-type Activities	Total
RECEIVABLES			
Local:			
Dues and fees	\$ 29,717	\$ -	\$ 29,717
Contracts:			
CDBG/CHIP - various	37,154	-	37,154
Total local receivable	66,871	-	66,871
State grants receivable:			
Department of Community Affairs	44,261	-	44,261
Department of Transportation	783,847	-	783,847
Department of Labor	564,648	-	564,648
Department of Human Services	459,648	-	459,648
Total state receivable	1,852,404	-	1,852,404
Federal grants receivable:			
Department of Commerce - EDA	3,429	-	3,429
Total federal receivable	3,429	-	3,429
Total intergovernmental receivable	1,922,704	-	1,922,704
Other receivables:			
Internal service fund			
Due from employees	710	-	710
State administered grants fund:			
Transportation subcontractors:			
Insurance reimbursement	39,027	-	39,027
Fuel reimbursement	182,602	-	182,602
Advances and other	24,639	-	24,639
Total other receivables	246,978	-	246,978
Total governmental receivables	2,169,682	-	2,169,682
Enterprise funds			
RLF - interest and late fees	-	7,251	7,251
Total enterprise funds receivable	-	7,251	7,251
Total receivables	\$ 2,169,682	\$ 7,251	\$2,176,933

SOUTHWEST GEORGIA REGIONAL COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 6 - INTERFUND BALANCES, TRANSFERS AND CAPITAL CONTRIBUTIONS

Interfund balances consist of the following:

Fund	Receivables	Payables	Net
Governmental Funds:			
General fund:			
State administered grants fund	\$ 249,085 ✓	\$ -	\$ 249,085
Internal service fund		(186,751)	(186,751)
DCH NET fund ✓	-	(71,561) ✓	(71,561)
State administered grants fund: ✓			
General fund	-	(249,085) ✓	(249,085)
Internal service fund	-	(203,835) ✓	(203,835)
Nonmajor funds: ✓			
Internal service fund	-	(21,934) ✓	(21,934)
Internal service fund:			
General fund	186,751	-	186,751
State administered grants fund	203,835	-	203,835
Nonmajor funds	21,934	-	21,934
Revolving loan fund	9,546	-	9,546
Pension trust fund	-	(300,000) ✓	(300,000)
Total governmental funds	<u>671,151</u>	<u>(1,033,166)</u>	<u>(362,015)</u>
Proprietary Funds:			
Enterprise funds:			
DCH NET fund: ✓			
Internal service fund	71,561 ✓	-	71,561
Revolving loan fund: ✓			
Internal service fund	-	(9,546) ✓	(9,546)
Total enterprise funds	<u>71,561</u>	<u>(9,546)</u>	<u>62,015</u>
Pension Trust Fund			
Internal service fund:	300,000 ✓	-	300,000
Total	<u>\$ 1,042,712</u>	<u>\$ (1,042,712)</u>	<u>\$ -</u>

SOUTHWEST GEORGIA REGIONAL COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 6 - INTERFUND BALANCES, TRANSFERS AND CAPITAL CONTRIBUTIONS
(CONTINUED)

Interfund transfers and capital contributions consist of the following:

	In	Out	Net
Governmental activities:			
General fund:			
State administered grants fund	\$ 249,085 ✓	\$ (84,217) ✓	\$ 164,868
Nonmajor funds	-	(19,534) ✓	(19,534)
DCH NET fund	-	(499,184) ✓	(499,184)
State administered grants fund: ✓			
General fund	84,217 ✓	(249,085) ✓	(164,868)
Internal service fund: ✓			
DCH NET fund	100,665 ✓	-	100,665
Nonmajor funds: ✓			
General fund	19,534 ✓	-	19,534
Total governmental funds	453,501	(852,020)	(398,519)
Proprietary Funds:			
Enterprise funds:			
DCH NET fund: ✓			
General fund	499,184 ✓	-	499,184
Internal service fund	-	(100,665)	(100,665)
Total proprietary funds	499,184	(100,665)	398,519
Total interfund transfers	\$ 952,685	\$ (952,685)	\$ -

Non-routine Transfers

The purpose of the transfer of \$499,184 from the general fund to the DCH NET fund was to cover the deficit in fund balance at June 30, 2012 in the DCH NET fund, as a result of the large operating losses in that fund. The purpose of the transfer of \$249,085 from the state administered grants fund to the general fund was to cover the deficit in fund balance at June 30, 2012 in the general fund.

SOUTHWEST GEORGIA REGIONAL COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 7 – CAPITAL ASSETS

The following is a summary of capital assets.

	Beginning Balance	Increases	Decreases	Contributions/ Transfers	Ending Balance
Governmental activities					
Equipment	\$ 504,577	\$ 49,042	\$ (75,544)	\$ 123,350	\$ 601,425
Vehicles	3,168,764	911,835	(962,856)	-	3,117,743
Leasehold improvements	-	-	-	17,696	17,696
Total capital assets	<u>3,673,341</u>	<u>960,877</u>	<u>(1,038,400)</u>	<u>141,046</u>	<u>3,736,864</u>
Less accumulated depreciation for:					
Equipment	(314,784)	(52,405)	67,702	(38,445)	(337,932)
Vehicles	(1,073,321)	(580,135)	694,255	-	(959,201)
Leasehold improvements	-	-	-	(1,936)	(1,936)
Total accumulated depreciation	<u>(1,388,105)</u>	<u>(632,540)</u>	<u>761,957</u>	<u>(40,381)</u>	<u>(1,299,069)</u>
Total governmental activities capital assets	<u>\$ 2,285,236</u>	<u>\$ 328,337</u>	<u>\$ (276,443)</u>	<u>\$ 100,665</u>	<u>\$ 2,437,795</u> ✓
Business-type activities					
Equipment	\$ 607,478	\$ -	\$ (484,128)	\$ (123,350)	\$ -
Leasehold improvements	17,696	-	-	(17,696)	-
Total capital assets	<u>625,174</u>	<u>-</u>	<u>(484,128)</u>	<u>(141,046)</u>	<u>-</u>
Less accumulated depreciation:					
Equipment	(308,784)	(87,069)	357,408	38,445	-
Leasehold improvements	(756)	(1,180)	-	1,936	-
Total accumulated depreciation	<u>(309,540)</u>	<u>(88,249)</u>	<u>357,408</u>	<u>40,381</u>	<u>-</u>
Total business-type capital assets	<u>\$ 315,634</u>	<u>\$ (88,249)</u>	<u>\$ (126,720)</u>	<u>\$ (100,665)</u>	<u>\$ -</u> ✓

Depreciation expense was charged to functions as follows:

Governmental activities:	
Community service	\$ 543,339
Economic development and assistance	241
Economic opportunity	2,326
In addition depreciation on capital assets held by the RC's internal service fund is charged to various functions based on their usage of the assets.	<u>86,633</u>
Total governmental activities depreciation expense	<u>\$ 632,539</u> ✓
Business-type activities: DCH NET Fund	<u>\$ 88,249</u>

SOUTHWEST GEORGIA REGIONAL COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 8 - CAPITAL LEASES AND LONG-TERM DEBT

The following is a summary of capital leases and long-term debt activity for the year:

	Balance 7/1/2011	Additions	Payments	Balance 6/30/2012	Due Within One Year
Governmental activities:					
Dell Financial Services	\$ 2,253	\$ -	\$ (2,251)	\$ 2	\$ 2
Dell Financial Services	\$ -	\$ 33,277	\$ (7,922)	25,355	\$ 11,228
Great America Leasing Corp.	5,496	-	(1,763)	3,733	2,023
Ford Motor Credit	80,185	-	(37,822)	42,363	22,564
Ford Motor Credit	58,793	-	(19,268)	39,525	20,183
Atlantic TelCom	12,320	-	(9,629)	2,691	2,691
Atlantic TelCom	1,464	-	(1,142)	322	322
Dell Financial Services	15,164	-	(6,071)	9,093	6,705
Dell Financial Services	5,378	-	(2,070)	3,308	2,286
Total governmental activities	<u>\$ 181,053</u>	<u>\$ 33,277</u>	<u>\$(87,938)</u>	<u>\$ 126,392</u> ✓	<u>\$ 68,004</u> ✓

Annual requirements to amortize the capital leases are as follows:

Year Ended June 30	Governmental Activities		
	Principal	Interest	Total
2013	\$ 68,004	\$ 5,960	\$ 73,964
2014	56,299	1,725	58,024
2015	2,089	18	2,107
Total	<u>\$ 126,392</u> ✓	<u>\$ 7,703</u>	<u>\$ 134,095</u>

SOUTHWEST GEORGIA REGIONAL COMMISSION
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2012

NOTE 8 - CAPITAL LEASES AND LONG-TERM DEBT (CONTINUED)

The following is a summary of long-term debt transactions:

	<u>Balance</u> <u>7/1/2011</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>6/30/2012</u>
Governmental activities:				
Compensated				
absences payable	<u>\$ 88,290</u>	<u>\$ 93,200</u>	<u>\$ (111,521)</u>	<u>\$ 69,969</u> ✓

The internal service fund has been used in the past to liquidate the above liability. /

Interest expense of \$11,413 was incurred and charged to the internal service fund for governmental leases above. The internal service fund has been used in the past to liquidate the above governmental capital lease liabilities. The gross amount of assets under capital leases at year end was \$157,012 (vehicles with a cost of \$128,523 and accumulated depreciation of \$28,979 and equipment/software with a cost of \$86,008 and accumulated depreciation of \$28,540).

NOTE 9 – NET ASSET RESTRICTIONS

The RC records restrictions to indicate that a portion of the fund equity is legally segregated for a specific future use.

Net asset restrictions are as follows:

Held in trust for employee retirement plan - retirement benefits - equity in the pension trust fund - restricted to payment of participant retirement benefits - \$1,982,424.

SOUTHWEST GEORGIA REGIONAL COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 10 - RENT

The RC occupies space in a building located in and owned by the City of Camilla. The total rent expense for the year was \$49,200 and was charged to the internal service fund.

The RC also rents space in an additional building owned by the City of Camilla. The RC paid \$4,484 per month in rent until May 1, 2012 when the rent was reduced to \$1,780.20 per month due to the termination of the DCH NET program. The total rent expense for the year was \$48,400 (\$27,038 was charged to the NET program and \$21,362 was charged to the WIA program).

Beginning November 1, 2010, the RC also rents a building from Miles Realty for the Bainbridge Skills Center for \$650 per month. The lease term ends June 30, 2012. The total rent expense for the year was \$7,800 and was charged to the WIA program.

NOTE 11 - RETIREMENT PLAN

Plan Description and Contribution Information

The Southwest Georgia Regional Commission Retirement Plan (the Plan) is a non-contributory single-employer defined benefit retirement plan administered by a board of trustees appointed by the RC's board of directors. The Plan's financial statements are included in the financial statements of the Southwest Georgia Regional Commission as a fiduciary (Pension Trust) fund. No separate stand-alone financial report is issued. The Plan provides retirement benefits to participating RC employees. All employees working except those working less than 20 hours per week, less than 5 months during any 12 month period, or who are active participants in another governmental retirement plan are eligible to participate. Participant vesting occurs only after 5 years credited service, at which time 100% vesting occurs. Benefits and employer contributions are governed by the plan document, as adopted and amended by the Board of Trustees. The RC's policy is to contribute the actuarially determined annual normal cost each year. Administrative costs of the Plan are paid by the employer, Southwest Georgia Regional Commission.

Basis of Accounting. The Plan's financial statements are prepared using the accrual basis of accounting. Employer contributions to the plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan.

Method Used to Value Investments. Investments are reported at fair value as determined by the investment manager, Prudential Annuities, a Prudential Financial Company. Short term investments are reported at cost, which approximates fair value. Investments that do not have an established market are reported at estimated fair value.

SOUTHWEST GEORGIA REGIONAL COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 11 - RETIREMENT PLAN (CONTINUED)

Description of Actuarial Assumptions and Method

Valuation Date: July 1, 2011

The costs of the plan are derived by making certain specific assumptions as to the rates of interest, mortality, turnover, disability, etc. that are assumed to hold for many years into the future. Since actual experience differs somewhat from the assumptions, the costs determined by the valuation must be regarded as estimates of the true costs of the plan. Under the actuarial cost method used for the plan, any differences that have occurred since the prior valuation date are reflected in the calculation of the normal cost. The effect of these differences is spread over the future working lifetime of the plan participants.

A description of the actuarial cost method and the specific actuarial assumptions used in this valuation is as follows:

Actuarial Cost Method: Aggregate Method. Annual pension cost is determined by the aggregate actuarial cost method. Under this actuarial cost method, the present value of future benefits (attributable to both past and future services) is funded over the total future working lifetime of the active participants. No unfunded actuarial liability is computed under this method. The normal cost at each valuation date is the level percent of payroll which, when added to the assets of the plan, will completely fund the total projected benefits.

The present value of future benefits for participants currently receiving benefits, for active participants beyond the assumed retirement age, and for participants entitled to deferred benefits, is equal to the present value of the benefits expected to be paid. No normal costs are applicable for these participants.

Actuarial Asset Valuation Method. The actuarial asset valuation method spreads the recognition of deviations from the expected asset return over three years. The result is a gradual recognition of each year's gain or loss without the large fluctuations that can result from immediate recognition. The resulting value is limited by IRS regulations to a value between 80% and 120% of market value.

SOUTHWEST GEORGIA REGIONAL COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 11 - RETIREMENT PLAN (CONTINUED)

Actuarial Assumptions

Retirement age	Age 65 or age at the valuation date if later.
Interest	7.75% per year
Mortality	RP2000 projected to 2008 with Scale AA, separate tables for males and females
Turnover	Sarason T-3 Table.
Disability	No disability is assumed.
Salary scale	4% per year
Marital assumptions	75% of participants are assumed married. Husbands are assumed to be 3 years older than wives.
Expenses	None. Investment return is assumed to be net of expenses.
Cost-of-living	2.5% annual increase.

SOUTHWEST GEORGIA REGIONAL COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 11 - RETIREMENT PLAN (CONTINUED)

Actuarial Present Values of Accumulated Plan Benefits

Present value of vested accumulated plan benefits for active participants		\$ 921,016
Liability for inactive participants		
Retirees and beneficiaries, currently receiving benefits	1,170,951	
Vested terminated employees not yet receiving benefits	253,485	
Total inactive liability		1,424,436
Actuarial present value of vested benefits		2,345,452
Present value of non-vested benefits		185,741
Actuarial present value of accumulated plan benefits		2,531,193
Market value of fund at July 1, 2011		1,871,256
Excess of actuarial present value of accumulated plan benefits over net assets available		\$ 659,937

		Year Ended June 30, 2011
Statement of Changes in Accumulated Plan Benefits		
Actuarial present value of accumulated plan benefits at the beginning of year		\$ 2,299,508
Increase (decrease) during the year attributable to:		
Change in actuarial assumptions	-	
Benefits accumulated and gains and losses	187,396	
Increase for interest due to the decrease in the discount period	173,216	
Benefits paid	(128,927)	
Plan change	-	
Net change		231,685
Actuarial present value of accumulated plan benefits at end of year		\$ 2,531,193

Participant Counts

Active participants		47
Retired participants and beneficiaries		5
Terminated vested participants		14
Total participants		66

SOUTHWEST GEORGIA REGIONAL COMMISSION
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2012

NOTE 11 - RETIREMENT PLAN (CONTINUED)

Funded Status Information

Under Statement Nos. 27 and 50 of the Governmental Accounting Standards Board (GASB), an employer reports an annual pension cost (APC) equal to the required contribution (ARC) plus an adjustment for the cumulative difference between the ARC and the employer's actual plan contributions for the year. The cumulative difference is called the net pension obligation (NPO).

Valuation Date	Actuarial Accrued Liability (a)	Actuarial Value of Assets (b)	Unfunded Actuarial Accrued Liability (UAAL) (a) - (b)	Funded Ratio (b)/(a)	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
7/1/11	\$3,072,745	\$1,777,232	\$1,295,513	58%	\$1,582,595	82%

Please refer to the Schedule of Funding Progress – Last Six Years following the notes to the financial statements for multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Six Year Trend Information

Year Ended June 30	Annual Pension Cost (APC)	% of APC Contributed	Net Pension Obligation
2012	\$ 299,716	100.00%*	-
2011	\$ 312,132	100.00%	-
2010	\$ 219,393	100.00%	-
2009	\$ 161,972	100.00%	-
2008	\$ 104,465	100.00%	-
2007	\$ 92,651	100.00%	-
2006	\$ 69,364	100.00%	-

* Assumes a 2011/2012 final receivable contribution of \$300,000 is made by March 15, 2013.

SOUTHWEST GEORGIA REGIONAL COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 12 - RISK FINANCING ACTIVITIES

Major categories of risk to which the entity is exposed consist of property damage from casualties such as fire or other causes, liability for injuries to employees while on the job, liability for injuries to others for which the organization is responsible, losses due to theft or illegal acts by RC employees, errors and omissions and natural disasters. The RC reduces these risks of loss by purchasing insurance coverage through ACCG - Interlocal Risk Management Agency Property and Liability Insurance Fund and ACCG - Workers Compensation, public entity risk pools currently operating as common risk management and insurance programs for member local governments.

As part of these risk pools, the RC is obligated to pay all contributions and assessments as prescribed by the pools, to cooperate with the pool's agents and attorneys, to follow loss reduction procedures established by the pools and to report as promptly as possible, and in accordance with any coverage descriptions issued, all incidents which could result in the pools being required to pay any claim of loss. The RC is also required to allow the pool's agents and attorneys to represent the RC in investigation, settlement discussions and all levels of litigation arising out of any claim made against the RC within the scope of loss protection furnished by the pools.

These pools are to defend and protect the members of the pools against liability or loss prescribed in the member government contract and in accordance with the worker's compensation law of Georgia. The pools are to pay all cost assessed against members in any legal proceeding defended by the members, all interest accruing after entry of judgment, and all expenses incurred for investigation, negotiation or defense.

Settled claims in the past three years have not exceeded the coverage. As of July 1, 2012, the RC reduced their liability insurance coverage from \$5,000,000, as was required by the DCH NET contract, to \$2,000,000 and raised the deductible to \$5,000.

NOTE 13 - SCHEDULE OF NONPUBLIC FUNDS

The employees and representatives of Southwest Georgia Regional Commission are authorized to expend nonpublic funds for the business meals and incidental expenses of bona fide industrial prospects and other persons who attend any meeting at their request to discuss the location or development of new business, industry, or tourism within the region of the Southwest Georgia Regional Commission, in accordance with the Official Code of Georgia Annotated, Section 50-8-35. Nonpublic funds are defined by state law as the servicing fees which are received by a nonprofit corporation for administering federal or state revolving loan programs or loan packaging programs. According to the Official Code of Georgia Annotated, Section 50-8-35(f)(2), a schedule is required to be included within the annual audit of each nonprofit corporation which reports the beginning balance of unexpended nonpublic funds; the date, amount, and source of all receipts of nonpublic funds; the date, place, purpose and persons for whom expenditures were made for all such expenditures of nonpublic funds; and the ending balance of unexpended nonpublic funds. This schedule may be found in the State Compliance Section of this report of this report.

SOUTHWEST GEORGIA REGIONAL COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 13 - SCHEDULE OF NONPUBLIC FUNDS (CONTINUED)

The Schedule of Nonpublic Funds is prepared in accordance with the accrual basis of accounting. Under the accrual basis of accounting revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

NOTE 14 – DISCONTINUATION OF THE DCH NET PROGRAM

The RC's contract for providing non-emergency medical transportation expired June 30, 2011, and was extended through March 2012. The RC was notified in November 2011 that they were not selected as the provider of these services for the following five-year contract period. This terminated program is reflected in the financial statements of the RC as an enterprise fund named "DCH NET Fund". Net assets remaining upon termination of the program were transferred by the RC to the internal service fund, sold or were written off. The RC incurred the following costs to terminate the program: severance pay of \$26,642 and losses sustained on the disposal of equipment, software and a computer lease in the amount of \$126,720. The losses consist of equipment and software/computer lease with a cost of \$19,300 and \$464,827, respectively, and accumulated depreciation of \$4,932 and \$352,475, respectively.

NOTE 15 – CONTINGENCIES

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

Various other legal claims have been filed against the RC, but all claims are within the policy limits and no losses to the RC are expected beyond these limits.

On October 24, 2012, the RC filed suit against the Georgia Department of Community Health (DCH) for breach of contractual obligation to the RC. The RC believes that payments received from DCH during the period of May 2011 to March 2012 were less than the RC was contractually obligated to receive. At this time, the outcome of the suit and/or potential settlement is unknown.

NOTE 16 – SUBSEQUENT EVENTS

As of January 1, 2013, the RC will no longer be the administrator/fiscal agent of the Workforce Investment Act (WIA) program. The WIA program contributed a substantial amount toward the RC's indirect costs for the year ended June 30, 2012.

SOUTHWEST GEORGIA REGIONAL COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 17 – GOING CONCERN THREATS AND MANAGEMENT’S PLANS

The RC incurred an operating loss of \$1,065,537 for the year ended June 30, 2012, in its non-emergency transportation program (“DCH NET” enterprise fund). As a result, the unrestricted fund balance of the organization, its working capital and financial reserves, were depleted as of June 30, 2012.

Compounding the organization’s near-term financial difficulties is its termination as administrator/fiscal agent of the Workforce Investment Act (WIA) program. The Workforce Investment Board voted in June of 2012 to move forward with plans to replace the RC as administrator/fiscal agent. The termination was effective as of January 1, 2013. The WIA program was making a substantial contribution to the indirect costs of the RC.

As of the date these financial statements were available to be issued, January 23, 2013, management of the RC had taken certain actions and made certain plans to alleviate the actual and potential adverse effects of the above events, as follows.

First, staff reductions have been made and further reductions are planned in order to cut costs. Second, other costs have been reviewed and reduced where practicable. Third, additional grants and contracts are being aggressively pursued in order to increase revenues. Fourth, full payment of the retirement plan contribution due for the year ended June 30, 2012, has been delayed to conserve cash/working capital. Fifth, an additional pension plan actuarial valuation was commissioned to reflect the effects of the personnel reductions related to the loss of the WIA program, reducing the retirement plan obligation for the current year. Sixth, nonessential assets are being sold. Seventh, management is pursuing a claim against the Georgia Department of Community Health asserting underpayment to the RC for the non-emergency transportation program during the year ended June 30, 2012.

REQUIRED SUPPLEMENTARY INFORMATION

SOUTHWEST GEORGIA REGIONAL COMMISSION
 BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2012

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final	Amounts (Budgetary Basis)	
Budgetary fund balance, July 1	\$ 304,502	\$ 304,502	\$ 304,502	\$ -
Resources (inflows):				
Local government dues	356,433	356,433	356,433	-
Charges for services	100,000	115,000	126,423	11,423
Training/meeting income	-	12,500	13,383	883
Investment earnings	300	275	258	(17)
Rental income	-	4,850	4,879	29
Map/printing income	500	750	439	(311)
Other income	-	-	146	146
Amounts available for appropriation	<u>761,735</u>	<u>794,310</u>	<u>806,463</u>	<u>12,153</u>
Charges to appropriation (outflows):				
General government				
Direct				
Personnel services	241,935	296,249	270,960	(25,289)
Operating expenditures	44,000	43,490	59,285	15,795
Indirect				
Cost allocation plan	72,058	97,714	99,435	1,721
Transfers to other funds, net	149,240	60,355	353,850	293,495
Total charges to appropriations	<u>507,233</u>	<u>497,808</u>	<u>783,530</u>	<u>285,722</u>
Budgetary fund balance, June 30	<u>\$ 254,502</u>	<u>\$ 296,502</u>	<u>\$ 22,933</u> ✓	<u>\$ (273,569)</u>

SOUTHWEST GEORGIA REGIONAL COMMISSION
 BUDGETARY COMPARISON SCHEDULE – STATE ADMINISTERED GRANTS FUND
 FOR THE YEAR ENDED JUNE 30, 2012

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget
	Original	Final		
Budgetary fund balance, July 1	\$ 295,178	\$ 295,178	\$ 295,178	\$ -
Resources (inflows):				
State grants and contracts	8,058,190	10,324,952	9,289,833	(1,035,119)
Program income	-	-	-	-
Investment earnings	500	250	225	(25)
Other income	-	-	-	-
Transfers from other funds	33,490	27,525	84,217	56,692
Amounts available for appropriation	<u>8,387,358</u>	<u>10,647,905</u>	<u>9,669,453</u>	<u>(978,452)</u>
Charges to appropriation (outflows):				
General government				
Direct				
Personnel services	1,401,901	1,553,416	1,615,919	62,503
Operating expenditures	6,152,734	8,321,438	7,277,200	(1,044,238)
Indirect				
Cost allocation plan	417,545	512,373	525,048	12,675
Capital outlay	120,000	-	2,201	2,201
Total charges to appropriation	<u>8,092,180</u>	<u>10,387,227</u>	<u>9,420,368</u>	<u>(966,859)</u>
Budgetary fund balance, June 30	<u>\$ 295,178</u>	<u>\$ 260,678</u>	<u>\$ 249,085</u>	<u>\$ (11,593)</u>

SOUTHWEST GEORGIA REGIONAL COMMISSION
SCHEDULE OF RETIREMENT PLAN FUNDING PROGRESS
LAST SIX YEARS
JUNE 30, 2012

Valuation Date	Actuarial Accrued Liability (a)	Actuarial Value of Assets (b)	Unfunded Actuarial Accrued Liability (UAAL) (a) - (b)	Funded Ratio (b)/(a)	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
7/1/11	\$3,072,745	\$1,777,232	\$1,295,513	58%	\$1,582,595	82%
7/1/10	\$2,807,282	\$1,491,814	\$1,315,468	53%	\$1,486,287	89%
7/1/09	\$2,205,212	\$1,416,549	\$ 788,663	64%	\$1,504,676	52%
7/1/08	\$2,221,754	\$1,395,064	\$ 826,690	63%	\$ 876,881	94%
7/1/07	\$1,905,329	\$1,372,036	\$ 533,293	72%	\$ 619,260	86%
7/1/06	\$1,324,700	\$1,324,700	\$ -	100%	\$ 509,612	0%

Note regarding actuarial accrued liability:

Beginning July 2007, this liability is the Entry Age Accrued Liability as prescribed by GASB No. 50. Prior to July 2007, this liability, as defined in paragraph 40 of GASB Statement No. 27, is equal to the actuarial value of assets.

SOUTHWEST GEORGIA REGIONAL COMMISSION
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2012

NOTE A – BUDGETS

The Official Code of Georgia Annotated (OCGA) Section 50-8-34 paragraph (g) provides for the Council members to adopt an annual budget and work program for the RC. Budgets are adopted for the general fund, special revenue funds and cost pools fund. RC policy calls for adoption of an annual budget prior to July 1. The original budget and any revisions are submitted to and approved by the finance and executive committees prior to submission to the full board for approval. Budgets are operational and spending guidelines but are not legal spending limits.

The RC prepares its annual budget on a basis (budget basis), which differs from generally accepted accounting principles (GAAP basis). The major fund's budget and all transactions are presented in accordance with the RC's method (budget basis) in the Budgetary Comparison Schedules to provide a meaningful comparison of actual results with the budget. The major differences between budget and GAAP basis in the General Fund and State Administered Grants Fund are listed on the Budget-to-Actual Reconciliation following the Budgetary Comparison Schedules.

The budget for the year ended June 30, 2012 was adopted by the Council members on June 30, 2011. Amendments were made and adopted by the Board on May 31, 2012. All appropriations lapse at year end.

SOUTHWEST GEORGIA REGIONAL COMMISSION
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2012

NOTE B - BUDGET -TO-ACTUAL RECONCILIATION

An explanation of the differences between budgetary inflows and outflows and revenues and expenditures determined in accordance with generally accepted accounting principles follows:

	General Fund	State Administered Grants Fund
Sources/inflows of resources:		
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 806,463	\$ 9,669,453
Differences - budget to GAAP:		
The fund balance at the beginning of the year is a budgetary resource but is not a current-year revenue for financial reporting purposes		(295,178)
Transfers from other funds are inflows of budgetary resources but are regarded as a "special item", rather than revenue, for financial reporting purposes	(304,502)	(84,217)
Non-cash capital improvement assistance grant revenue was not budgeted	-	806,014
	-	806,014
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds	\$ 501,961	\$ 10,096,072
Uses/outflows of resources:		
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	783,530	9,420,368
Difference - budget to GAAP		
Non-cash capital improvement assistance grant expenditures were not budgeted	-	806,014
Transfers to other funds are outflows of budgetary resources	(353,850)	-
	(353,850)	-
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds	\$ 429,680	\$ 10,226,382

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

SOUTHWEST GEORGIA REGIONAL COMMISSION
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2012

	Direct Federal Grants Fund	Local Programs Fund	Total Nonmajor Governmental Funds
ASSETS			
Intergovernmental receivables	\$ 3,429	\$ 37,154	\$ 40,583
Total assets	\$ 3,429	\$ 37,154	\$ 40,583 ✓
LIABILITIES AND FUND BALANCES			
Liabilities:			
Unapplied funds	\$ -	\$ 18,649	\$ 18,649
Interfund balances	3,429	18,505	21,934
Total liabilities	3,429	37,154	40,583
Fund balances	-	-	-
Total liabilities and fund balances	\$ 3,429	\$ 37,154	\$ 40,583

SOUTHWEST GEORGIA REGIONAL COMMISSION
 COMBINING STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2012

	Direct Federal Grants Fund	Local Programs Fund	Total Nonmajor Governmental Funds
REVENUES			
Intergovernmental	\$ 61,688	\$ 39,504	\$ 101,192
Program income	-	6,250	6,250
Total revenues	61,688	45,754	107,442 ✓
EXPENDITURES			
Current:			
Urban redevelopment and housing	-	49,899	49,899
Planning and zoning	77,077	-	77,077
Total expenditures	77,077	49,899	126,976 ✓
Excess (deficiency) of revenues over (under) expenditures	(15,389)	(4,145)	(19,534)
OTHER FINANCING SOURCES (USES)			
Transfers in	15,389	4,145	19,534
Total other financing sources and uses	15,389	4,145	19,534
Net change in fund balances	-	-	- ✓
Fund balances - beginning	-	-	- ✓
Fund balances - ending	\$ -	\$ -	\$ - ✓

SOUTHWEST GEORGIA REGIONAL COMMISSION
 BUDGETARY COMPARISON SCHEDULE – NONMAJOR GOVERNMENTAL FUNDS
 DIRECT FEDERAL GRANTS FUND
 FOR THE YEAR ENDED JUNE 30, 2012

	Budgeted Amounts		Actual Amounts	Variance
	Original	Final	(Budgetary Basis)	with Final Budget
Budgetary fund balance, July 1	-	-	-	-
Resources (inflows):				
Grants and contracts	\$ 63,000	\$ 61,268	\$ 61,688	\$ 420
Transfers from other funds	15,750	15,300	15,389	89
Amounts available for appropriation	<u>78,750</u>	<u>76,568</u>	<u>77,077</u>	<u>509</u>
Charges to appropriation (outflows):				
General government				
Direct				
Personnel services	54,437	51,486	52,059	573
Operating expenditures	8,100	8,100	7,454	(646)
Indirect				
Cost allocation plan	16,213	16,982	17,564	582
Total charges to appropriations	<u>78,750</u>	<u>76,568</u>	<u>77,077</u>	<u>509</u>
Budgetary fund balance, June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

BUDGET -TO-ACTUAL RECONCILIATION

An explanation of the differences between budgetary inflows and outflows and revenues and expenditures determined in accordance with generally accepted accounting principles follows:

Sources/inflows of resources:

Actual amounts (budgetary basis) "available for appropriation"
 from the budgetary comparison schedule \$ 77,077

Differences - budget to GAAP:

Transfers from other funds are inflows of budgetary resources
 but are regarded as a "special item", rather than revenue,
 for financial reporting purposes (15,389)

Total revenues as reported on the statement of revenues, expenditures
 and changes in fund balances - governmental funds \$ 61,688

Uses/outflows of resources:

Actual amounts (budgetary basis) "total charges to appropriations"
 from the budgetary comparison schedule \$ 77,077

Difference - budget to GAAP -

Total expenditures as reported on the statement of revenues,
 expenditures and changes in fund balances - governmental funds \$ 77,077

SOUTHWEST GEORGIA REGIONAL COMMISSION
 BUDGETARY COMPARISON SCHEDULE – NONMAJOR GOVERNMENTAL FUNDS
 LOCAL PROGRAMS FUND
 FOR THE YEAR ENDED JUNE 30, 2012

	Budgeted Amounts		Actual Amounts	Variance
	Original	Final	(Budgetary Basis)	with Final Budget
Budgetary fund balance, July 1	-	-	-	-
Resources (inflows):				
Local grants and contracts	\$ 44,900	\$ 36,469	\$ 39,504	\$ 3,035
Program income	21,000	8,750	6,250	(2,500)
Transfers from other funds	-	1,530	4,145	2,615
Amounts available for appropriation	<u>65,900</u>	<u>46,749</u>	<u>49,899</u>	<u>3,150</u>
Charges to appropriation (outflows):				
General government				
Direct				
Personnel services	50,777	35,154	36,491	1,337
Operating expenditures	-	-	17	17
Indirect				
Cost allocation plan	15,123	11,595	13,391	1,796
Total charges to appropriations	<u>65,900</u>	<u>46,749</u>	<u>49,899</u>	<u>3,150</u>
Budgetary fund balance, June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

BUDGET -TO-ACTUAL RECONCILIATION

An explanation of the differences between budgetary inflows and outflows and revenues and expenditures determined in accordance with generally accepted accounting principles follows:

Sources/inflows of resources:	
Actual amounts (budgetary basis) "available for appropriation"	
from the budgetary comparison schedule	\$ 49,899
Differences - budget to GAAP:	
Transfers from other funds are inflows of budgetary resources but are regarded as a "special item", rather than revenue, for financial reporting purposes	<u>(4,145)</u>
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds	<u>\$ 45,754</u>
Uses/outflows of resources:	
Actual amounts (budgetary basis) "total charges to appropriations"	
from the budgetary comparison schedule	\$ 49,899
Difference - budget to GAAP	<u>-</u>
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds	<u>\$ 49,899</u>

STATE COMPLIANCE SECTION

SOUTHWEST GEORGIA REGIONAL COMMISSION
 SCHEDULE OF EMPLOYEE BENEFIT COST POOL – ACTUAL RATE
 FOR THE YEAR ENDED JUNE 30, 2012

Released Time:	
Annual leave	\$ 94,817
Sick leave	81,443
Holiday leave	87,194
Other compensation	14,602
Total released time	<u>278,056</u>
Fringe Benefits:	
Retirement	300,000
Payroll and unemployment taxes	197,481
Group and workman's compensation insurance	490,300
Total fringe benefits	<u>987,781</u>
Allocable employee benefits	<u>\$ 1,265,837</u>
Computation of Actual Employee Benefit Rate	
Gross salaries	\$ 2,355,449
Less:	
Severance pay	\$ (26,642)
Less: decrease in accrued compensated absences	(16,704)
Less: change in accrued salaries	(24,374)
Less: vehicle allowance	(3,000)
Less: released time	(278,056)
Allocation base - chargeable salaries	<u>\$ 2,006,673</u>
Employee Benefit Rate	<u>63.08%</u>

OUTHWEST GEORGIA REGIONAL COMMISSION
SCHEDULE OF INDIRECT COSTS – ACTUAL RATE
FOR THE YEAR ENDED JUNE 30, 2012

Indirect Costs	
Salaries and wages	\$ 358,199
Released time and fringe benefits	222,849
Building rent	97,600
Depreciation and use charge	86,633
Auto and travel	59,532
Per diem and fees	47,288
Supplies and other expenses	46,052
Telecommunications	38,704
Utilities	26,359
Repairs and maintenance	24,993
Insurance and bonding	24,423
Equipment lease expense	21,036
Training and education	7,842
Postage and freight	6,163
Gain on disposal of capital assets	(18,221)
WIA recoveries	(15,830)
Harney Street recoveries	(84,342)
Total indirect costs	\$ 949,280

Computation of Indirect Cost Rate

Indirect cost basis:	
Total chargeable salaries	\$ 2,006,673
Less: indirect salaries	(358,199)
Total eligible direct salaries	1,648,474
Employee benefits	1,042,988
Allocation base - direct personnel costs	\$ 2,691,462
Actual indirect cost rate	35.27%

OUTHWEST GEORGIA REGIONAL COMMISSION
 SCHEDULE OF SCHEDULE OF LOCAL GOVERNMENT DUES
 FOR THE YEAR ENDED JUNE 30, 2012

Government	Balance Due 7/1/11	Total Billed	Amount Collected	Balance Due 6/30/12
City of Albany	\$ -	\$ 42,554.00	\$ 42,554.00	\$ -
City of Arlington	-	1,479.00	1,479.00	-
City of Bainbridge	-	12,697.00	12,697.00	-
City of Berlin	153.50	551.00	566.75	137.75
City of Blakely	-	5,068.00	5,068.00	-
City of Brinson	-	215.00	215.00	-
City of Cairo	-	9,607.00	9,607.00	-
City of Camilla	-	5,360.00	5,360.00	-
City of Climax	-	280.00	280.00	-
City of Colquitt	-	1,992.00	1,992.00	-
City of Damascus	-	254.00	190.50	63.50
City of Dawson	-	4,540.00	4,540.00	-
City of Doerun	-	774.00	774.00	-
City of Donalsonville	-	2,650.00	2,650.00	-
City of Edison	-	1,531.00	1,531.00	-
City of Ellenton	-	281.00	281.00	-
City of Funston	-	449.00	449.00	-
City of Jakin	-	155.00	155.00	-
City of Leary	-	618.00	618.00	-
City of Leesburg	-	2,896.00	2,896.00	-
City of Morgan	387.00	240.00	627.00	-
City of Moultrie	-	14,268.00	14,268.00	-
City of Newton	-	654.00	654.00	-
City of Norman Park	0.50	972.00	972.50	-
City of Pelham	974.00	3,898.00	4,235.50	636.50
City of Riverside	-	35.00	35.00	-
City of Sasser	-	279.00	279.00	-
City of Smithville	-	574.00	574.00	-
City of Sylvester	-	6,188.00	6,188.00	-
City of Thomasville	-	18,413.00	18,413.00	-
City of Whigham	-	471.00	471.00	-
Baker County	-	2,797.00	2,797.00	-
Calhoun County	-	2,826.00	2,826.00	-
Colquitt County	-	28,168.00	28,168.00	-
Decatur County	-	14,650.00	14,650.00	-
Dougherty County	-	52,011.00	52,011.00	-
Early County	-	5,531.00	5,531.00	-

SOUTHWEST GEORGIA REGIONAL COMMISSION
SCHEDULE OF LOCAL GOVERNMENT DUES (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2012

Government	Balance Due 7/1/11	Total Billed	Amount Collected	Balance Due 6/30/12
Grady County	-	14,933.00	14,933.00	-
Lee County	-	24,828.00	24,828.00	-
Miller County	-	4,133.00	4,133.00	-
Mitchell County	-	14,240.00	14,240.00	-
Seminole County	-	6,079.00	6,079.00	-
Terrell County	-	4,496.00	4,496.00	-
Thomas County	-	26,307.00	26,307.00	-
Worth County	-	15,491.00	15,491.00	-
	<u>\$ 1,515.00</u>	<u>\$ 356,433.00</u>	<u>\$ 357,110.25</u>	<u>\$ 837.75</u>

SOUTHWEST GEORGIA REGIONAL COMMISSION
 SCHEDULE OF REVENUE EARNED AND MATCHING FUNDS APPLIED
 FOR THE YEAR ENDED JUNE 30, 2012

Grant/Contract/Program	Name of	Unearned Revenue	Current Year Award	Total Funds Available	Required Matching %	Total Program Cost	Revenue Earned	Program Income Earned	Matching Funds Applied	Deobligated	Unearned Revenue	
												July 1, 2011
U. S. Department of Commerce:												
	EDA Partnership Planning	\$ 93,643	\$ (3,885)	\$ 89,758	20%	\$ 77,077	\$ 61,688	\$ -	\$ 15,389	\$ -	\$ 28,070	
U.S. Department of Agriculture:												
	RCDI #1	54,918	-	54,918	50%	-	-	-	-	54,918	-	
	RCDI #2	14,735	-	14,735	50%	-	-	-	-	14,735	-	
GA Department of Transportation:												
	Transp. Related Services - Planning	-	43,200	43,200	20%	40,911	32,741	-	8,169	10,459	-	
	Capital Improv. Assist. - 2010 ARRA	457,204	-	457,204	0%	-	-	-	-	-	457,204	
	Capital Improv. Assist.	-	952,380	952,380	10%	911,835	806,015	-	-	-	146,365	
	Transit Operating Assist.	-	2,257,862	2,257,862	0%	2,315,828	2,255,447	-	-	2,415	-	
GA Department of Natural Resources:												
	Historic Preservation	-	4,090	4,090	0%	4,578	4,090	-	488	-	-	
	EPD TMDL 604(b) FY 11	13,753	-	13,753	0%	6,392	6,392	-	-	7,361	-	
	EPD TMDL 604(b) FY 10	1,932	-	1,932	0%	-	-	-	-	1,932	-	
GA Department of Human Services:												
	Coordinated Transportation	-	2,879,156	2,879,156	1%	2,749,074	2,842,161	265	26,757	36,995	-	
GA Department of Community Affairs:												
	Coord. Planning WP	-	177,044	177,044	10%	252,604	177,044	-	75,560	-	-	
GA Department of Labor - WIA												
	PY11 Adult #10-11-11-10-021	-	92,889	92,889	0%	92,889	92,889	-	-	-	-	
	FY11 Adult #11-11-11-10-021	723,044	100,000	823,044	0%	823,045	823,044	-	-	-	-	
	FY12 Adult #11-12-11-10-021	-	1,120,332	1,120,332	0%	495,296	495,295	-	-	-	625,037	
	PY10 Youth #15-10-CO-10-021	487,764	-	487,764	0%	487,764	487,764	-	-	-	-	
	PY11 Youth #15-11-11-10-021	1,377,808	-	1,377,808	0%	1,024,979	1,024,979	-	-	-	352,829	
	PY12 Youth #15-12-11-10-021	-	1,346,948	1,346,948	0%	-	-	-	-	-	1,346,948	

SOUTHWEST GEORGIA REGIONAL COMMISSION
 SCHEDULE OF REVENUE EARNED AND MATCHING FUNDS APPLIED (CONTINUED)
 FOR THE YEAR ENDED JUNE 30, 2012

Name of Grant/Contract/Program	Unearned Revenue July 1, 2011	Current Year Award	Total Funds Available	Required Matching %	Total Program Cost	Revenue Earned	Interest/ Program Income Earned	Matching Funds Applied	Deobligated	Unearned Revenue June 30, 2012
GA Department of Labor - WIA (Continued)										
PY10 DW #30-10-CO-10-021	4,858	-	4,858	0%	4,858	4,858	-	-	-	-
PY11 DW #30-11-CO-10-021	-	191,068	191,068	0%	156,675	156,675	-	-	-	34,393
FY11 DW #31-11-11-10-021	622,706	80,000	702,706	0%	722,706	702,706	-	-	-	-
FY12 DW #31-12-11-10-021	-	806,203	806,203	0%	163,747	163,747	-	-	-	642,456
Community Development Block Grant:										
Attapulgus	12,765	-	12,765	0%	14,047	12,765	-	1,283	-	-
CHIP:										
Coolidge	-	16,000	16,000	0%	836	836	-	-	-	15,164
Poulan	-	-	-	0%	712	-	2,500	(1,788)	-	-
Arlington	8,660	-	8,660	0%	9,379	8,660	-	719	-	-
Camilla	7,068	-	7,068	0%	8,865	7,068	-	1,798	-	-
Grady County	7,214	-	7,214	0%	8,277	7,214	-	1,063	-	-
Dawson	-	16,000	16,000	0%	717	717	-	-	-	15,283
Meigs	844	-	844	0%	5,071	844	3,750	477	-	-
Meigs	-	16,000	16,000	0%	588	588	-	-	-	15,412
Sylvester	-	16,000	16,000	0%	813	813	-	-	-	15,187
Sylvester	-	-	-	0%	594	-	-	594	-	-
ACF - Compact Study Donation	18,649	-	18,649	0%	-	-	-	-	-	18,649
	<u>\$ 3,907,565</u>	<u>\$ 10,111,287</u>	<u>\$ 14,018,852</u>		<u>\$ 10,380,157</u>	<u>\$ 10,177,040</u>	<u>\$ 6,515</u>	<u>\$ 130,509</u>	<u>\$ 128,815</u>	<u>\$ 3,712,997</u>

SOUTHWEST GEORGIA REGIONAL COMMISSION
 SCHEDULE OF EXPENDITURES OF STATE AWARDS
 FOR THE YEAR ENDED JUNE 30, 2012

	Contract Number	Total Funds Available (Note 3)	Revenue Earned	Expenditures Incurred	State Agency	
					Due From	Due To
Department of Community Affairs:						
Coordinated Planning Work Program	3601-3610	177,044	177,044	252,604	44,261	-
Department of Transportation:						
Transportation Related Services - Planning	STP-0009-00(326)	43,200	32,741	40,911	14,888	-
Transit Operating Assistance	T003863	2,257,862	2,255,447	2,315,828	768,959	-
Capital Improvement - ARRA	GA-86-X001	457,204	-	-	-	-
Capital Improvement	GA-86-0032	952,380	806,015	911,835	-	-
Department of Natural Resources						
Historic Preservation Planning	N/A	4,090	4,090	4,578	-	-
EPD TMDL:						
604(b) FY II	N/A	13,753	6,392	6,392	-	-
Department of Human Services (Note 2)						
Coordinated Transportation	42700-362-0000008683	2,879,156	2,842,122	2,749,074	459,648	-
Department of Labor (Note 2)						
Workforce Investment Act	Various (Note 1)	6,953,620	3,971,959	3,971,959	564,648	-
Total state awards expended		<u>\$ 13,738,309</u>	<u>\$ 10,095,810</u>	<u>\$ 10,253,181</u>	<u>\$ 1,852,404</u>	<u>\$ -</u>

Note 1: Grant numbers are identified for each grant on the schedule of expenditures of federal awards.

Note 2 : Includes federal funds that passed through state agencies.

Note 3: Total Funds Available consist of current year awards plus unearned revenue from prior year, if applicable.

INDEPENDENT AUDITOR'S OPINION
ON SCHEDULE OF NONPUBLIC FUNDS

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of the governmental activities, business-type activities, major funds and remaining fund information, which collectively comprise the basic financial statements, of the Southwest Georgia Regional Commission as of and for the year ended June 30, 2012, and have issued our report thereon dated January 25, 2013. We have also audited the Schedule of Nonpublic Funds of the Sowega Economic Development Corporation, a component unit of Southwest Georgia Regional Commission, as required by the Official Code of Georgia Annotated, Section 50-8-35. This Schedule is the responsibility of management. Our responsibility is to express an opinion on this Schedule based on our audit.

We conducted our audit of the Schedule 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 Schedule of Nonpublic Funds is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Schedule. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall Schedule presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying Schedule of Nonpublic Funds was prepared to present the beginning balance, revenues, expenses, and ending balance of nonpublic funds for the year ended June 30, 2012, in accordance with the Official Code of Georgia Annotated, Section 50-8-35. The Schedule of Nonpublic Funds is not intended to be a complete presentation of assets, liabilities, revenues, and expenses.

In our opinion, the Schedule of Nonpublic Funds referred to above presents fairly, in all material respects, the beginning balance, revenues, expenses, and ending balance of nonpublic funds as required by the Official Code of Georgia Annotated, Section 50-8-35 for the year ended June 30, 2012, in conformity with accounting principles generally accepted in the United States of America.

This report is intended for the information and use of management, the Georgia Department of Audits, and the Georgia Department of Community Affairs, and is not intended to be and should not be used by anyone other than these specified parties.

Valenti, Rackley & Assoc., LLC

Valenti, Rackley & Associates, LLC
Certified Public Accountants
Valdosta, Georgia

January 25, 2013

SOUTHWEST GEORGIA REGIONAL COMMISSION
 SOWEGA ECONOMIC DEVELOPMENT CORPORATION
 SCHEDULE OF NONPUBLIC FUNDS
 FOR THE YEAR ENDED JUNE 30, 2012

Beginning fund balance - nonpublic funds

\$ 13,995 ✓

<u>Date</u>	<u>Source</u>	<u>Description</u>	<u>Amount</u>
Revenues - Nonpublic Funds:			
07/31/11	Planters & Citizens Bank	Interest Income	3
08/31/11	Planters & Citizens Bank	Interest Income	3
09/30/11	Planters & Citizens Bank	Interest Income	3
10/31/11	Planters & Citizens Bank	Interest Income	3
11/30/11	Planters & Citizens Bank	Interest Income	3
12/31/11	Planters & Citizens Bank	Interest Income	3
01/31/12	Planters & Citizens Bank	Interest Income	3
02/28/12	Planters & Citizens Bank	Interest Income	3
03/31/12	Planters & Citizens Bank	Interest Income	3
04/30/12	Planters & Citizens Bank	Interest Income	3
05/31/12	Planters & Citizens Bank	Interest Income	3
06/30/12	Planters & Citizens Bank	Interest Income	<u>2</u>

Total revenue - nonpublic funds

35

Expenses - nonpublic funds:

OCGA 50-8-35 qualifying expenditures

Per diem and fees

20

Total expenses - nonpublic funds

20

Excess (deficiency) of revenues over expenses

15

Ending fund balance - nonpublic funds

\$ 14,010 ✓

Note: This schedule has been prepared on the accrual basis of accounting under which revenues are recorded when earned and expenditures are recorded when incurred.

FEDERAL COMPLIANCE SECTION

SOUTHWEST GEORGIA REGIONAL COMMISSION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012

FEDERAL GRANTOR/PASS-THROUGH GRANTOR PROGRAM TITLES	FEDERAL CFDA NUMBER	GRANT NUMBER	EXPENDITURES	AMOUNT PROVIDED TO SUBRECIPIENTS
U. S. Department of Commerce:				
Direct programs:				
Economic Development Planning	11.302	04-83-06331	\$ 77,077	\$ -
Direct programs:				
Revolving Loan Fund (I)	11.307	04-39-03717	239,680	-
Total U.S. Department of Commerce			<u>316,757</u>	<u>-</u>
U. S. Department of Housing and Urban Development:				
Passed through State Department of Community Affairs, passed through member local governments: Community Development Block Grant/Small Cities Program:				
City of Attapulgus	14.228	10p-x-043-2-5276	14,047	-
Community Housing Investment Project:				
Meigs	14.228	06m-x-136-2-2940	5,071	-
Meigs	14.228	2012-864	588	-
Coolidge	14.228	2012-859	836	-
Arlington	14.228	2011-804	9,379	-
Poulan	14.228	06m-X-159-2-2948	712	-
Camilla	14.228	2011-803	8,865	-
Grady County	14.228	2011-813	8,277	-
Sylvester	14.228	06m-x-159-2-2949	594	-
Sylvester	14.228	2012-868	813	-
Dawson	14.228	2012-860	717	-
Total U. S. Department of Housing & Urban Administration			<u>49,899</u>	<u>-</u>
U.S. Department of Labor				
Passed through the State Department of Labor				
Workforce Investment Act				
Adult Program	17.258	10-11-11-10-021	92,889	-
Adult Program	17.258	11-11-11-10-021	823,045	-
Adult Program	17.258	11-12-11-10-021	495,296	-
Subtotal Adult Program			<u>1,411,230</u>	<u>-</u>

SOUTHWEST GEORGIA REGIONAL COMMISSION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2012

FEDERAL GRANTOR/PASS-THROUGH GRANTOR PROGRAM TITLES	CFDA NUMBER	GRANT NUMBER	EXPENDITURES	PROVIDED TO SUBRECIPIENTS
U.S. Department of Labor				
Passed through the State Department of Labor				
Workforce Investment Act (continued)				
Youth Activities	17.259	15-10-CO-10-021	487,764	-
Youth Activities	17.259	15-11-11-10-021	1,024,979	
Subtotal Youth Activities			<u>1,512,743</u>	<u>-</u>
Dislocated Worker Formula Grants	17.260	30-10-CO-10-021	4,858	
Dislocated Worker Formula Grants	17.260	31-11-11-10-021	722,706	
Dislocated Worker Formula Grants	17.260	31-12-11-10-021	163,747	
Dislocated Worker Formula Grants	17.260	30-11- CO-10-021	156,675	
Subtotal Dislocated Worker Formula Grants			<u>1,047,986</u>	<u>-</u>
Total WIA cluster ✓			<u>3,971,959</u>	<u>1,023,114</u>
Total U.S. Department of Labor			<u>3,971,959</u>	<u>1,023,114</u>
U. S. Department of Transportation:				
Passed through the State Department of Transportation:				
Transportation Planning	20.205	STP-0009-00(326)	40,911	-
Formula Grants for Other than Urbanized Areas				
Transit Operating Assistance	20.509	T003863	2,315,828	2,225,500
Capital Improvement Assistance	20.509	GA-86-0032	911,835	-
Subtotal Formula Grants			<u>3,227,663</u>	<u>2,225,500</u>
Passed through the State Department of Human Services:				
Job Access/Reverse Commute	20.516	42700-362-0000008683	130,264	-
Total U.S. Department of Transportation			<u>3,398,838</u>	<u>2,225,500</u>
U. S. Department of Health & Human Services:				
Passed through the State Department of Human Services:				
Temporary Assistance for Needy Families (TANF)	93.558	42700-362-0000008683	280,892	-

SOUTHWEST GEORGIA REGIONAL COMMISSION
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
 FOR THE YEAR ENDED JUNE 30, 2012

FEDERAL GRANTOR/PASS-THROUGH GRANTOR PROGRAM TITLES	CFDA NUMBER	GRANT NUMBER	EXPENDITURES	PROVIDED TO SUBRECIPIENTS
U. S. Department of Health & Human Services:				
Passed through the State Department of Human Services (continued):				
Special Programs for the Aging: Title II, Part B:				
Grants for Supportive Services and Senior Centers				
	93.044	42700-362-0000008683	229,987	-
Social Services Block Grant (SSBG)	93.667	42700-362-0000008683	322,419	-
Total U. S. Department of Health & Human Services			833,298	-
TOTAL - ALL PROGRAMS			\$ 8,570,751	\$ 3,248,614

Significant Accounting Policies: Southwest Georgia Regional Commission follows the accrual basis of accounting in preparing this schedule. This method is consistent with the preparation of the RC's financial statements.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Council Members
Southwest Georgia Regional Commission
Camilla, Georgia

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Southwest Georgia Regional Commission (“the RC”), as of and for the year ended June 30, 2012, which collectively comprise the RC’s basic financial statements and have issued our report thereon dated January 25, 2013. 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 RC is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the RC’s 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 RC’s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the RC’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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting 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 financial reporting 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 RC’s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH
OMB CIRCULAR A-133

To the Council Members
Southwest Georgia Regional Commission
Camilla, Georgia

Compliance

We have audited Southwest Georgia Regional Commission's ("the RC") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the RC's major federal programs for the year ended June 30, 2012. The RC's major federal programs are identified in the summary of auditor's 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 RC's management. Our responsibility is to express an opinion on the RC's 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 *Government 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 RC's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the RC's compliance with those requirements.

In our opinion, the RC complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. The results of our auditing procedures disclosed no instances of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133.

Internal Control over Compliance

Management of the RC is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the RC's 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 RC's internal control over compliance.

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

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, the audit committee, Council members, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Valenti, Rackley & Assoc., LLC

Valenti, Rackley & Associates, LLC
Certified Public Accountants
Valdosta, Georgia

January 25, 2013

SOUTHWEST GEORGIA REGIONAL COMMISSION
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2012

None reported.

SOUTHWEST GEORGIA REGIONAL COMMISSION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012

SECTION 1 - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: unqualified

Internal control over financial reporting

Material weakness(es) identified? _____ yes X no

Significant deficiencies identified that are not considered to be material weakness(es)? _____ yes X none reported

Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

Type of auditor's report issued on compliance for major programs: unqualified

Internal control over major programs:

Material weakness(es) identified? _____ yes X no

Significant deficiencies identified that are not considered to be material weakness(es)? _____ yes X none reported

Noncompliance material to financial statements noted? _____ yes X no

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? _____ yes X no

SOUTHWEST GEORGIA REGIONAL COMMISSION
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
 FOR THE YEAR ENDED JUNE 30, 2012

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
17.258, 17.259, 17.278	U. S. Department of Labor - Workforce Investment Act cluster
20.509	U. S. Department of Transportation - Capital Improvement Assistance and Transit Operating Assistance
93.667	U. S. Department of Health and Human Services - Social Services Block Grant

Auditee qualified as a low-risk auditee? X yes no

Dollar threshold used to distinguish between type A and B programs: \$ 300,000

SECTION II - FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.