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**NORTHWEST GEORGIA  
REGIONAL COMMISSION**  
ROME, GEORGIA  
ANNUAL FINANCIAL REPORT  
FISCAL YEAR ENDED JUNE 30, 2011

## Marty Meister - Fwd: Northwest Georgia Regional Commission

---

**From:** Edward Blaha  
**To:** Cathy Fredette; Marty Meister  
**Date:** 8/16/2012 2:55 PM  
**Subject:** Fwd: Northwest Georgia Regional Commission  
**Attachments:** nwgrc 2011 fs\_20120802160201.pdf

This is the email I sent to you on 8/3.

>>> Edward Blaha 8/3/2012 9:57 AM >>>

Here's a revised report on the one I printed out for you yesterday. I forgot to mention that when you emailed Mr. Jennings Wednesday about not being able to open the PDF and sent him the collection system instructions, I don't think RCs are able to use the collection system so they have to either mail or email their reports. Same for OPSs.

I was going to forward this revised report to the assigned reviewer, but a reviewer hasn't been designated in the 2011 log yet.

>>> Jackie Neubert 8/3/2012 9:32 AM >>>

>>> "Joey Cumbie" <Joey@romecpa.com> 8/3/2012 9:28 AM >>>

Hi Jackie,

I have attached the corrected financial statements for the Northwest Georgia Regional Commission for the year ended June 30, 2011. Please let me know if there are any problems opening or printing the pdf.

Thanks for your help.

Joey Cumbie, CPA  
Manager  
RL Jennings & Associates, PC  
Telephone: (706) 802-1945  
Fax: (706) 802-1279

IRS Circular 230 Disclosure: The technical information in this communication is necessarily brief. No final conclusion on these topics should be drawn without further review and consultation. Please be advised that, based on current IRS rules and standards, the advice contained herein is not intended to be used, nor can it be used, for the avoidance of any tax penalty assessed by the IRS.

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## INTRODUCTORY SECTION

# NWGRC

NORTHWEST GEORGIA REGIONAL COMMISSION

*A Region With A Bright Future*

Rome Office: P.O. Box 1798, Rome, Georgia 30162-1798 Phone (706) 295-6485 www.nwgrc.org  
RC Fax (706) 295-6665 AAA Fax (706) 802-5508 WIA Fax (706) 802-5567  
Dalton Office: 503 West Waugh Street, Dalton, Georgia 30720 Phone (706) 272-2300 Fax (706) 272-2253

July 31, 2012

Members of the Northwest Georgia Regional Commission

Ladies and Gentlemen:

We are pleased to present the comprehensive annual financial report of the Northwest Georgia Regional Commission (Commission) for the fiscal year ended June 30, 2011. The report is issued pursuant to Georgia law requiring all Regional Commissions to publish a complete set of financial statements within six months of the close of the fiscal year. The report must conform to generally accepted accounting principles (GAAP) and be audited in accordance with auditing standards generally accepted in the United States of America by a firm of licensed certified public accountants.

The Commission's management is responsible for the contents of this report and it consists of management's representations concerning the finances of the Commission. Consequently, management assumes responsibility for the completeness and reliability of all the information presented. To provide a reasonable basis for making these representations, the Commission's management has established a comprehensive internal control system. It is designed to protect the Commission's assets from loss or misuse, and to compile sufficient reliable information for the preparation of the Commission's financial statements in conformity with GAAP. The Commission recognizes that the cost of internal controls should not outweigh their benefits. The controls are designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

RL Jennings & Associates, PC, a firm of licensed certified public accountants, has audited the Commission's financial statements. The goal of the independent audit is to provide reasonable assurance that the financial statements of the Commission for the fiscal year ended June 30, 2011, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall presentation. The

**Regional Planning Economic Development Area Agency on Aging Workforce Investment Program**

*An Equal Opportunity Employer / Programs  
Auxiliary Aids / Services Available Upon Request to Individuals with Disabilities*

independent auditor concluded, based upon the audit, that there is a reasonable basis for rendering an unqualified opinion that the Commission's financial statements for the year ended June 30, 2011, are fairly presented in conformity with GAAP. The independent auditor's report is the first component of the financial section that follows this introductory section.

The independent audit of the Commission's financial statements is part of a broader, federally mandated Single Audit designed to meet the needs of federal and state grantor agencies. The standards governing Single Audits require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, including those involving the administration of grant awards.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The Commission's MD&A can be found immediately following the report of the independent auditors.

#### **Profile of the Northwest Georgia Regional Commission**

The Northwest Georgia Regional Commission, established in 2009, was preceded by the Coosa Valley Regional Development Center and the North Georgia Regional Development Center. The two Regional Development Center's were merged in 2009 as required by House Bill 1216, which reorganized Georgia's system of regional planning service delivery organizations. The Northwest Georgia Regional Commission currently serves the member counties of Bartow, Catoosa, Chattooga, Dade, Floyd, Gordon, Gilmer, Haralson, Murray, Paulding, Pickens, Polk, Walker and Whitfield and the forty-nine municipalities within these counties.

The Commission's Board has fifty members that represent local governments, the private sector, the Governor, the Lieutenant Governor, and the Speaker of the House from within a fifteen county area in northwest Georgia. The Commission is one of twelve regional Commissions in the State of Georgia established by House Bill 1216.

The Commission's federal and state assisted planning responsibilities include transportation, water, and comprehensive community planning. The Commission's Area Agency on Aging has the responsibility for providing nutrition, social services, and employment programs for the elderly in a fifteen county area. The Commission is an Appalachian Regional Commission Local Development District. The Commission is an Economic Development District, as designated by the U. S. Department of Commerce, Economic Development

Administration. It serves as the grant recipient and administrative/fiscal agent for the Northwest Georgia Workforce Investment Board (WIB). The WIB and Commission also provide a wide array of services to expand job skills and job seeking skills of clients in a 15 county area.

The annual budget serves as the foundation of the Commission's financial planning and control. It is approved each year by the Commission's Board of Directors.

#### **Factors Affecting Financial Condition**

The information presented in the financial statements is best understood when considered in the broader perspective of the general environment in which the Commission operates. The local area served by the Commission comprises fifteen member counties, forty-nine member municipalities, and over 800,000 estimated population. The condition of the regional, state, and national economies affect the Commission directly and indirectly through the condition of our member governments as well as budget reductions or increases from state and federal grants. The diverse programs of the Commission tend to reduce the overall financial risk of the organization. Some programs may actually be eligible for additional funding in the presence of a poor or declining economy.

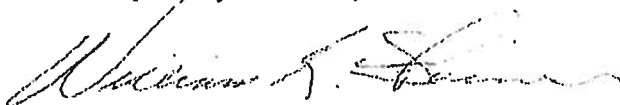
The Commission maintains insurance policies for all material known and identified risks.

The Commission maintains a defined benefits retirement plan for employees hired prior to July 1, 2010, and a matching deferred compensation program for employees hired on or after July 1, 2010. Each year an independent actuary is engaged by the Georgia Municipal Employees Benefit System (GMEBS) to determine the annual contribution amount from the Commission that is needed to meet the obligations to employees. The Commission also makes available to employees a 401K retirement plan which is funded solely by employee contributions.

#### **Acknowledgments**

The preparation of this report was a cooperative effort of the Commission's fiscal staff. They were assisted by other program staff as needed, and by the auditors, RL Jennings & Associates, PC, whose knowledge and judgement were very valuable in the successful completion of this task.

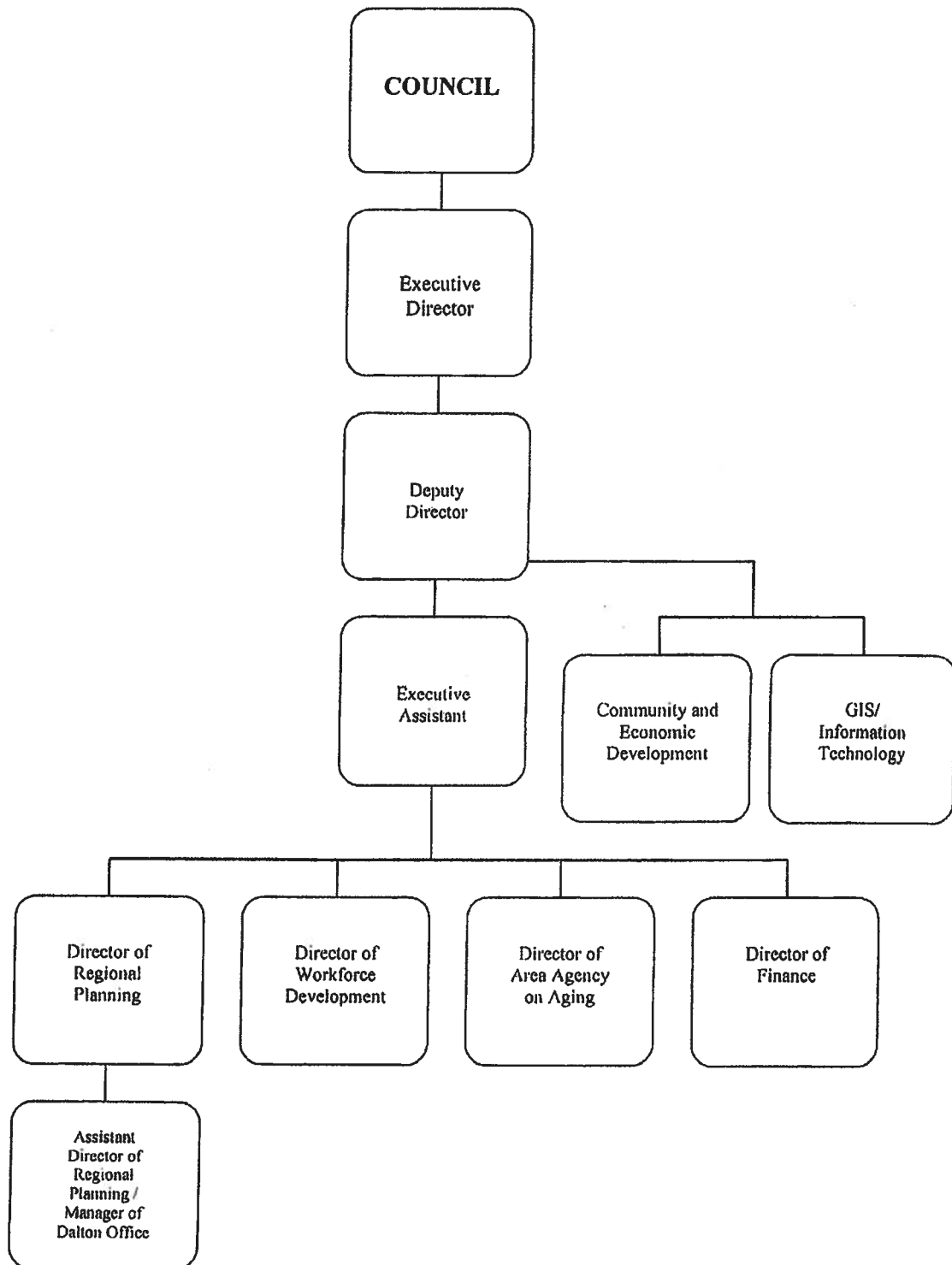
Respectfully submitted,



William R. Steiner  
Executive Director



NORTHWEST GEORGIA REGIONAL COMMISSION  
Organizational Chart



**NORTHWEST GEORGIA REGIONAL COMMISSION**

**EXECUTIVE STAFF**

June 30, 2011

---

**OFFICE OF DIRECTOR**

Executive Director	William R. Steiner
Deputy Director	Lloyd Frasier
Executive Assistant	Barbara M. Snead

**DEPARTMENT DIRECTORS**

Finance Director	Angela Hudson
Area Agency on Aging Director	Deborah Studdard
Workforce Development Director	Gwen Dellinger
Regional Planning Director	David M. Howerin
Assistant Regional Planning Director/ Manager, Dalton Office	Barnett Chitwood

**NORTHWEST GEORGIA REGIONAL COMMISSION**  
**LIST OF COUNCIL MEMBERS**  
**JUNE 30, 2011**

---

**OFFICERS**

Mike Babb  
Chairperson

Al Hoyle  
Secretary

David A. Austin  
Vice Chairperson

Allen Poole  
Treasurer

---

**MEMBERS**

**Bartow County**

Commissioner Clarence Brown  
Councilman Louis Tonsmeire, Cartersville  
Edsel Dean, Nonpublic

**Catoosa County**

Commissioner Jim Cutler  
Councilman Louis Hamm, Fort Oglethorpe  
Mark Fletcher, Nonpublic

**Chattooga County**

Commissioner Jason R. Winters  
Vacancy, Summerville  
James H. Henry, Nonpublic

**Dade County**

County Executive/Commissioner Ted M. Rumley  
Mayor Anthony Emanuel, Trenton  
John Shober, Nonpublic

**Fannin County**

Commission Chairman Bill Simonds  
Mayor Donna Whitener, Blue Ridge  
David Campbell, Nonpublic

**NORTHWEST GEORGIA REGIONAL COMMISSION  
LIST OF COUNCIL MEMBERS  
JUNE 30, 2011**

---

**Floyd County**

Commissioner Garry Fricks  
Mayor Pro-Tem Kim Canada, Rome  
Mark Eubanks, Nonpublic

**Gilmer County**

Commission Chairman J. C. Sanford  
Mayor Al Hoyle, Ellijay  
Hubert Parker, Nonpublic

**Gordon County**

Commissioner Alvin Long  
Councilman David Hammond, Calhoun  
Sam Payne, Nonpublic

**Haralson County**

Commission Chairman Allen Poole  
Councilwoman Jane Wilson, Bremen  
Bob Birky, Nonpublic

**Murray County**

Commissioner Greg Hogan  
Mayor Dan Penland, Chatsworth  
Steve Noland, Nonpublic

**Paulding County**

Commission Chairman David A. Austin  
Mayor Boyd Austin, Dallas  
Ken McMichen, Nonpublic

**Pickens County**

Commissioner Robert Jones  
Mayor John Weaver, Jasper  
Gary Reece, Nonpublic

**NORTHWEST GEORGIA REGIONAL COMMISSION**  
**LIST OF COUNCIL MEMBERS**  
**JUNE 30, 2011**

---

**Polk County**

Commissioner Cleve Hartley  
City Commissioner Scott Tillery, Cedartown  
Alan Dean, Nonpublic

**Walker County**

Commissioner Bebe Heiskell  
Vacancy, LaFayette  
Virgil Sperry, Nonpublic

**Whitfield County**

Commission Chairman Mike Babb  
Mayor David Pennington, Dalton  
Nicky Starling, Nonpublic

**Governor's Appointees**

Billy Croker, Businessman, Polk County  
Butch Jones, Businessman, Ellijay  
Melissa Mathis, Assistant Superintendent of Schools, Walker Co

**Lieutenant Governor's Appointee**

Brian Anderson, Greater Dalton Chamber of Commerce

**Speaker of the House's Appointee**

Donald N. Murray, Gilmer County

## R L Jennings and Associates

Certified Public Accountants

www.romecpa.com

R. Lee Jennings, CFCA, CPA

Joey Cumbie, CPA

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Member

American Institute of  
Certified Public Accountants

Georgia Society of  
Certified Public Accountants

### INDEPENDENT AUDITOR'S REPORT

*To the Chairman and Board of Directors  
Northwest Georgia Regional Commission  
Rome, Georgia*

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units and each major fund, and the aggregate remaining fund information of the **Northwest Georgia Regional Commission**, as of and for the year ended June 30, 2011, which collectively comprise the Organization's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the **Northwest Georgia Regional Commission'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 the aggregate remaining fund information of the **Northwest Georgia Regional Commission**, as of June 30, 2011, and the respective changes in financial position and where applicable, cash flows, and the respective budgetary comparison for the General Fund and the Major Special Revenue Funds, 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 a report dated July 31, 2012 on our consideration of the Organization's internal control over reporting and our test 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.

The **Northwest Georgia Regional Commission** has not presented the Management's Discussion and Analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be a part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the **Northwest Georgia Regional Commission's** basic financial statements. The introductory section is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the Organization. The schedule of expenditures of federal awards has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

  
E Associates, PC  
July 31, 2012  
Rome, Georgia

## **BASIC FINANCIAL STATEMENTS**



Northwest Georgia Regional Commission  
Statement of Net Assets  
June 30, 2011

	Governmental Activities	Business-Type Activities	Total	Component Unit
<b>ASSETS</b>				
Cash	\$ 341,632	\$ 786,998	\$ 1,128,630	\$ 41,307
Certificate of deposit	-	-	-	-
Receivables	3,055,427	-	3,055,427	315
Current portion of notes receivable	-	55,650	55,650	-
Internal balances - component unit	34,716	-	34,716	(22,436)
Prepaid expenses	53,602	-	53,602	-
Notes receivable (net of allowance of \$59,110)	-	164,194	164,194	-
Property and equipment (net of accumulated depreciation)	145,421	-	145,421	-
<b>TOTAL ASSETS</b>	<b>\$ 3,630,798</b>	<b>\$ 1,006,842</b>	<b>\$ 4,637,640</b>	<b>19,186</b>
<b>LIABILITIES AND FUND EQUITY</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 1,681,705	\$ 37,145	\$ 1,718,850	\$ 94
Accrued liabilities	4,761	-	4,761	-
Deferred revenues	385,601	-	385,601	-
Long-term compensated absences	189,412	-	189,412	-
<b>TOTAL LIABILITIES</b>	<b>2,261,479</b>	<b>37,145</b>	<b>2,298,624</b>	<b>94</b>
<b>NET ASSETS</b>				
Invested in capital assets	145,421 ✓	- ✓	145,421	- ✓
Unrestricted	1,223,898	969,697	2,193,595	19,092
<b>TOTAL NET ASSETS</b>	<b>1,369,319</b>	<b>969,697</b>	<b>2,339,016</b>	<b>19,092</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 3,630,798</b>	<b>\$ 1,006,842</b>	<b>\$ 4,637,640</b>	<b>\$ 19,186</b>

See auditor's report and accompanying notes to the financial statements.

Northwest Georgia Regional Commission  
Statement of Activities  
For the Year Ended June 30, 2010

Functions/Programs Primary Government	Expenses	Indirect Expense Allocation	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			Component Unit
			Charges for Services	Operating Grants & Contributions	Governmental Activities	Primary Government		Total	
						Business-Type Activities	Governmental Activities		
Governmental activities:									
General government	\$ 113,263	\$ 11,641	\$ -	\$ -	\$ (124,904)	\$ -	\$ (124,904)	\$ -	
Aging services	9,026,385	560,569	-	9,502,572	(84,382)	-	(84,382)	-	
Planning services	3,682,779	521,564	-	3,745,247	(459,096)	-	(459,096)	-	
Workforce services	9,645,986	424,690	-	10,083,313	12,637	-	12,637	-	
• Internal Service	1,528,051	(1,518,464)	-	-	(9,587)	-	(9,587)	-	
Total governmental activities	23,996,464	-	-	23,331,132	(665,332)	-	(665,332)	-	
Business-Type Activities									
Revolving Loan Fund	70,534	-	500	-	-	(70,034)	(70,034)	-	
Total business-type activities	70,534	-	500	-	-	(70,034)	(70,034)	-	
Total primary government	\$ 24,066,998	\$ -	\$ 500	\$ 23,331,132	\$ (665,332)	\$ (70,034)	\$ (735,366)	\$ -	
Component Unit									
NDCDC, Inc.	\$ 4,271	\$ 22,436	\$ 2,398	\$ -	\$ -	\$ -	\$ -	\$ (24,309)	
Total component unit	\$ 4,271	\$ 22,436	\$ 2,398	\$ -	\$ -	\$ -	\$ -	\$ (24,309)	
General revenues:									
Regional appropriations									
Interest income									
Miscellaneous income									
Total general revenues									
Change in net assets									
Net assets - beginning									
Net assets - ending									
	843,331				843,331				
	1,670			23,061	24,731			20,791	
	357			-	357			321	
	845,358			23,061	868,419			21,112	
	180,026			(46,973)	133,053			(3,197)	
	1,189,293			1,016,670	2,205,963			22,289	
	1,369,319			969,697	2,339,016			19,092	

See auditor's report and accompanying notes to the financial statements.

Northwest Georgia Regional Commission  
 Balance Sheet  
 Governmental Funds  
 June 30, 2011

	General	Aging Programs	Planning Programs	Workforce Programs	Total Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents	\$ 150,936	\$ 7,808	\$ 145,234	\$ 34,353	\$ 338,331
Receivables	137,812	1,860,687	226,254	830,674	3,055,427
Due from other funds	1,163,934	-	-	-	1,163,934
Prepaid expenses	-	-	2,215	-	2,215
Property & Equipment (net)	-	-	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 1,452,682</b>	<b>\$ 1,868,495</b>	<b>\$ 373,703</b>	<b>\$ 865,027</b>	<b>\$ 4,559,907</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>LIABILITIES</b>					
Accounts payable	\$ 15,795	\$ 1,085,464	\$ 20,374	\$ 528,575	\$ 1,650,208
Accrued liabilities	-	-	-	715	715
Due to other funds	-	599,431	181,076	335,487	1,115,994
Deferred revenue	29,625	183,600	172,126	250	385,601
<b>TOTAL LIABILITIES</b>	<b>45,420</b>	<b>1,868,495</b>	<b>373,576</b>	<b>865,027</b>	<b>3,152,518</b>
<b>FUND BALANCES</b>					
Unreserved					
Undesignated	1,407,262	-	127	-	1,407,389
<b>TOTAL FUND BALANCES</b>	<b>1,407,262</b>	<b>-</b>	<b>127</b>	<b>-</b>	<b>1,407,389</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 1,452,682</b>	<b>\$ 1,868,495</b>	<b>\$ 373,703</b>	<b>\$ 865,027</b>	

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 18,869

Compensated absences of governmental funds are not financial resources and therefore are not reported in the funds (147,907)

An internal service fund is used by management to account for pooled costs which are allocated to various grants and contracts as determined by the Commission's cost allocation plan. The assets and liabilities net of due to/from other funds of the internal service fund are included in governmental activities in the statement of net assets. 90,968

Net assets of governmental activities \$ 1,369,319

See auditor's report and accompanying notes to the financial statements.

**Northwest Georgia Regional Commission**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Governmental Funds**  
**For the year ended June 30, 2011**

	General /	Aging Programs /	Planning Programs /	Workforce Programs /	Total Governmental Funds
<b>REVENUES</b>					
Regional appropriations	\$ 843,331	\$ -	\$ -	\$ -	\$ 843,331
From grantor agencies	-	8,895,501	3,229,301	10,083,313	22,208,115
In-kind	-	588,897	-	-	588,897
Interest income	1,670	-	-	-	1,670
Other income	357	18,174	515,946	-	534,477
<b>TOTAL REVENUES</b>	<b>845,358</b>	<b>9,502,572</b>	<b>3,745,247</b>	<b>10,083,313</b>	<b>24,176,490</b>
<b>EXPENDITURES</b>					
Current					
General government	124,504	-	-	-	124,504
Aging programs	-	9,538,576	-	-	9,538,576
Planning programs	-	-	4,197,758	-	4,197,758
Workforce programs	-	-	-	10,065,913	10,065,913
Other governmental funds	-	-	-	-	-
Capital outlay	-	45,283	4,995	17,400	67,678
<b>TOTAL EXPENDITURES</b>	<b>124,504</b>	<b>9,583,859</b>	<b>4,202,753</b>	<b>10,083,313</b>	<b>23,994,429</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>720,854</b>	<b>(81,287)</b>	<b>(457,506)</b>	<b>-</b>	<b>182,061</b>
<b>OTHER FINANCING SOURCES AND (USES)</b>					
Transfers in					
Local government dues	-	81,287	457,506	-	538,793
Other	-	-	-	-	-
Transfers (out)	(538,793)	-	-	-	(538,793)
<b>TOTAL OTHER FINANCING SOURCES AND (USES)</b>	<b>(538,793)</b>	<b>81,287</b>	<b>457,506</b>	<b>-</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>182,061</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>182,061</b>
FUND BALANCE - BEGINNING	1,225,201	-	127	-	1,225,328
PRIOR PERIOD ADJUSTMENT	-	-	-	-	-
BEGINNING BALANCE, AS RESTATED	<u>1,225,201</u> ✓	<u>-</u> ✓	<u>127</u> ✓	<u>-</u> ✓	<u>1,225,328</u> ✓
FUND BALANCE - ENDING	<u>\$ 1,407,262</u> ✓	<u>\$ -</u> ✓	<u>\$ 127</u> ✓	<u>\$ -</u> ✓	<u>\$ 1,407,389</u> ✓

See auditor's report and accompanying notes to the financial statements.

**Northwest Georgia Regional Commission**  
 Reconciliation of the Statement of Revenues, Expenditures  
 and Changes in Fund Balance of Governmental Funds  
 to the Statement of Activities  
 For the year ended June 30, 2011

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Net change in fund balances - total governmental funds \$ 182,061 ✓

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

Capital outlays are reported as expenditures in governmental funds.  
 However, in the statement of activities, the cost of capital assets  
 is allocated over their estimated useful lives as depreciation  
 expense. In the current period, these amounts are:

Capital outlay	18,869
Depreciation expense	(29,888)
	<u>(11,019) ✓</u>

Some items reported in the statement of activities do not require  
 the use of current financial resources and therefore are not  
 reported as expenditures in governmental funds. These activities  
 consist of:

Compensated absences	
Liability, 06/30/11	(147,907) ✓
Liability, 06/30/10	154,129 ✓
	<u>6,222 ✓</u>

Internal service funds are reported as proprietary funds; however,  
 in the statement of activities, net revenue of internal service  
 funds are reported as governmental activities (9,587) ✓

Other reconciling items 12,349 ✓

Change in net assets of governmental activities \$ 180,026 ✓

See auditor's report and accompanying notes to the financial statements.

**Northwest Georgia Regional Commission**  
**Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual**  
**General Fund**  
**For the year ended June 30, 2011**

	Budgeted Amounts		Actual Amount (Budgetary Basis)	Variance w/Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Local dues	\$ 842,915	\$ 842,915	\$ 843,331	\$ 416
Interest income	3,000	3,000	1,670	(1,330)
Other income	101,500	101,500	357	(101,143)
<b>TOTAL REVENUES</b>	<b>947,415</b>	<b>947,415</b>	<b>845,358</b>	<b>(102,057)</b>
<b>EXPENDITURES</b>				
Current				
Personnel services	17,000	17,000	18,164	(1,164)
Travel	40,000	40,000	21,807	18,193
Supplies	13,000	13,000	6,458	6,542
Per diem	20,000	20,000	18,929	1,071
Equipment	-	-	-	-
Contractual	-	-	-	-
Other	94,100	94,100	47,505	46,595
Indirect costs	6,467	6,467	6,522	(55)
Fringe benefit allocation	5,015	5,015	5,119	(104)
<b>TOTAL EXPENDITURES</b>	<b>195,582</b>	<b>195,582</b>	<b>124,504</b>	<b>71,078</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>751,833</b>	<b>751,833</b>	<b>720,854</b>	<b>(30,979)</b>
<b>OTHER FINANCING SOURCES AND USES</b>				
Transfers in				
Local government dues	-	-	-	-
Other	-	-	-	-
Transfers (out)	(669,318)	(669,318)	(538,793)	130,525
<b>TOTAL OTHER SOURCES AND OTHER (USES)</b>	<b>(669,318)</b>	<b>(669,318)</b>	<b>(538,793)</b>	<b>130,525</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>82,515</b>	<b>82,515</b>	<b>182,061</b>	<b>99,546</b>
<b>FUND BALANCE - BEGINNING</b>	<b>1,225,201</b>	<b>1,225,201</b>	<b>1,225,201</b>	<b>-</b>
<b>PRIOR PERIOD ADJUSTMENT</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>BEGINNING BALANCE, AS RESTATED</b>	<b>1,225,201</b>	<b>1,225,201</b>	<b>1,225,201</b>	<b>-</b>
<b>FUND BALANCE - ENDING</b>	<b>\$ 1,307,716</b>	<b>\$ 1,307,716</b>	<b>\$ 1,407,262</b>	<b>\$ 99,546</b>

See auditor's report and accompanying notes to the financial statements.

**Northwest Georgia Regional Commission**

Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

Aging Programs

For the year ended June 30, 2011

	Budgeted Amounts		Actual Amount (Budgetary Basis)	Variance w/Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
From grantor agencies	\$ 9,359,576	\$ 9,359,576	\$ 8,895,501	\$ (464,075)
Subgrantee match				
In-kind	700,517	700,517	588,897	(111,620)
Other income	18,400	18,400	18,174	(226)
<b>TOTAL REVENUES</b>	<b>10,078,493</b>	<b>10,078,493</b>	<b>9,502,572</b>	<b>(575,921)</b>
<b>EXPENDITURES</b>				
Current				
Personnel services	947,890	947,890	873,040	74,850
Travel	85,221	85,221	71,446	13,775
Supplies	55,375	55,375	37,127	18,248
Per diem	2,500	2,500	119	2,381
Equipment	115,000	115,000	45,283	69,717
Contractual	8,222,453	8,222,453	7,899,347	323,106
Other	92,350	92,350	96,928	(4,578)
Indirect costs	360,590	360,590	314,345	46,245
Fringe benefit allocation	279,614	279,614	246,224	33,390
<b>TOTAL EXPENDITURES</b>	<b>10,160,993</b>	<b>10,160,993</b>	<b>9,583,859</b>	<b>577,134</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(82,500)</b>	<b>(82,500)</b>	<b>(81,287)</b>	<b>1,213</b>
<b>OTHER FINANCING SOURCES AND USES</b>				
Transfers in				
Local government dues	82,500	82,500	81,287	(1,213)
Other matching	-	-	-	-
Transfers (out)	-	-	-	-
<b>TOTAL OTHER SOURCES AND OTHER (USES)</b>	<b>82,500</b>	<b>82,500</b>	<b>81,287</b>	<b>(1,213)</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>FUND BALANCE - BEGINNING</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>FUND BALANCE - ENDING</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

See auditor's report and accompanying notes to the financial statements.

**Northwest Georgia Regional Commission**  
**Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual**  
**Planning Programs**  
**For the year ended June 30, 2011**

	Budgeted Amounts		Actual Amount (Budgetary Basis)	Variance w/Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
From grantor agencies	\$ 4,000,359	\$ 4,000,359	\$ 3,229,301	\$ (771,058)
Subgrantee match				
In-kind	-	-	-	-
Other income	66,809	66,809	515,946	449,137
<b>TOTAL REVENUES</b>	<b>4,067,168</b>	<b>4,067,168</b>	<b>3,745,247</b>	<b>(321,921)</b>
<b>EXPENDITURES</b>				
Current				
Personnel services	838,630	838,630	814,402	24,228
Travel	139,380	139,380	100,834	38,546
Supplies	12,735	12,735	6,166	6,569
Per diem	4,715	4,715	3,529	1,186
Equipment	9,500	9,500	4,995	4,505
Contractual	3,027,970	3,027,970	2,716,755	311,215
Other	54,648	54,648	34,508	20,140
Indirect costs	319,026	319,026	292,221	26,805
Fringe benefit allocation	247,383	247,383	229,343	18,040
<b>TOTAL EXPENDITURES</b>	<b>4,653,987</b>	<b>4,653,987</b>	<b>4,202,753</b>	<b>451,234</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(586,819)</b>	<b>(586,819)</b>	<b>(457,506)</b>	<b>129,313</b>
<b>OTHER FINANCING SOURCES AND USES</b>				
Transfers in				
Local government dues	586,819	586,819	457,506	(129,313)
Other matching	-	-	-	-
Transfers (out)	-	-	-	-
<b>TOTAL OTHER SOURCES AND OTHER (USES)</b>	<b>586,819</b>	<b>586,819</b>	<b>457,506</b>	<b>(129,313)</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>FUND BALANCE - BEGINNING</b>	<b>127</b>	<b>127</b>	<b>127</b>	<b>-</b>
<b>FUND BALANCE - ENDING</b>	<b>\$ 127</b>	<b>\$ 127</b>	<b>\$ 127</b>	<b>\$ -</b>

See auditor's report and accompanying notes to the financial statements.



**Northwest Georgia Regional Commission**  
**Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual**  
**Workforce Programs**  
**For the year ended June 30, 2011**

	Budgeted Amounts		Actual Amount (Budgetary Basis)	Variance w/Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
From grantor agencies	\$ 14,077,503	\$ 14,077,503	\$ 10,083,313	\$ (3,994,190)
Other income	3,728	3,728	-	(3,728)
Subgrantee match	-	-	-	-
<b>TOTAL REVENUES</b>	<b>14,081,231</b>	<b>14,081,231</b>	<b>10,083,313</b>	<b>(3,997,918)</b>
<b>EXPENDITURES</b>				
Current				
Personnel services	783,597	783,597	739,510	44,087
Travel	74,835	74,835	53,382	21,453
Supplies	33,015	33,015	23,637	9,378
Per diem	184,089	184,089	118,602	65,487
Equipment	39,000	39,000	17,400	21,600
Contractual	12,031,409	12,031,409	8,450,837	3,580,572
Other	406,044	406,044	255,255	150,789
Indirect costs	298,091	298,091	263,853	34,238
Fringe benefit allocation	231,151	231,151	160,837	70,314
<b>TOTAL EXPENDITURES</b>	<b>14,081,231</b>	<b>14,081,231</b>	<b>10,083,313</b>	<b>3,997,918</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>OTHER FINANCING SOURCES AND USES</b>				
Transfers in				
Local government dues	-	-	-	-
Other matching	-	-	-	-
Transfers (out)	-	-	-	-
<b>TOTAL OTHER SOURCES AND OTHER (USES)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>FUND BALANCE - BEGINNING</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>FUND BALANCE - ENDING</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

See auditor's report and accompanying notes to the financial statements.

**Northwest Georgia Regional Commission**  
**Statement of Net Assets**  
**Proprietary Funds**  
**June 30, 2011**

	Enterprise Fund		Internal Service Fund
	Revolving Loan Fund		Fund
<b>ASSETS</b>			
Current Assets			
Cash	\$ 726,939	\$	3,301
Restricted cash	-		-
Certificate of deposit	60,059		-
Due from other funds	-		1,075,417
Due from component unit	-		34,716
Prepaid expenses	-		51,387
Current portion of notes receivable	55,650		-
Total current assets	842,648		1,164,821
Non-Current Assets			
Notes receivable, net of allowance of \$59,110	164,194		-
Property and equipment (net of accumulated depreciation)	-		105,552
Total non-current assets	164,194		105,552
<b>TOTAL ASSETS</b>	<b>\$ 1,006,842</b>	<b>\$</b>	<b>1,270,373</b>
<b>LIABILITIES AND NET ASSETS</b>			
<b>LIABILITIES</b>			
Current Liabilities			
Accounts payable	\$ 37,145	\$	31,496
Accrued liabilities	-		4,046
Due to other funds	-		1,123,357
Due to component unit	-		-
Total current liabilities	37,145		1,158,899
Long-term Liabilities			
Long-term compensated absences	-		41,506
<b>TOTAL LIABILITIES</b>	<b>37,145</b>		<b>1,200,405</b>
<b>NET ASSETS</b>			
Invested in capital assets	-	/	105,552
Unrestricted	969,697		(35,584)
<b>TOTAL NET ASSETS</b>	<b>969,697</b>		<b>69,968</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 1,006,842</b>	<b>\$</b>	<b>1,270,373</b>

See auditor's report and accompanying notes to the financial statements.

**Northwest Georgia Regional Commission**  
**Statement of Revenues, Expenses and Changes in**  
**Fund Net Assets**  
**Proprietary Funds**  
**For the Year Ended June 30, 2011**

	Enterprise Fund <u>Revolving Loan Fund</u>	Internal Service Fund
Charges for current loan and debt	\$ 500	\$ -
Indirect cost recoveries	-	1,690,575
Total operating revenues	<u>500</u>	<u>1,690,575</u>
Operating expenses		
Direct:		
Personnel services		
Salaries and wages	22,437	-
Fringe benefits	6,160	-
Total personnel services	<u>28,597</u>	-
Operating expenses	2,300	-
Bad debt expense	31,513	-
Total direct expenses	<u>62,410</u>	-
Indirect:		
Other indirect cost allocations	8,124	1,700,162
Total indirect costs	<u>8,124</u>	<u>1,700,162</u>
Total operating expenses	<u>70,534</u>	<u>1,700,162</u>
Operating income (loss)	(70,034)	(9,587)
Non-operating revenues (expenses)		
Interest and investment revenue	23,061	-
Total non-operating revenues (expenses)	<u>23,061</u>	-
Operating income (loss) before contributions and transfers	<u>(46,973)</u>	<u>(9,587)</u>
Other financing sources (uses)		
Transfers in	-	-
Transfers (out)	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>
Increase (decrease) in net assets	(46,973)✓	(9,587)
Net Assets at June 30, 2010	<u>1,016,670</u> ✓	<u>79,555</u> ✓
Net Assets at June 30, 2011	<u>\$ 969,697</u> ✓	<u>\$ 69,968</u> ✓

See auditor's report and accompanying notes to the financial statements.

Northwest Georgia Regional Commission  
Statement of Cash Flows  
Proprietary Funds  
For the Year Ended June 30, 2011

	Enterprise Fund <u>Revolving Loan Fund</u>	Internal Service Fund
Cash flows from operating activities		
Cash received from customers	\$ 23,061	\$ -
Loans to customers	160,412	
Cash received from interfund services provided	-	1,620,294
Cash payments for personnel services	(28,597)	(1,237,642)
Cash payments for goods and services	(16,572)	(382,649)
Net cash provided (used) by operating activities	<u>138,304</u>	<u>3</u>
Cash flows (to) from capital and related financing activities		
Purchase of equipment	-	-
Net cash provided (used) by capital and related financing activities	<u>-</u>	<u>-</u>
Net increase (decrease) in cash	138,304	3
Cash at beginning of year	<u>648,694</u>	<u>3,298</u>
Cash at end of year	<u>\$ 786,998</u>	<u>\$ 3,301</u>

Reconciliation of net income to net cash provided (used) by operating activities:

Operating income (expense)	\$ (46,973)	\$ (9,587)
Adjustments to reconcile operating		
Income to net cash provided by operating activities:		
Depreciation	-	12,348
Bad debt expense	31,513	
(Increase) decrease in notes receivable	128,899	-
(Increase) decrease in other receivables	-	-
(Increase) decrease in due from other funds	-	(70,281)
(Increase) decrease in prepaid expenses	-	(14,282)
Increase (decrease) in accounts payable	37,145	20,899
Increase (decrease) in accrued liabilities	-	(57)
Increase (decrease) in due to other funds	(12,280)	55,920
Increase (decrease) in compensated absences	-	5,043
Net cash provided (used) by operating activities	<u>\$ 138,304</u>	<u>\$ 3</u>

See auditor's report and accompanying notes to the financial statements.

Northwest Georgia Regional Commission  
Statement of Fiduciary Net Assets  
Fiduciary Fund  
June 30, 2011

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	<u>Pension Trust</u>
ASSETS	
Restricted Assets:	
Investments held for pension:	
Mutual funds	\$ 357,642
Annuities	<u>6,932</u>
	<u>\$ 364,574</u>
 <u>NET ASSETS</u>  	
Restricted Net Assets:	
Assets held in trust for pension benefits	<u>\$ 364,574</u>
	<u>\$ 364,574</u>

See auditor's report and accompanying notes to the financial statements.

**Northwest Georgia Regional Commission**  
**Statement of Changes in Fiduciary Net Assets**  
**Fiduciary Fund**  
**For the Year Ended June 30, 2011**

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	<u>Pension Trust</u>
ADDITIONS	
Contributions:	
Employer	\$ 8,827
Investment earnings:	
Net investment loss	<u>129,693</u>
Total reduction	138,520
DEDUCTIONS	
Benefits	<u>928,412</u>
Change in net assets	(789,892)
Net assets - beginning	<u>1,154,466</u> ✓
Net assets - ending	<u><u>\$ 364,574</u></u>

See auditor's report and accompanying notes to the financial statements.

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Northwest Georgia Regional Commission (the "Commission") succeeded the former Coosa Valley Regional Development Center and the North Georgia Regional Development Center (the "Centers) effective July 1, 2009. Both of the Centers elected to ratify Georgia House Bill 1216, which required the combination of the Regional Development Centers. The responsibilities and authority of the regional commissions are contained in Sections 50-8-30 through 50-8-46 of OCGA. County members of the Commission are: Bartow, Catoosa, Chattooga, Dade, Fannin, Floyd, Gilmer, Gordon, Haralson, Murray, Paulding, Pickens, Polk, Whitfield and Walker counties of Georgia. Municipalities which are members are: Adairsville, Cartersville, Emerson, Euharlee, Kingston, Taylorsville, White, Fort Oglethorpe, Ringgold, Lyerly, Menlo, Summerville, Trion, Trenton, Cave Spring, Rome, Calhoun, Fairmount, Plainville, Ranger, Resaca, Bremen, Buchanan, Tallapoosa, Waco, Braswell, Dallas, Hiram, Aragon, Cedartown, Rockmart, Chickamauga, LaFayette, Lookout Mountain and Rossville.

The Commission administers the spending of various federal and state grants in the fifteen county region comprising its membership. Workforce Investment Act grants represent 49% and Agency on Aging grants represent 23% of the Center's total combined revenue. The Commission administers the Workforce Investment Act funds by authorization of the local Workforce Investment Board.

*1. Principles Determining Scope of Reporting Entity*

The Governmental Accounting Standard Board (GASB) requires the financial reporting entity consist of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

In evaluating the Commission's reporting entity in accordance with GASB Statement No. 14, The Financial Reporting Entity, management has included all organizations that make up the Commission's legal entity and all component units. Consistent with applicable guidance, the criteria used by the Commission to include component units within its reporting entity are financial accountability and the nature and significance of the relationship. The Commission includes organizations as component units under the following financial accountability criteria:

1. Organizations for which the Commission appoints a voting majority of the Organizations' governing body and for which (a) the Commission is able to impose its will on the organization or (b) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the Center

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1. *Principles Determining Scope of Reporting Entity (Continued)*

2. Organizations that are fiscally dependent on the Commission. Fiscal dependency is established if the organization is unable to adopt its budget, set rates or charges, or enter into debt without approval by the Commission.

The Northwest Georgia Regional Commission includes the general operations authorized by statute, programs and projects in which goals and objectives as well as funding is specified in grant contracts, and such proprietary type activities which have been established by the Board of Directors.

For the year ended June 30, 2011, the Commission implemented GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions* and GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*. Statement No. 34 established new financial reporting requirements for all state and local governments.

Financial reporting requirements of GASB 34 include the following:

Management's Discussion and Analysis;

Basic Financial Statements;

Government-wide financial statements, prepared using the economic resource measurement focus and the accrual basis of accounting;

Fund financial statements, consisting of a series of statements that focus on a government's major governmental funds and enterprise funds;

Notes to the financial statements;

Required supplementary information, which requires budgetary comparison schedules to be presented.



NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1. *Principles Determining Scope of Reporting Entity (Continued)*

As a result of applying the criteria of GASB Statement 14, certain organizations have been included in the Commission's financial statements:

Blended Component Unit

North GA Regional Development Center – Pension Trust

The Pension Trust Fund accounts for assets held on behalf of the Commission's employees. This is a non-contributory defined contribution Pension Trust Plan – administered by a Board of Trustees appointed by the Commission's Board of Directors.

Discretely Presented Component Unit

NGCDC, Inc.

The NGCDC, Inc. assists local enterprises within the State (not exclusively in the Commission's region) in servicing financing through the U.S. Small Business Administration's 504 and 7A Loan Program. The administration of NGCDC, Inc. is provided by the Commission.

Financial information pertaining to the above component units may be obtained from the Northwest Georgia Regional Commission upon request. NGCDC, Inc. has the same fiscal year end as the Commission.

**Government-wide and fund financial statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government. The effect of inter-fund activity has been removed from these statements. *Governmental activities*, which are normally supported by regional appropriations, intergovernmental revenues and grants are reported separately from *business-type activities*, which rely to a significant extent on fees and information sales.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a function or segment and 2) grants

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1. *Principles Determining Scope of Reporting Entity (Continued)*

and contributions that are restricted to meeting the operational requirement of a particular function or segment. Regional appropriations and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and proprietary funds. All individual governmental funds and individual enterprise funds are reported as separate columns in the fund financial statements.

2. *Measurement Focus and Basis of Presentation*

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Regional appropriations are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Center considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences and claims and judgments are recorded only when payment is due.

All material governmental fund expenditures are classified as current. All governmental fund revenues of the Commission are considered susceptible to accrual.

Revenues that are accrued include federal and state grants, interest, and certain charges for current services.

Revenues of the governmental funds susceptible to accrual are dues from member counties and municipal governments, earned portion of grant contracts and interest on invested funds.

The Commission uses funds to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. *Measurement Focus and Basis of Presentation (Continued)*

financial management by segregating transactions related to certain government functions or activities.

Revenues of the governmental funds susceptible to accrual are dues from member counties and municipal governments, earned portion of grant contracts and interest on invested funds.

The Commission uses funds to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts.

Funds are classified into three basic types: governmental, proprietary and fiduciary. Each type, in turn, is divided into separate "funds".

Recognized costs of grant contracts are used as the basis of recorded revenues from the grantor. Accounts receivable will reflect amounts earned which are undrawn, and deferred revenues will show balances of advance contract and interest on invested funds.

Governmental Funds – The Commission reports the following governmental fund types:

**General Fund** – The general fund accounts for all financial resources except those required to be accounted for in other funds. The General Fund's fund balance is available for purposes approved by the board of directors and allowable under Georgia law.

**Special Revenue Funds** – The special revenue funds account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

**Fiduciary Funds** – The fiduciary fund accounts for the assets held on behalf of outside parties, including other governments. The Commission's pension trust fund is accounted for as a fiduciary fund.

The General Fund and Special Revenue Funds are reported as major governmental funds for the Commission

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. *Measurement Focus and Basis of Presentation (Continued)*

financial management by segregating transactions related to certain government functions or activities.

Revenues of the governmental funds susceptible to accrual are dues from member counties and municipal governments, earned portion of grant contracts and interest on invested funds.

The Commission uses funds to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

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Funds are classified into three basic types: governmental, proprietary and fiduciary. Each type, in turn, is divided into separate "funds".

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Governmental Funds – The Commission reports the following governmental fund types:

**General Fund** – The general fund accounts for all financial resources except those required to be accounted for in other funds. The General Fund's fund balance is available for purposes approved by the board of directors and allowable under Georgia law.

**Special Revenue Funds** – The special revenue funds account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

**Fiduciary Funds** – The fiduciary fund accounts for the assets held on behalf of outside parties, including other governments. The Commission's pension trust fund is accounted for as a fiduciary fund.

The General Fund and Special Revenue Funds are reported as major governmental funds for the Commission

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. *Measurement Focus and Basis of Presentation (Continued)*

Governmental Funds (Continued)

Special Revenue Funds (Continued)

The following are the Commission's major special revenue funds and their revenue is reported as program revenue on the statement of activities:

Aging Fund – The aging fund is used to account for the grant activity from the Department of Human Resources for the Area Agency on Aging.

Workforce Fund – The workforce fund is used to account for the grant activity from the Department of Labor.

Planning Fund – The planning fund is used to account for the grant activity from various sources related to regional planning and development.

The Commission does not have any non-major special revenue funds to report.

Proprietary Funds – The following are the Commission's proprietary funds:

Internal Service Fund – The internal service fund is used to account for pooled costs which are allocated to various grants and contracts as determined by the Commission's cost allocation plan.

The Commission reports the following major enterprise fund:

Revolving Loan Fund – The revolving loan fund is used to account for funds granted to the Commission and then loaned out to entities that meet federal requirements.  
The Commission

The statements for the internal service fund and the revolving loan fund are presented in the fund financial statements section. The Internal Service Fund is considered a "governmental activity" for purposes of the government-wide financial statements presented on pages 23-24.

The Proprietary Fund Type statements are prepared on the accrual basis of accounting. Revenues are recognized when they have been earned and are measurable; expenses are recognized when they are incurred, if measurable.

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. *Budgets*

OCGA Section 50-8-34 paragraph (g) provides for the Board of directors to adopt an annual budget and work program for the Commission. Budgets are adopted for the general fund and all special revenue fund types. These budgets are adopted on a basis consistent with generally accepted governmental accounting principles. The "legal level of control" (the level at which expenditures may not legally exceed appropriations) is at the department level.

4. *Encumbrances*

Encumbrance accounting – under which purchase orders, contract and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation is not utilized by the Commission.

5. *Cash*

Cash shown on the balance sheet includes amounts in demand deposits as well as short-term savings investments with a maturity date within three months of the date of purchase by the Commission.

6. *Prepaid Expenses*

Payments made to vendors for services that will benefit subsequent periods are recorded as prepaid items.

7. *Capital Assets*

Capital assets, which include equipment, are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the Commission as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost and depreciated using the straight-line method of depreciation over the estimated useful lives of the assets. Equipment lives range from 5-7 years.

All purchased or constructed property and equipment is valued at cost where historical records are available and at an estimated historical cost where no historical records exist.

Donated property is valued at the estimated fair market value on the date each asset was acquired.

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

7. *Capital Assets (continued)*

Capital assets purchased with resources provided by the Georgia Department of Human Resources have not been recorded in these financial statements.

8. *Compensated Absences and Employee Benefits*

The Commission provides the following compensated absences and employee benefits:

Vacation Leave

Regular employees are awarded 10 to 24 days per year of vacation leave and may accumulate up to 30 days. Upon termination of employment, employees are allowed to be reimbursed for accumulated vacation leave up to a maximum of 30 days. Accumulated leave for which employees could be reimbursed based on salary rates at June 30, 2011 amounted to \$189,412.

Amounts vested or accumulated vacation leave that are not expected to be liquidated with current financial resources are reported in the Long-term Debt Section of the financial statements for both governmental and proprietary fund types.

Sick Leave

Employees are awarded 12 days per year of sick leave and may accumulate up to 90 days. The cost of sick leave is recognized as the employee takes it.

In accordance with the provisions of Statement of Financial Accounting Standards No. 43 "Accounting for Compensated Absences", no liability is recorded for non-vested accumulating rights to sick pay benefits.

Holidays

Employees are awarded 12 days per year as holidays. The cost of holiday leave is recorded when it is taken by the employee.

Insurance

The Commission maintains a contributory group health insurance plan as well as workers compensation coverage for all employees. Group insurance and workers compensation insurance costs for the year ended June 30, 2011 were \$335,516.

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

8. *Compensated Absences and Employee Benefits (Continued)*

Payroll Taxes

The Commission, acting as a local government entity, is a participant in the State of Georgia Employees' Retirement System, which administers FICA and Medicare taxes for local governments of Georgia. However, payroll tax payments are made to the Internal Revenue Service in accordance with IRS regulations. Payroll taxes paid by the Center were \$214,521 for the year ended June 30, 2011.

Retirement benefits

The Commission contributes to the Georgia Municipal Employees Benefit System, a multiple employer public employee retirement system, for covered employees. See Note H for a further description of this plan.

9. *Long-Term Obligations*

The long-term liabilities for vacation leave have been recorded in the fund in which they will be expended.

10. *Fund Equity*

Fund balances of governmental funds are segregated between amounts invested in non-cash assets, amounts designated for specific use in subsequent periods and undesignated remaining balances. As of June 30, 2011, there were no material amounts designated for specific uses in subsequent periods.

11. *Interfund Transactions*

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

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

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



NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

*12. 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 really assignable to the cost objectives specifically benefited, without effort disproportionate to the results achieved, are considered indirect costs. Indirect costs include fringe benefit allocation. These indirect costs are recorded in the internal service fund by the Commission's accounting system and allocated to elements of the special revenue funds and general fund based upon a calculated indirect cost rate. The Commission's calculated indirect cost rate is based upon prior cost experience, documented by a cost allocation plan, and is prepared annually in accordance with the provisions of the U.S. Office of Management and Budget Circular A-87. At the end of each month during the year, actual indirect cost and the fringe benefit rate is determined.

Indirect costs recovered as reimbursable costs in accordance with OMB Circular A-87 are transferred to the internal service fund and recognized as an "other financing source".

When an expense is incurred for which both restricted and unrestricted net assets are available, restricted funds are utilized to the extent available, subject to applicable rules and regulations. If there is any remaining balance, unrestricted funds are then utilized to the extent available.

*13. Comparative Data*

Comparative totals for the prior year have not been presented in the accompanying statement of financial position and operations.

*14. Use of Estimates*

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amount of revenue and expenses during the reported period. Actual results could differ from those estimates.

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

15. *Operating Revenues and Expenses*

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the Organization, these revenues are charges for administrative services. Operating expenses are necessary costs incurred to provide the good or service that are the primary activity of each program.

NOTE B. CASH AND INVESTMENTS

At June 30, 2011, the carrying amount of the Commission's deposits was \$ 1,128,630 and the bank balance was \$1,539,832. Of the bank balance, \$250,000 was covered by FDIC depository insurance. Cash is comprised as follows:

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Internal Service Fund</u>	<u>Revolving Loan Fund</u>	<u>Total</u>
Checking Accounts	\$ 153,375	\$ -	\$ 3,301	\$ 786,998	\$ 943,674
AAA Checking Accounts	-	7,807	-	-	7,807
Planning Checking Accounts	-	145,063	-	-	145,063
WIA Checking Accounts	-	32,086	-	-	32,086
	<u>\$ 153,375</u>	<u>\$ 184,956</u>	<u>\$ 3,301</u>	<u>\$ 786,998</u>	<u>\$ 1,128,630</u>

Custodial credit risk is the risk that in the event of a bank failure, the Commission's deposits may not be returned to it. The Commission does not have a deposit policy for custodial risk. As of June 30, 2011, \$371,348 of the Commission's bank balance was exposed to credit risk.

The Commission has not adopted a formal investment policy. Currently, the Commission does not hold any investments, and therefore, is not exposed to any credit risk related to investments.

**NOTE C. RECEIVABLES**

Amounts due from local governments include local participation amounts assessed and unpaid by member cities and counties.

Federal grants receivable includes amounts earned on approved federal grant contracts, including federal grants which may be passed through state agencies.

State grants receivable include amounts earned on grant contracts which do not contain federal fund participation.

Other receivables include any other amounts due from debtors.

**NOTE D. CONTINGENT LIABILITIES**

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds.

The amounts received, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the Commission's management expects such amounts, if any, to be immaterial.

Northwest Georgia Regional Commission  
Notes to Financial Statements  
June 30, 2011

NOTE E. CAPITAL ASSETS

The following is a summary of changes in capital assets:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental Activities:</b>				
Capital assets not being depreciated				
Land	\$ 23,413 ✓	\$ -	\$ -	\$ 23,413
Total capital assets not being depreciated	23,413	-	-	23,413
Capital assets being depreciated				
Buildings and improvements	472,893	-	-	472,893
Equipment	1,138,951	18,869	-	1,157,820
Vehicles	40,732	-	-	40,732
Total capital assets being depreciated	1,652,576	18,869	-	1,671,445
Less accumulated depreciation for:				
Buildings and improvements	(439,351)	(8,020)	-	(447,371)
Equipment	(1,039,466)	(21,868)	-	(1,061,334)
Vehicles	(40,732)	-	-	(40,732)
Total accumulated depreciation	(1,519,549)	(29,888)	-	(1,549,437)
Total capital assets being depreciated, net	133,027 ✓	(11,019)	-	122,008
Government activities capital assets, net	\$ 156,440 ✓	\$ (11,019)	\$ -	\$ 145,421 ✓

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

General government	\$ 400
Planning services	1,891
Workforce services	15,249
Internal service	12,348
	<u>29,888 ✓</u>
	\$ <u>29,888 ✓</u>

**Northwest Georgia Regional Commission**  
**Notes to Financial Statements**  
June 30, 2011

**NOTE F. INTERFUND BALANCES AND TRANSFERS**

Interfund balances at June 30, 2011 consisted of the following amounts and represent charges for services or reimbursable expenses. These remaining balances resulted from the time lag between the dates that (1) interfund goods or services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting period, and (3) payments between funds are made. The Organization expects to repay all interfund balances within one year.

	Payable from:					Total
	General Fund	Aging Fund	Planning Fund	WIA Fund	Internal Service Fund	
Payable to:						
General Fund	\$ -	\$ -	\$ 40,577	\$ -	\$ 1,123,357	\$ 1,163,934 ✓
WIA Fund	-	-	-	-	-	-
Internal Service Fund	-	599,431	140,499	335,487	-	1,075,417 ✓
Total	\$ -	\$ 599,431 ✓	\$ 181,076 ✓	\$ 335,487 ✓	\$ 1,123,357 ✓	\$ 2,239,351

Transfers are used to report revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

All Organization transfers occur on a regular basis or are consistent with the purpose of the fund making the transfer.

	Transfers from:					Total
	General Fund	Aging Fund	Planning Fund	WIA Fund	Internal Service Fund	
Transfers to:						
General Fund	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Special Revenue Funds						
Aging Fund	81,287	-	-	-	-	81,287 ✓
Planning Fund	457,506	-	-	-	-	457,506 ✓
Internal Service Fund	-	-	-	-	-	-
Total	\$ 538,793 ✓	\$ -	\$ -	\$ -	\$ -	\$ 538,793

**NOTE G. RELATED PARTY TRANSACTIONS**

Because of the unique nature of its administrative duties, the Commission had business relationships and transactions with companies that could be construed as related parties. The Commission administers the spending of the Workforce Investment Act (WIA) grant funds by contracting with various educational institutions as well as private companies in the 15 county region comprising its WIA membership. These contracts are awarded by the Workforce Investment Board (the "WIB"), and subsequently approved by the Center's board of directors. These awards are made generally upon the recommendation of WIA personnel employed by the Center. The members of the WIB are appointed by the council of elected officials, which is comprised of various senior elected local government officials in the 15 county regions. Six of the 37 WIB members are also owners or employees of subcontractors of the Commission in the utilization of WIA funds. During the year ended June 30, 2011, contracts between the Commission and subcontractors whose owners or employees are on the WIB totaled \$743,764. The WIB board members abstain from voting on contracts that may result in a conflict of interest.

**NOTE H. RETIREMENT BENEFITS**

The Commission contributes to the Georgia Municipal Employees Benefit System ("GMEBS"), a multi-employer public employee retirement system that acts as a common investment and administrative agent for municipalities in Georgia. The plan is an agent multiple-employer defined benefit plan. The Commission's payroll for employees covered by GMEBS is as follows:

<u>Year Ending</u>	<u>Covered Payroll</u>
June 30, 2011	\$ 2,748,020
June 30, 2010	2,464,793
June 30, 2009	2,112,918

The Commission's total payroll was \$2,748,020 for the year ended June 30, 2011. Certain required information is presented herein. For additional information about GMEBS including separately issued financial statements, contact GMEBS, 201 Pryor Street, S.W., Atlanta, Georgia 30303.

All full-time Commission employees who work at least 30 hours/week can enter the system after one year of service. Benefits vest after five years of service. Commission employees who retire at or after age 65 with 5 years of credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount (ranging from \$4,944 for employees born in 1903 or

NOTE H. RETIREMENT BENEFITS (Continued)

earlier to \$7,800 for employees born in 1941 or later) multiplied by the number of credited service years, plus one and three fourths percent of the number of credited service years. Final average earnings are defined as the employee's highest five consecutive earning years prior to retirement date. The GMEBS plan permits early retirement for employees who have reached the age of fifty-five and have completed ten years of credited service. The GMEBS plan also provides for disability retirement calculated in the same manner as the normal retirement, with no actuarial reduction for age imposed and in no event will the disability be less than sixty-five percent of the retiree's average monthly earnings, when coordinated with workman's compensation and social security for the twelve calendar month period immediately preceding the disability termination.

The benefit provisions and all other requirements are established pursuant to the authority vested in the commission by Georgia Law 1965, pp. 421 et. Seq., amended.

The Commission's pension plan with GMEBS is a non-contributory plan. The Commission contributes the minimum contributory amount each year out of current operations. For the year ended June 30, 2011, the Commission made contributions in the amount of \$312,683 (7.9% of payroll).

The table below sets forth required supplementary information to be disclosed in the schedule of funding progress. The items presented are based on the July 1, 2011, 2010 and 2009 actuarial valuations.

	2011	2010	2009
Actuarial value of assets	\$ 5,343,440	4,935,649	\$ 3,888,486
Actuarial accrued liability	5,766,007	5,324,164	5,242,773
Funded ratio	92.7%	92.7%	74.17%
Total unfunded actuarial liability (funding excess)	422,567	388,515	1,354,287
Annual covered payroll	2,748,020	2,464,793	2,112,918
Ratio of unfunded (excess) to annual covered payroll	15.4%	15.8%	64.1%

The participant data and the added values used in the actuarial valuations as of July 1, 2011, 2010 and 2009 were compiled as of January 1, 2012, January 1, 2011 and May 1, 2010, respectively.

The actuarial method used to determine the actuarial value of assets includes rolling forward the prior year's actuarial value with contributions, disbursements, and expected return on investments, plus 10 % of gains (losses) during the 10 prior years.

The significant actuarial assumptions used to compute the actuarial accrued liability and the annual recommended contribution of the plan meet the Actuarial Standard of Practice No. 4.,

NOTE H. RETIREMENT BENEFITS (Continued)

“Measuring Pension Obligations”, establishing generally accepted actuarial principles and practices.

The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations, if applicable.

The significant actuarial assumptions used in the current valuation are:

- interest rate 8.0% per year
- annual rates of increase in:
  - o salaries 5.5% per year
  - o future social security wage bases 5.5% per year
  - o cost of living adjustment Not applicable

Actuarial assumptions also include an expected inflation of 5 percent per year compounded annually.

The effect on the actuarial liability of any current year changes in actuarial assumptions or benefit provisions is:

The plan provisions valued are the same as those used in the preceding valuation. The actuarial assumptions have been changed since the preceding year and the effect can be obtained from GMEBS.

Three-Year Trend Information:

<u>Year Ending</u>	<u>Costs (APC)</u>	<u>APC</u>	
		<u>Contributed</u>	<u>Obligation</u>
June 30, 2009	184,358	100%	-
June 30, 2010	182,991	100%	-
June 30, 2011	188,481	100%	-

The funding policy for the plan is to contribute an amount equal to the recommended contribution in each year. The recommended contribution meets the guidelines for calculating an annual required contribution set forth in Paragraphs 9-10 of Statement No. 27 of the Government Accounting Standards Board. These contributions are determined under the projected unit credit actuarial cost method. The period, and related method, for amortizing the initial unfunded actuarial accrued liability is the following:



**Northwest Georgia Regional Commission**  
Notes to Financial Statements  
June 30, 2011

**NOTE H. RETIREMENT BENEFITS (Continued)**

	<u>Amortization</u> Period	<u>Related</u> Method
Gains and losses	15 years	Level dollar amount
Plan provisions	20 years	Level dollar amount
Actuarial assumptions	30 years	Level dollar amount

These amortization periods, if applicable, are open for this plan year.

**401(k) Pension Plan**

The Northwest Georgia Regional Commission maintains a 401(k) Pension Plan for the benefit of its employees. The Plan was established by resolution of the Board of Directors effective November 1, 1984, and the Plan received a favorable determination from the Internal Revenue Service, establishing it as a plan qualified under the applicable Internal Revenue Code provisions and regulations. The Plan is sponsored by the Lincoln Financial Group and is administered by the Cannon Financial Strategists.

The Plan does not provide for employer matching funds. All contributions are made by the employee and are fully vested at the time of contribution. The Plan year is January 1 to December 31. All regular employees are eligible to participate in the Plan beginning with their beginning date of employment with no age or service length requirements.

**Non-Contributory Defined Contribution Pension Trust Plan**

The Commission maintains a non-contributory defined contribution single-employer pension plan administered by a Board of Trustees appointed by the Commission's Board of Directors. Under the plans' provisions, the Commission's commitment is not to a defined benefit upon retirement but only to provide a regular contribution. Future benefits depend solely on amounts contributed to the plan plus investment earnings.

Balance - July 1, 2010	\$ 1,154,466 ✓
Fiscal Year 2011 Contributions	8,827
Fiscal Year 2011 Distributions	(928,412)
Investment Loss	129,693
Balance - June 30, 2011	<u>\$ 364,574 ✓</u>

This plan is qualified under Section 401(a) of the Internal Revenue Code and the Trust created by the Plan is exempt from tax under Section 503(b) of the Internal Revenue Code.

Total payroll for the year was \$474,760.

**NOTE H. RETIREMENT BENEFITS (Continued)**

Under authority of the Board of Directors, the Commission has established a contribution requirement of 7.5% of the participant's compensation in keeping with the minimum requirements of the Internal Revenue Service. For the fiscal year ending June 30, 2010, contributions were as follows:

	<u>Amount</u>	<u>Amount as a % of Covered Payroll</u>
Contribution by employer	\$ 8,827	7.5%
Contribution by employee	-	-

**NOTE I. LONG-TERM LIABILITIES**

The following is a summary of changes in accrued annual compensated absences:

Balance - July 1, 2010	\$ 190,592 ✓
Additions	216,213
Reductions	<u>(217,393)</u>
Balance - June 30, 2011	\$ <u>189,412 ✓</u>

Typically, long-term liabilities are paid from the funds under which they are incurred or accrued. If the related fund is unable to liquidate the long-term liability, the general fund would liquidate the long-term liability utilizing unrestricted funds.

**NOTE J. RISK MANAGEMENT**

The Center is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Commission carries commercial insurance for risks of loss.

STATE COMPLIANCE SECTION

# R L Jennings and Associates

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## INDEPENDENT AUDITOR'S REPORT ON SCHEDULE OF NONPUBLIC FUNDS

*To the Chairman and Board of Directors  
Northwest Georgia Regional Commission  
Rome, Georgia*

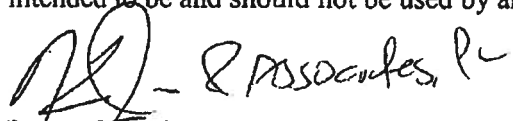
We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Northwest Georgia Regional Commission as of and for the year ended June 30, 2011, and have issued our report thereon dated July 31, 2012. We have also audited the Schedule of Nonpublic Funds of North Georgia CDC, Inc., a component unit of the Northwest 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 financial statements. 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 opinions.

The accompanying Schedule of Nonpublic Funds referred to above was prepared to present the beginning balance, revenues, expenditures and ending balance of nonpublic funds as required by 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 expenditures.

In our opinion, the Schedule of Nonpublic Funds referred to above presents fairly, in all material respects, the beginning balance, revenues, expenditures 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, 2011, in conformity with accounting principles generally accepted in the United States of America.

This report is intended solely for the information of the administrative committee, 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.

Handwritten signature in black ink, appearing to read "R. S. Associates, PC".

Rome, Georgia  
July 31, 2012

Northwest Georgia Regional Commission  
 Schedule of Nonpublic Funds  
 For the Year Ended June 30, 2011

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Nonpublic Funds Retained Earnings 7/1/10 \$ 22,289

Revenues - Nonpublic Funds:

<u>Source</u>	<u>Date</u>	<u>Amount</u>
Colson Services	7/6/2010	\$ 1,537
Colson Services	8/9/2010	1,537
Colson Services	9/7/2010	1,537
Colson Services	10/14/2010	1,537
Colson Services	11/5/2010	1,537
Colson Services	11/6/2010	241
Colson Services	12/6/2010	1,836
Colson Services	1/7/2011	1,836
Colson Services	2/7/2011	1,836
Colson Services	3/7/2011	1,836
Colson Services	4/7/2011	1,836
Colson Services	5/9/2011	1,836
Colson Services	5/13/2011	81
Colson Services	5/16/2011	2,398
Colson Services	6/6/2011	2,054

Accrued Revenue - Colson Services - Prior Year	-
Accrued Revenue - Colson Services - Current Year	-
Prior Year Escrow	-
	<hr/>

Total Revenues - Nonpublic Funds \$ 23,475

**Schedule of Nonpublic Funds (concluded)**

Expenditures of Nonpublic Funds:				
<u>Place</u>	<u>Purpose</u>	<u>Persons</u>	<u>Date</u>	<u>Amount</u>
NWGRC - Dalton Office	NGCDC Board Meeting Per Diem Fee	NGCDC, Inc. Board Members	9/21/2010	\$ 90
NWGRC - Dalton Office	NGCDC Board Meeting Per Diem Fee	NGCDC, Inc. Board Members	12/7/2010	150
Chatsworth- Murray County Chamber	NGCDC Board Meeting Per Diem Fee	NGCDC, Inc. Board Members	3/15/2011	150
NWGRC - Dalton Office	NGCDC Board Meeting Per Diem Fee	NGCDC, Inc. Board Members	6/28/2011	315
Other expenditures paid from nonpublic funds				3,531
Accrued expenditures - Current year				22,436
Total Expenditures of				<u>26,672</u>
Excess (Deficit) of Revenues				
Expenditures - NonPublic				<u>(3,197)</u>
Nonpublic Funds Retained Earnings 6/30/2011				<u>\$ 19,092</u>

(See following Notes to the Schedule of Nonpublic Funds.)

**Northwest Georgia Regional Commission**  
**Notes to the Schedule of Nonpublic Funds**  
**June 30, 2011**

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Note 1 - Schedule of Nonpublic Funds

The employees and representatives of NGCDC, Inc. 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 Northwest 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.

Note 2 - Basis of Accounting

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.



FEDERAL COMPLIANCE SECTION

Northwest Georgia Regional Commission  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2011

Federal Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures
<b>APPALACHIAN REGIONAL COMMISSION</b>			
Local Development District	23.001		\$ 119,946
Local Development District	23.001		<u>130,057</u>
			<u><u>250,003</u></u>
<b>HOUSING AND URBAN DEVELOPMENT</b>			
Neighborhood Stabilization	14.256	08-NS-5052	<u>2,385,066</u>
<b>U.S DEPARTMENT OF COMMERCE</b>			
Economic Development Administration			
Planning and Administrative Grants	11.302		121,232
Planning and Administrative Grants	11.302		<u>63,664</u>
			<u>184,896</u>
LTED Revolving Loan Fund	11.307		<u>961,876</u>
Total U.S. Department of Commerce			<u><u>1,146,772</u></u>
<i>AGING CLUSTER</i>			
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
Georgia Department of Human Resources			
Title IIIA	93.045	42700-373-0000005018	327,233
Title III C-1	93.045	42700-373-0000005018	747,877
Title III C-2	93.045	42700-373-0000005018	<u>804,442</u>
			1,879,552
Title IIIB	93.044	42700-373-0000005018	<u>928,222</u>
<i>TOTAL AGING CLUSTER</i>			<u>2,807,774</u>
Title IIID			
Title IIID	93.043	42700-373-0000005018	45,402
Title IIIE	93.052	42700-373-0000005018	344,936
Title VII		42700-373-0000005018	29,208
Title XIX Community Care	93.778	42700-373-0000005018	2,306,786
Title XX SSBG	93.667	42700-373-0000005018	602,591
USDA Nutrition	93.053	42700-373-0000005018	<u>224,119</u>
			3,553,042
Georgin Cares	93.779	42700-373-0000005018	132,071
MIPPA SHIP	93.779	42700-373-0000005018	<u>20,437</u>
			152,508

Northwest Georgia Regional Commission  
 Schedule of Expenditures of Federal Awards  
 Year Ended June 30, 2011

Federal Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
Georgia Department of Human Resources			
MIPPA AAA	93.071	42700-373-0000005018	31,527
ADRC State	93.071	42700-373-0000005018	47,004
MIPPA ADRC	93.071	42700-373-0000005018	52,800
			131,331
Community Living Program	93.048	42700-373-0000005018	606,703
Alzheimer's Program	93.048	42700-373-0000005018	231,485
LTCO Supplemental	93.048	42700-373-0000005018	59,320
CBS	93.048	42700-373-0000005018	1,201,527
			2,099,035
Total U.S. Department of Health and Human Services			8,743,690
<i>WIA CLUSTER</i>			
<b>U.S. DEPARTMENT OF LABOR</b>			
Georgia Department of Labor			
Workforce Investment Act			
Adult	17.258	10-09-11-01-001	\$ 1,184,830
Adult - ARRA	17.258	32-09-11-01-001	852,603
			2,037,433
Youth	17.259	15-08-11-01-001	1,614,227
Youth - ARRA	17.259	33-09-11-01-001	12,901
			1,627,128
Dislocated Worker	17.260	31-10-11-01-001	4,777,857
			4,777,857
<i>TOTAL WIA CLUSTER</i>			8,442,418
DHS	93.714	20-10-TY-01-131	1,559,973
Auto Alley	17.266	AA-14670-05-55	80,921
			1,640,894
Georgia Department of Human Resources			
Title V	17.235	42700-373-0000005018	941,508
			941,508
Total U.S. Department of Labor			11,024,820
Total Expenditures of Federal Awards			\$ 23,550,351

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

*To Chairman and Board of Directors  
Northwest Georgia Regional Commission  
Rome, Georgia 30161*

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 Northwest Georgia Regional Commission as of and for the year ended June 30, 2011, which collectively comprise the Northwest Georgia Regional Commission's basic financial statements and have issued our report thereon dated July 31, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

### *Internal Control over Financial Reporting*

In planning and performing our audit, we considered Northwest Georgia Regional Commission'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 Northwest Georgia Regional Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Northwest Georgia Regional Commission'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 in the first paragraph of this section and would not necessarily 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. However, we identified certain deficiencies in internal control over financial reporting, described in Items 10-01 to 10-04 that we consider to be significant deficiencies in internal control over financial reporting. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

We consider the following deficiencies to be significant deficiencies in internal control:

#### **10-01 Reconciliation of Bank Statements**

*Criteria:* The Commission maintains significant amounts of cash. An important part of the internal control structure over cash includes ensuring all cash accounts are assigned a general ledger account number, recorded in the general ledger and reconciled to the appropriate bank statement at the end of each month.

*Condition/Context:* We noted two bank accounts of the Commission for which no monthly reconciliation was prepared, as well as, an additional bank account for which no general ledger account number was assigned. The lack of a general ledger account number, as well as, preparation and review of the reconciliation increases the risk of exposure to misappropriation of these assets.

*Effect:* Failing to assign all cash accounts with a general ledger account number and properly reconciling cash accounts to the corresponding bank statement each month increases the risk that undetected errors may occur in the processing of cash transactions or that cash may be misappropriated.

*Cause:* Proper reconciliations of two cash accounts, as well as, assigning a general ledger account to a new bank account were not performed due to management oversight.

*Recommendation:* We recommend that management ensures that all bank accounts are assigned a general ledger account number and that all reconciliations are performed monthly for all bank accounts and that these reconciliations be reviewed by a knowledgeable individual other than the preparer.

*Response:* All bank accounts will be assigned a general ledger account number and reconciled each month and approved by a responsible member of management.

#### **10-02 Maintenance of General Ledger**

*Criteria:* The Commission is responsible for preparing annual financial statements in accordance with generally accepted accounting principles (GAAP). Recording material journal entries would provide more meaningful financial information.

*Condition/Context:* The Commission relied on the external auditors to record the material journal entries for the year.

*Effect:* Failure to record these entries distorts the financial information that is provided to the Commission's Board and may lead to critical financial decisions being made on erroneous data. Furthermore, lack of adjustments being prepared by the Commission leads to a time consuming process of accumulating the year-end statements and increases the risk of misstatement in the financial statements.

*Cause:* Material journal entries were not made due to management oversight.

*Recommendation:* We recommend that all material journal entries be made in a timely manner and on a routine basis and approved by management.

*Response:* All material journal entries will be made in timely manner and on a routine basis and will be approved by management.

### **10-3 Reconciliation of Grant Submissions to the General Ledger**

*Criteria:* The Commission is responsible for numerous reports to granting agencies in order to remain compliant with those agencies.

*Condition/Context:* During our audit, we noted that certain grant submissions were not being routinely reconciled to the data contained in the general ledger. We also noted that there was a lack of oversight by the granting agencies from the State of Georgia in regards to program reporting.

*Effect:* If these submissions are not maintained properly, as mentioned above, it could lead to inaccurate financial information, as well as, inaccurate reporting to the granting agencies, or possible misappropriation of funds. Due to the lack of oversight by the granting agencies, amounts reported were not reconciled by programs only in overall grant clusters.

*Cause:* The grant submissions were not reconciled to the general ledger due to management oversight. Grant submissions were not correctly reported and reconciled to the general ledger.

*Recommendation:* We recommend that the Commission reconcile the grant submissions to the general ledger in a timely manner and on a routine basis. Adequate documentation should be maintained to substantiate the grant submissions. Each grant submission should be approved by management. We recommend the Commission request additional training and support from the granting agencies of the State of Georgia as well as specific program guidelines and documentation.

*Response:* All grant submissions will be reconciled to the general ledger in a timely manner and on a routine basis and approved by management.

#### 10-04 Segregation of Duties

*Criteria:* Segregation of employees' duties is a common practice in an effective internal control structure. Policies should be in place requiring the proper segregation of duties.

*Condition/Context:* During our audit, we noted two areas where segregation of duties could be improved. Segregation of duties issues identified primarily involved conflicts between handling (or having access to) cash within the cash receipt or disbursement process, recording cash transactions in the accounting records, and reconciling cash accounts to bank statements. When the same employee performs two or more of these duties, weakness exists.

*Effect:* A lack of segregation of duties within the responsibilities can increase the exposure of cash to misappropriation or to errors in recording cash transactions.

*Cause:* Proper segregation of duties was not achieved due to management oversight.


*Recommendation:* We recommend that management continually evaluate employees' responsibilities and the design of an effective accounting system looking for opportunities to improve segregation of duties. Changes that improve segregation of duties will reduce the potential for errors or misappropriation of Commission assets.

*Response:* Management will continue to review daily procedures and responsibilities in an effort to identify ways to increase segregation of duties and improve oversight where necessary in order to reduce risk.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Northwest Georgia Regional Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of management, board of directors, and 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.

  
Rome, Georgia  
July 31, 2012

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## REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

*To the Chairman and Board of Directors  
Northwest Georgia Regional Commission  
Rome, Georgia 30161*

### Compliance

We have audited the compliance of the Northwest Georgia Regional Commission with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2011. The Northwest Georgia Regional Commission'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 Northwest Georgia Regional Commission's management. Our responsibility is to express an opinion on the Northwest Georgia Regional Commission'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 Northwest Georgia Regional Commission'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 on Northwest Georgia Regional Commission's compliance with those requirements.

In our opinion, Northwest Georgia Regional Commission, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2011.



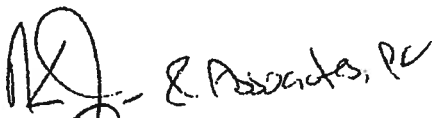
Internal Control Over Compliance

The management of Northwest Georgia Regional Commission, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Northwest Georgia Regional Commission's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing 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 Northwest Georgia Regional Commission'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 that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, board of directors, and 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.

  
Rome, Georgia  
July 31, 2012 ✓



**Northwest Georgia Regional Commission**  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2011

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Dollar threshold used to distinguish between Type A and Type B \$ 706,511

Auditee qualified as low-risk auditee?        yes   X   no

**Section II—Financial Statement Findings**

**10-01 Reconciliation of Bank Statements**

*Criteria:* The Commission maintains significant amounts of cash. An important part of the internal control structure over cash includes ensuring all cash accounts are assigned a general ledger account number, recorded in the general ledger and reconciled to the appropriate bank statement at the end of each month.

*Condition/Context:* We noted two bank accounts of the Commission for which no monthly reconciliation was prepared, as well as, an additional bank account for which no general ledger account number was assigned. The lack of a general ledger account number, as well as, preparation and review of the reconciliation increases the risk of exposure to misappropriation of these assets.

*Effect:* Failing to assign all cash accounts with a general ledger account number and properly reconciling cash accounts to the corresponding bank statement each month increases the risk that undetected errors may occur in the processing of cash transactions or that cash may be misappropriated.

*Cause:* Proper reconciliations of two cash accounts, as well as, assigning a general ledger account to a new bank account were not performed due to management oversight.

*Recommendation:* We recommend that management ensures that all bank accounts are assigned a general ledger account number and that all reconciliations are performed monthly for all bank accounts and that these reconciliations be reviewed by a knowledgeable individual other than the preparer.

*Response:* All bank accounts will be assigned a general ledger account number and reconciled each month and approved by a responsible member of management.

### **10-02 Maintenance of General Ledger**

*Criteria:* The Commission is responsible for preparing annual financial statements in accordance with generally accepted accounting principles (GAAP). Recording material journal entries would provide more meaningful financial information.

*Condition/Context:* The Commission relied on the external auditors to record the material journal entries for the year.

*Effect:* Failure to record these entries distorts the financial information that is provided to the Commission's Board and may lead to critical financial decisions being made on erroneous data. Furthermore, lack of adjustments being prepared by the Commission leads to a time consuming process of accumulating the year-end statements and increases the risk of misstatement in the financial statements.

*Cause:* Material journal entries were not made due to management oversight.

*Recommendation:* We recommend that all material journal entries be made in a timely manner and on a routine basis and approved by management.

*Response:* All material journal entries will be made in timely manner and on a routine basis and will be approved by management.

### **10-3 Reconciliation of Grant Submissions to the General Ledger**

*Criteria:* The Commission is responsible for numerous reports to granting agencies in order to remain compliant with those agencies.

*Condition/Context:* During our audit, we noted that certain grant submissions were not being routinely reconciled to the data contained in the general ledger. We also noted that there was a lack of oversight by the granting agencies from the State of Georgia in regards to program reporting.

*Effect:* If these submissions are not maintained properly, as mentioned above, it could lead to inaccurate financial information, as well as, inaccurate reporting to the granting agencies, or possible misappropriation of funds. Due to the lack of oversight by the granting agencies, amounts reported were not reconciled by programs only in overall grant clusters.

*Cause:* The grant submissions were not reconciled to the general ledger due to management oversight. Grant submissions were not correctly reported and reconciled to the general ledger.

*Recommendation:* We recommend that the Commission reconcile the grant submissions to the general ledger in a timely manner and on a routine basis. Adequate documentation should be maintained to substantiate the grant submissions. Each grant submission should be approved by management. We recommend the Commission request additional training and support from the

granting agencies of the State of Georgia as well as specific program guidelines and documentation.

*Response:* All grant submissions will be reconciled to the general ledger in a timely manner and on a routine basis and approved by management.

#### **10-04 Segregation of Duties**

*Criteria:* Segregation of employees' duties is a common practice in an effective internal control structure. Policies should be in place requiring the proper segregation of duties.

*Condition/Context:* During our audit, we noted two areas where segregation of duties could be improved. Segregation of duties issues identified primarily involved conflicts between handling (or having access to) cash within the cash receipt or disbursement process, recording cash transactions in the accounting records, and reconciling cash accounts to bank statements. When the same employee performs two or more of these duties, weakness exists.

*Effect:* A lack of segregation of duties within the responsibilities can increase the exposure of cash to misappropriation or to errors in recording cash transactions.

*Cause:* Proper segregation of duties was not achieved due to management oversight.

*Recommendation:* We recommend that management continually evaluate employees' responsibilities and the design of an effective accounting system looking for opportunities to improve segregation of duties. Changes that improve segregation of duties will reduce the potential for errors or misappropriation of Commission assets.

*Response:* Management will continue to review daily procedures and responsibilities in an effort to identify ways to increase segregation of duties and improve oversight where necessary in order to reduce risk.

#### **Section III—Federal Award Findings and Questioned Costs**

None reported.

### **10-02 Maintenance of General Ledger**

*Criteria:* The Commission is responsible for preparing annual financial statements in accordance with generally accepted accounting principles (GAAP). Recording material journal entries would provide more meaningful financial information.

*Condition/Context:* The Commission relied on the external auditors to record the material journal entries for the year.

*Effect:* Failure to record these entries distorts the financial information that is provided to the Commission's Board and may lead to critical financial decisions being made on erroneous data. Furthermore, lack of adjustments being prepared by the Commission leads to a time consuming process of accumulating the year-end statements and increases the risk of misstatement in the financial statements.

*Cause:* Material journal entries were not made due to management oversight.

*Recommendation:* We recommend that all material journal entries be made in a timely manner and on a routine basis and approved by management.

*Response:* All material journal entries will be made in timely manner and on a routine basis and will be approved by management.

### **10-3 Reconciliation of Grant Submissions to the General Ledger**

*Criteria:* The Commission is responsible for numerous reports to granting agencies in order to remain compliant with those agencies.

*Condition/Context:* During our audit, we noted that certain grant submissions were not being routinely reconciled to the data contained in the general ledger. We also noted that there was a lack of oversight by the granting agencies from the State of Georgia in regards to program reporting.

*Effect:* If these submissions are not maintained properly, as mentioned above, it could lead to inaccurate financial information, as well as, inaccurate reporting to the granting agencies, or possible misappropriation of funds. Due to the lack of oversight by the granting agencies, amounts reported were not reconciled by programs only in overall grant clusters.

*Cause:* The grant submissions were not reconciled to the general ledger due to management oversight. Grant submissions were not correctly reported and reconciled to the general ledger.

*Recommendation:* We recommend that the Commission reconcile the grant submissions to the general ledger in a timely manner and on a routine basis. Adequate documentation should be maintained to substantiate the grant submissions. Each grant submission should be approved by management. We recommend the Commission request additional training and support from the

granting agencies of the State of Georgia as well as specific program guidelines and documentation.

*Response:* All grant submissions will be reconciled to the general ledger in a timely manner and on a routine basis and approved by management.

#### **10-04 Segregation of Duties**

*Criteria:* Segregation of employees' duties is a common practice in an effective internal control structure. Policies should be in place requiring the proper segregation of duties.

*Condition/Context:* During our audit, we noted two areas where segregation of duties could be improved. Segregation of duties issues identified primarily involved conflicts between handling (or having access to) cash within the cash receipt or disbursement process, recording cash transactions in the accounting records, and reconciling cash accounts to bank statements. When the same employee performs two or more of these duties, weakness exists.

*Effect:* A lack of segregation of duties within the responsibilities can increase the exposure of cash to misappropriation or to errors in recording cash transactions.

*Cause:* Proper segregation of duties was not achieved due to management oversight.

*Recommendation:* We recommend that management continually evaluate employees' responsibilities and the design of an effective accounting system looking for opportunities to improve segregation of duties. Changes that improve segregation of duties will reduce the potential for errors or misappropriation of Commission assets.

*Response:* Management will continue to review daily procedures and responsibilities in an effort to identify ways to increase segregation of duties and improve oversight where necessary in order to reduce risk.

### **Section III—Federal Award Findings and Questioned Costs**

None reported.

**Northwest Georgia Regional Commission**  
Summary Schedule of Prior Audit Findings  
June 30, 2011

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**10-01 Reconciliation of Bank Statements**

*Criteria:* The Commission maintains significant amounts of cash. An important part of the internal control structure over cash includes ensuring all cash accounts are assigned a general ledger account number, recorded in the general ledger and reconciled to the appropriate bank statement at the end of each month.

*Condition/Context:* We noted two bank accounts of the Commission for which no monthly reconciliation was prepared, as well as, an additional bank account for which no general ledger account number was assigned. The lack of a general ledger account number, as well as, preparation and review of the reconciliation increases the risk of exposure to misappropriation of these assets.

*Effect:* Failing to assign all cash accounts with a general ledger account number and properly reconciling cash accounts to the corresponding bank statement each month increases the risk that undetected errors may occur in the processing of cash transactions or that cash may be misappropriated.

*Cause:* Proper reconciliations of two cash accounts, as well as, assigning a general ledger account to a new bank account were not performed due to management oversight.

*Recommendation:* We recommend that management ensures that all bank accounts are assigned a general ledger account number and that all reconciliations are performed monthly for all bank accounts and that these reconciliations be reviewed by a knowledgeable individual other than the preparer.

*Response:* All bank accounts will be assigned a general ledger account number and reconciled each month and approved by a responsible member of management.

**10-02 Maintenance of General Ledger**

*Criteria:* The Commission is responsible for preparing annual financial statements in accordance with generally accepted accounting principles (GAAP). Recording the consolidating entries for the two RDC's, as well as, other material journal entries would provide more meaningful financial information.

*Condition/Context:* The Commission relied on the external auditors to record the material consolidating journal entries for the year, as well as, other material journal entries.



**Northwest Georgia Regional Commission**  
Summary Schedule of Prior Audit Findings (Continued)  
June 30, 2011

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*Effect:* Failure to record these entries distorts the financial information that is provided to the Commission's Board and may lead to critical financial decisions being made on

erroneous data. Furthermore, lack of adjustments being prepared by the Commission leads to a time consuming process of accumulating the year-end statements and increases the risk of misstatement in the financial statements.

*Cause:* Material journal entries were not made due to management oversight.

*Recommendation:* We recommend that all material journal entries be made in a timely manner and on a routine basis and approved by management.

*Response:* All material journal entries will be made in timely manner and on a routine basis and will be approved by management.

**10-3 Reconciliation of Grant Submissions to the General Ledger**

*Criteria:* The Commission is responsible for numerous reports to granting agencies in order to remain compliant with those agencies.

*Condition/Context:* During our audit, we noted that certain grant submissions were not being routinely reconciled to the data contained in the general ledger.

*Effect:* If these submissions are not maintained properly, as mentioned above, it could lead to inaccurate financial information, as well as, inaccurate reporting to the granting agencies, or possible misappropriation of funds.

*Cause:* The grant submissions were not reconciled to the general ledger due to management oversight.

*Recommendation:* We recommend that the Commission reconcile the grant submissions to the general ledger in a timely manner and on a routine basis. Adequate documentation should be maintained to substantiate the grant submissions. Each grant submission should be approved by management.

*Response:* All grant submissions will be reconciled to the general ledger in a timely manner and on a routine basis and approved by management.

**10-04 Segregation of Duties**

*Criteria:* Segregation of employees' duties is a common practice in an effective internal control structure. Policies should be in place requiring the proper segregation of duties.

*Condition/Context:* During our audit, we noted two areas where segregation of duties could be improved. Segregation of duties issues identified primarily involved conflicts between handling (or having access to) cash within the cash receipt or disbursement process, recording cash transactions in the accounting records, and reconciling cash accounts to bank statements. When the same employee performs two or more of these duties, weakness exists.

*Effect:* A lack of segregation of duties within the responsibilities can increase the exposure of cash to misappropriation or to errors in recording cash transactions.

*Cause:* Proper segregation of duties was not achieved due to management oversight.

*Recommendation:* We recommend that management continually evaluate employees' responsibilities and the design of an effective accounting system looking for opportunities to improve segregation of duties. Changes that improve segregation of duties will reduce the potential for errors or misappropriation of Commission assets.

*Response:* Management will continue to review daily procedures and responsibilities in an effort to identify ways to increase segregation of duties and improve oversight where necessary in order to reduce risk.