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**NORTHWEST GEORGIA
REGIONAL COMMISSION**

ROME, GEORGIA

ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2012

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7/28/14

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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

February 20, 2013

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, 2012. 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, 2012, 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

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, 2012, 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

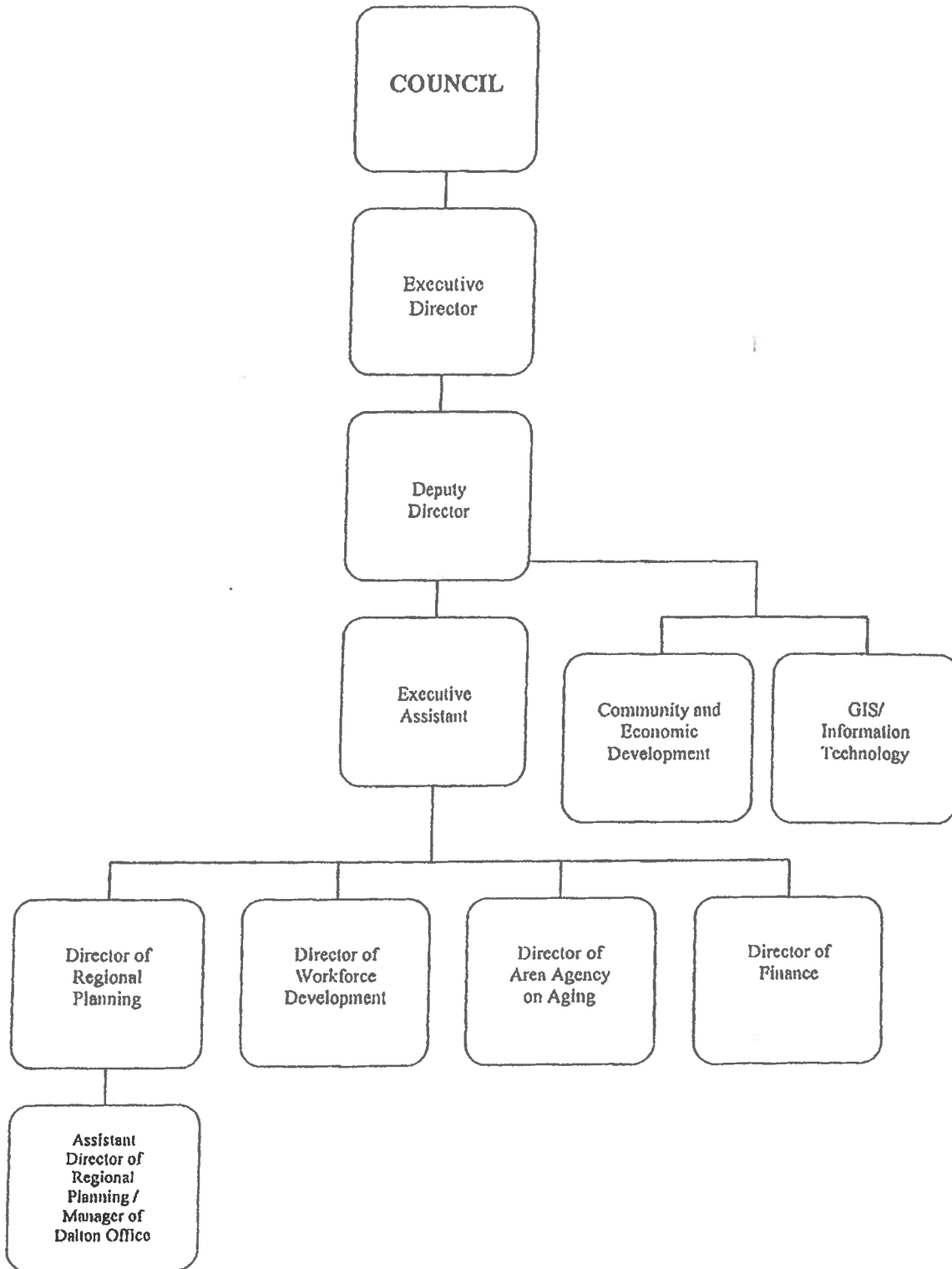
The preparation of this report was a cooperative effort of the Commission's fiscal staff. They were assisted by other program staff as needed, and by the auditors, RL Jennings & Associates, PC, whose knowledge and judgement were very valuable in the successful completion of this task.

Respectfully submitted,



Lloyd Frasier
Interim Executive Director

NORTHWEST GEORGIA REGIONAL COMMISSION
Organizational Chart



NORTHWEST GEORGIA REGIONAL COMMISSION
EXECUTIVE STAFF
June 30, 2012

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, 2012**

OFFICERS	Mike Babb Chairperson	Al Hoyle Secretary
	David A. Austin Vice Chairperson	Ken Marks Treasurer

MEMBERS

Bartow County

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

Catoosa County

Commissioner Ken Marks
Councilman Louis Hamm, Fort Oglethorpe
Mark Fletcher, Nonpublic

Chattooga County

Commissioner Jason R. Winters
Kevin Gilliland, Summerville
James H. Henry, Nonpublic

Dade County

County Executive/Commissioner Ted M. Rumley
Lucretia Houts, 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, 2012**

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
Sharon Sewell, Bremen
Vacancy, Nonpublic

Murray County

Commissioner Tom Starnes
Tyson Haynes, 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, 2012

Polk County

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

Walker County

Commissioner Bebe Heiskell
William J. Craig, LaFayette
Virgil Sperry, Nonpublic

Whitfield County

Commission Chairman Mike Babb
Mayor David Pennington, Dalton
Vacancy, 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

Roger Waldrop, Polk County

FINANCIAL SECTION

RL Jennings & Associates, PC
Certified Public Accountants

R. Lee Jennings, CICA, CGMA, CPA
Mona Evans, CPA
Joe Sapp, CPA
Thomas H. Evans, Jr., CPA

Member of
American Institute of
Certified Public Accountants
Georgia Society of
Certified Public Accountants

Sherry L. Estes, CPA
Lisa J. Hoyle, CPA
Katherine S. Washington, CPA
David B. DeScaizo, CPA, CFE, PC

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, 2012, 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 the 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, 2012, 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 February 20, 2013, on our consideration of Northwest Georgia Regional Commission's internal control over financial reporting and on 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 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 financial statements as a whole. The introductory section and combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by 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 financial statements. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

RL Jennings & Associates, PC

February 20, 2013
Rome, Georgia

BASIC FINANCIAL STATEMENTS

Northwest Georgia Regional Commission
Statement of Net Assets
June 30, 2012

	Governmental Activities	Business-Type Activities	Total	Component Unit
ASSETS				
Cash	\$ 1,099,489	\$ 608,489	\$ 1,707,978	\$ 62,229
Receivables	3,666,769	-	3,666,769	214
Current portion of notes receivable	-	47,000	47,000	-
Internal balances - component unit	(101,515)	(18,863)	(120,378)	-
Due from component unit	43,237	-	43,237	-
Prepaid expenses	2,710	-	2,710	-
Notes receivable (net of allowance of \$58,122)	-	333,915	333,915	-
Nondepreciable capital assets	23,413	-	23,413	-
Depreciable capital assets, net	126,870	-	126,870	-
TOTAL ASSETS	\$ 4,860,973	\$ 970,541	\$ 5,831,514	\$ 62,443
LIABILITIES AND FUND EQUITY				
LIABILITIES				
Accounts payable	\$ 2,279,666	\$ -	\$ 2,279,666	\$ 253
Accrued liabilities	147,319	989	148,308	1,390
Due to primary government	-	-	-	43,237
Deferred revenues	673,209	-	673,209	-
Long-term compensated absences	211,522	-	211,522	-
TOTAL LIABILITIES	3,311,716	989	3,312,705	44,880
NET ASSETS				
Invested in capital assets	150,283 ✓	- ✓	150,283	- ✓
Unrestricted	1,398,974	969,552	2,368,526	17,563
TOTAL NET ASSETS	1,549,257 ✓	969,552 ✓	2,518,809	17,563 ✓
TOTAL LIABILITIES AND NET ASSETS	\$ 4,860,973	\$ 970,541	\$ 5,831,514	\$ 62,443

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

Northwest Georgia Regional Commission
Statement of Activities
For the year ended June 30, 2012

Functions/Programs	Program Revenues					Net (Expense) Revenue and Changes in Net Assets			Component Unit
	Expenses	Indirect Expense Allocation	Charges for Services		Operating Grants & Contributions	Governmental Activities	Primary Government Business-Type Activities		
							Total		
Primary Government									
Governmental activities:									
General government	\$ 1,277,347	\$ -	\$ -	\$ -	\$ (1,277,347)	\$ -	\$ (1,277,347)	\$ -	-
Aging services	8,835,465	-	-	9,157,073	321,608	-	321,608	-	-
Planning and development services	1,031,139	-	-	1,029,003	(2,136)	-	(2,136)	-	-
Workforce services	9,396,514	-	-	9,723,553	327,039	-	327,039	-	-
Neighborhood stabilization	1,080,433	-	-	1,110,407	29,974	-	29,974	-	-
Total governmental activities	21,620,898	-	-	21,020,036	(600,862)	-	(600,862)	-	-
Business-Type Activities									
Revolving Loan Fund	21,699	-	700	-	-	(20,999)	(20,999)	-	-
Total business-type activities	21,699	-	700	-	-	(20,999)	(20,999)	-	-
Total primary government	\$ 21,642,597	\$ -	\$ 700	\$ 21,020,036	(600,862)	(20,999)	(621,861)	-	-
Component Unit									
NGCDC, Inc.	\$ 36,160	\$ -	\$ 24,795	\$ 9,687	-	-	-	(1,678)	-
Total component unit	\$ 36,160	\$ -	\$ 24,795	\$ 9,687	-	-	-	(1,678)	-
General revenues:									
Regional appropriations	863,217	-	-	-	863,217	-	863,217	-	-
Interest revenue	5,511	-	-	18,125	23,636	-	23,636	-	147
Miscellaneous income	13,337	-	-	-	13,337	-	13,337	-	2
Transfers	(2,729)	-	-	2,729	-	-	-	-	-
Change in net assets	278,474	-	-	(145)	278,329	-	278,329	-	(1,529)
Net assets - beginning, as restated	1,270,783	-	-	969,697	2,240,480	-	2,240,480	-	19,092
Net assets - ending	1,549,257	-	-	969,552	2,518,809	-	2,518,809	-	17,563

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

Northwest Georgia Regional Commission

Balance Sheet
 Governmental Funds
 June 30, 2012

	General Fund	Aging Fund	Workforce Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 389,932	\$ 135,600	\$ 229,664	\$ 344,293	\$ 1,099,489
Receivables	121,296	1,592,709	1,271,097	681,667	3,666,769
Due from other funds	1,844,433	369,269	-	37	2,213,739
Due from component unit	43,237	-	-	-	43,237
Prepaid expenses	-	-	495	2,215	2,710
TOTAL ASSETS	\$ 2,398,898	\$ 2,097,578	\$ 1,501,256	\$ 1,028,212	\$ 7,025,944
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ 220,182	\$ 791,732	\$ 1,135,815	\$ 131,937	\$ 2,279,666
Accrued liabilities	49,039	44,751	29,515	24,014	147,319
Due to other funds	489,684	1,009,533	335,926	480,111	2,315,254
Deferred revenue	29,624	251,562	-	392,023	673,209
TOTAL LIABILITIES	788,529	2,097,578	1,501,256	1,028,085	5,415,448
FUND BALANCES					
Nonspendable:					
Prepaid items	-	-	495	2,215	2,710
Net long-term interfund receivable	1,397,986	-	-	-	1,397,986
Assigned to:					
Subsequent year budget deficit	11,102	-	-	-	11,102
Unassigned	201,281	-	(495)	(2,088)	198,698
TOTAL FUND BALANCES	1,610,369	-	-	127	1,610,496
TOTAL LIABILITIES AND FUND BALANCES	\$ 2,398,898	\$ 2,097,578	\$ 1,501,256	\$ 1,028,212	

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

150,283

Compensated absences of governmental funds are not financial resources and therefore are not reported in the funds

(211,522)

Net assets of governmental activities

\$ 1,549,257

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, 2012

	General Fund	Aging Fund	Workforce Fund	Other Governmental Funds	Total Governmental Funds
REVENUES					
Regional appropriations	\$ 863,217	\$ -	\$ -	\$ -	\$ 863,217
From grantor agencies	-	9,154,559	9,723,553	924,620	19,802,732
Interest revenue	4,657	854	-	-	5,511
Other income	13,337	2,514	-	1,214,790	1,230,641
TOTAL REVENUES	881,211	9,157,927	9,723,553	2,139,410	21,902,101
EXPENDITURES					
Current					
General government	1,241,439	-	-	-	1,241,439
Aging	-	8,818,880	-	-	8,818,880
Planning and economic development	-	-	-	1,019,971	1,019,971
Workforce	-	-	9,341,990	-	9,341,990
Neighborhood stabilization	-	-	-	1,078,758	1,078,758
Capital outlay	6,934	9,846	62,315	17,596	96,691
TOTAL EXPENDITURES	1,248,373	8,828,726	9,404,305	2,116,325	21,597,729
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(367,162)	329,201	319,248	23,085	304,372
OTHER FINANCING SOURCES AND (USES)					
Transfers in	1,351,079	81,550	-	597,995	2,030,624
Transfers (out)	(682,274)	(410,751)	(319,248)	(621,080)	(2,033,353)
TOTAL OTHER FINANCING SOURCES AND (USES)	668,805	(329,201)	(319,248)	(23,085)	(2,729)
NET CHANGE IN FUND BALANCE	301,643	-	-	-	301,643
FUND BALANCE -beginning of year	1,407,262	-	-	127	1,407,389
Prior Period Adjustment	(98,536)	-	-	-	(98,536)
BEGINNING BALANCE, as restated	1,308,726	-	-	127	1,308,853
FUND BALANCE - end of year	\$ 1,610,369	\$ -	\$ -	127	\$ 1,610,496

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, 2012

Net change in fund balances - total governmental funds \$ 301,643 ✓

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	52,054 ✓
Depreciation expense	(47,192) ✓
	<u>4,862</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, 06/30/12	(211,522) ✓
Liability, 06/30/11	189,412 ✓
	<u>(22,110)</u>

Other reconciling items (5,921)

Change in net assets of governmental activities \$ 278,474 ✓

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, 2012

	Budgeted Amounts		Actual Amount (Budgetary Basis)	Variance with Final Budget
	Original	Final		
REVENUES				
Local dues	\$ 863,217	\$ 863,217	\$ 863,217	\$ -
Interest revenue	30,000	30,000	4,657	(25,343)
Indirect cost recoveries	1,257,227	1,257,227	1,022,521	(234,706)
Other income	15,000	15,000	13,337	(1,663)
TOTAL REVENUES	<u>2,165,444</u>	<u>2,165,444</u>	<u>1,903,732</u>	<u>(261,712)</u>
EXPENDITURES				
Current				
Personnel services	1,182,233	1,182,233	690,558	491,675
Supplies	93,059	93,059	53,602	39,457
Contractual	443,690	443,690	218,767	224,923
Other	126,000	126,000	278,512	(152,512)
Indirect costs	87,986	87,986	60,249	27,737
Capital outlay	-	-	6,934	(6,934)
TOTAL EXPENDITURES	<u>1,932,968</u>	<u>1,932,968</u>	<u>1,308,622</u>	<u>624,346</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>232,476</u>	<u>232,476</u>	<u>595,110</u>	<u>362,634</u>
OTHER FINANCING SOURCES AND USES				
Transfers in	-	-	388,807	388,807
Transfers (out)	(232,476)	(232,476)	(682,274)	(449,798)
TOTAL OTHER SOURCES AND OTHER (USES)	<u>(232,476)</u>	<u>(232,476)</u>	<u>(293,467)</u>	<u>(60,991)</u>
NET CHANGE IN FUND BALANCE	<u>-</u>	<u>-</u>	<u>301,643</u>	<u>301,643</u>
FUND BALANCE - beginning of year	1,407,262	1,407,262	1,407,262	-
Prior Period Adjustment	-	-	(98,536)	(98,536)
BEGINNING BALANCE, as restated	<u>1,407,262</u>	<u>1,407,262</u>	<u>1,308,726</u>	<u>(98,536)</u>
FUND BALANCE - end of year	<u>\$ 1,407,262</u>	<u>\$ 1,407,262</u>	<u>\$ 1,610,369</u>	<u>\$ 203,107</u>

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 Fund
For the year ended June 30, 2012

	Budgeted Amounts		Actual Amount (Budgetary Basis)	Variance with Final Budget
	Original	Final		
REVENUES				
From grantor agencies	\$ 9,650,574	\$ 9,650,574	\$ 9,154,559	\$ (496,015)
Subgrantee match				
In-kind	513,735	513,735	1,456,461	942,726
Interest revenue	-	-	854	854
Other income	-	-	2,514	2,514
TOTAL REVENUES	<u>10,164,309</u>	<u>10,164,309</u>	<u>10,614,388</u>	<u>450,079</u>
EXPENDITURES				
Current				
Personnel services	1,364,438	1,364,438	1,193,480	170,958
Supplies	64,127	64,127	40,396	23,731
Contractual	1,328,381	1,328,381	1,315,798	12,583
Payments to others	7,077,880	7,077,880	7,072,527	5,353
Other	-	-	653,140	(653,140)
Indirect costs	394,636	394,636	410,751	(16,115)
Capital outlay	87,051	87,051	9,846	77,205
TOTAL EXPENDITURES	<u>10,316,513</u>	<u>10,316,513</u>	<u>10,695,938</u>	<u>(379,425)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(152,204)</u>	<u>(152,204)</u>	<u>(81,550)</u>	<u>70,654</u>
OTHER FINANCING SOURCES AND USES				
Transfers in	152,204	152,204	81,550	(70,654)
Transfers (out)	-	-	-	-
TOTAL OTHER SOURCES AND OTHER (USES)	<u>152,204</u>	<u>152,204</u>	<u>81,550</u>	<u>(70,654)</u>
NET CHANGE IN FUND BALANCE	-	-	-	-
FUND BALANCE - beginning of year	-	-	-	-
FUND BALANCE - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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 Fund
For the year ended June 30, 2012

	Budgeted Amounts		Actual Amount (Budgetary Basis)	Variance with Final Budget
	Original	Final		
REVENUES				
From grantor agencies	\$ 19,001,326	\$ 19,001,326	\$ 9,723,553	\$ (9,277,773)
Other income	-	-	-	-
Subgrantee match	-	-	-	-
TOTAL REVENUES	<u>19,001,326</u>	<u>19,001,326</u>	<u>9,723,553</u>	<u>(9,277,773)</u>
EXPENDITURES				
Current				
Personnel services	766,468	766,468	2,494,868	(1,728,400)
Supplies	39,517	39,517	25,483	14,034
Contractual	307,897	307,897	210,223	97,674
Payments to others	17,345,702	17,345,702	6,384,424	10,961,278
Other	-	-	226,992	(226,992)
Indirect costs	541,742	541,742	319,248	222,494
Capital outlay	-	-	62,315	(62,315)
TOTAL EXPENDITURES	<u>19,001,326</u>	<u>19,001,326</u>	<u>9,723,553</u>	<u>9,277,773</u>
EXCESS (DEFICIENCY) OF REVENUES OVR EXPENDITURES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
OTHER FINANCING SOURCES AND USES				
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
TOTAL OTHER SOURCES AND OTHER (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE - beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

Northwest Georgia Regional Commission
Statement of Net Assets
Proprietary Fund
June 30, 2012

	Enterprise Fund
	<u>Revolving Loan Fund</u>
ASSETS	
Current Assets	
Cash	\$ 608,489
Current portion of notes receivable	<u>47,000</u>
Total current assets	<u>655,489</u>
Noncurrent Assets	
Notes receivable, net of allowance of \$58,122	<u>333,915</u>
Total noncurrent assets	<u>333,915</u>
TOTAL ASSETS	\$ <u><u>989,404</u></u>
LIABILITIES AND NET ASSETS	
LIABILITIES	
Current Liabilities	
Accrued liabilities	\$ 989
Due to other funds	<u>18,863</u>
Total current liabilities	<u>19,852</u>
TOTAL LIABILITIES	<u>19,852</u>
NET ASSETS	
Unrestricted	<u>969,552</u>
TOTAL NET ASSETS	<u>969,552</u>
TOTAL LIABILITIES AND NET ASSETS	\$ <u><u>989,404</u></u>

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 Fund
For the year ended June 30, 2012

	Enterprise Fund
	<u>Revolving Loan Fund</u>
Revenues:	
Charges for current loan and debt	\$ 700
Interest revenue from operations	18,125
Total operating revenues	<u>18,825</u>
Operating expenses	
Personnel services	
Salaries and wages	16,135
Fringe benefits	3,987
Total personnel services	<u>20,122</u>
Operating expenses	1,577
Total operating expenses	<u>21,699</u>
Operating income (loss) before transfers	<u>(2,874)</u>
Other financing sources (uses)	
Transfers in	2,729
Total other financing sources (uses)	<u>2,729</u>
Increase (decrease) in net assets	(145)✓
Net Assets, beginning of year	<u>969,697</u> -
Net Assets, end of year	\$ <u><u>969,552</u></u> ✓

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

Northwest Georgia Regional Commission
Statement of Cash Flows
Proprietary Fund
For the year ended June 30, 2012

	Enterprise Fund
	<u>Revolving Loan Fund</u>
<i>Cash flows from operating activities</i>	
Cash received from customers	\$ 97,625
Interest received from non-customer	1,218
Loans to customers	(240,100)
Cash payments for personnel services	(20,122)
Cash payments for goods and services	<u>(38,722)</u>
Net cash provided (used) by operating activities	<u>(200,101)</u>
<i>Cash flows from noncapital financing activities</i>	
Interfund loan and operating subsidies received	<u>21,592</u>
Net cash provided by noncapital financing activities	<u>21,592</u>
Net increase (decrease) in cash	(178,509)
Cash, beginning of year	<u>786,998</u> ✓
Cash, end of year	\$ <u><u>608,489</u></u> ✓
<i>Reconciliation of net income to net cash provided (used) by operating activities:</i>	
Operating income (expense)	\$ (2,874) ✓
Adjustments to reconcile operating	
Income to net cash provided by operating activities:	
(Increase) decrease in notes receivable	(161,071)
Increase (decrease) in accounts payable	(37,145)
Increase (decrease) in accrued liabilities	<u>989</u>
Net cash provided (used) by operating activities	\$ <u><u>(200,101)</u></u> ✓

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

Northwest Georgia Regional Commission
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2012

	<u>Pension Trust Fund</u>	<u>Agency Funds</u>
ASSETS		
Cash	\$ -	\$ 63,578
Investments held for pension benefits		
Mutual funds	354,653	-
Annuities	6,811	-
Due from other funds	<u>-</u>	<u>120,378</u>
TOTAL ASSETS	\$ <u>361,464</u>	\$ <u>183,956</u>
LIABILITIES		
Accounts payable	\$ -	\$ 1,200
Deferred revenues	<u>-</u>	<u>182,756</u>
TOTAL LIABILITIES	\$ <u>-</u>	\$ <u>183,956</u>
NET ASSETS		
Assets held in trust for pension benefits	<u>361,464</u>	
TOTAL NET ASSETS	\$ <u>361,464</u>	

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

Northwest Georgia Regional Commission
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the year ended June 30, 2012

	<u>Pension Trust Fund</u>
ADDITIONS	
Contributions	
Employer	\$ 7,644
Investment income	
Interest, dividends, and other	9,752
Net appreciation (depreciation) in fair value of assets	<u>(12,921)</u>
TOTAL ADDITIONS	<u>4,475</u>
DEDUCTIONS	
Benefits paid to participants or beneficiaries	<u>7,585</u>
TOTAL DEDUCTIONS	<u>7,585</u>
Change in Net Assets Held In Trust For Employee Pension Benefits	(3,110) ✓
NET ASSETS - beginning of year	<u>364,574</u> ✓
NET ASSETS - end of year	<u>\$ 361,464</u> ✓

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

NOTE 1. 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, Aragon, Blue Ridge, Braswell, Bremen, Buchanan, Calhoun, Cartersville, Cave Spring, Cedartown, Chatsworth, Chickamauga, Cohutta, Dallas, Dalton, East Ellijay, Ellijay, Emerson, Euharlee, Fairmount, Fort Oglethorpe, Hiram, Jasper, Kingston, Lafayette, Lookout Mountain, Lyerly, McCaysville, Menlo, Morganton, Nelson, Plainville, Ranger, Resaca, Ringgold, Rockmart, Rome, Rossville, Summerville, Talking Rock, Tallapoosa, Taylorsville, Trenton, Trion, Tunnel Hill, Varnell, Waco, and White.

The Commission administers the spending of various federal and state grants in the fifteen county region comprising its membership. Workforce Investment Act grants represent 42% and Agency on Aging grants represent 40% of the Commission's total combined revenue. The Commission administers the Workforce Investment Act funds by authorization of the local Workforce Investment Board.

A. 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:

- 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 Commission.

- 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.

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

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.

The 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.

B. 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 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, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

The Commission reports the following major governmental funds:

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

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

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

The Commission reports the following major proprietary 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.

Additionally, the Commission reports the following fund types:

Special revenue funds account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

Fiduciary fund reporting focuses on net assets. The Commission's fiduciary funds are agency funds and a pension trust fund. The agency funds are custodial in nature (assets equal liabilities) and do not involve measurements of results of operations. Agency funds are used to account for the collection and disbursement of monies by the Commission on behalf of other entities. The pension trust fund accounts for activities related to the public employees retirement system.

C. Measurement Focus, Basis of Accounting, and Financial Statement 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 and the fiduciary 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 Commission 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.

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. 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.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary fund's principal ongoing operations. The principal operating revenue of the enterprise fund is the loans fees for services provided. Operating expenses for the enterprise fund includes the cost of services and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues. The proprietary fund type statement is 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.

Agency funds use the modified accrual basis of accounting for purposes of recognizing assets and liabilities, such as receivables and payables. However, agency funds do not have or report operations, and accordingly are said not to have a measurement focus.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are following in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Commission has elected not to follow subsequent private-sector guidance.

D. New Pronouncements

For the year ended June 30, 2012, the Commission implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Definitions* (which is effective for financial statements for periods beginning after June 15, 2010). Statement No. 54 changes the way in which governmental funds report their fund balance, based on a classification hierarchy.

E. Encumbrances

Encumbrance accounting, in 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.

F. Cash

The Commission's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

G. Prepaid Items

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

H. Capital Assets

Capital assets, which include equipment, are reported 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 useful lives range from 5 to 7 years. Donated property is valued at the estimated fair market value on the date each asset was acquired.

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

I. 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, 2012 amounted to \$211,522. 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 nonvested 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.

Northwest Georgia Regional Commission
Notes to Financial Statements
June 30, 2012

Insurance – The Commission maintains a contributory group health plan as well as workers compensation coverage for all employees. Group insurance and workers compensation insurance costs for the year ended June 30, 2012 were \$433,574.

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.

Retirement Benefits – The Commission contributes to the Georgia Municipal Employees Benefit System, a multiple employer public employee retirement system, for covered employees. See Note 10 for a further description of this plan.

J. Long-Term Obligations

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

K. Fund Equity

The Commission has adopted GASB Statement No. 54, which establishes criteria for classifying fund balances in governmental fund financial statements. Fund balances are presented based on classifications that comprise a hierarchy which is based primarily on the extent to which the Commission is bound to honor constraints on the specific purposes for which amounts in the respective government funds can be spent. The classifications used in the governmental fund financial statements are as follows:

Nonspendable - This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The Commission has classified prepaid items as being nonspendable as these items are not resources in spendable form.

Restricted - This classification includes amounts that are restricted to specific purposes whereby constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. The Commission's special revenue funds are legally restricted to expenditures for specific purposes.

Committed - This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Council members. These amounts cannot be used for any other purpose unless the Council removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to

the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned - This classification includes amounts that are constrained by the Commission's intent to use for a specific purpose but are neither restricted nor committed. This intent can be expressed by (a) the Council or (b) the Council delegating this responsibility to the Commission's management through the budgetary process. This classification also includes all remaining positive fund balance for all governmental funds other than the General Fund.

Unassigned - This classification includes the residual fund balance for the General Fund. It represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund. The Unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts.

The Commission's policy would be to use restricted fund balances first when an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available. Otherwise, it is the Commission's policy to reduce committed amounts first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classification could be used.

L. 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 general fund by the Commission's accounting system and allocated to elements of the special revenue funds and general fund based upon various factors. The Commission's indirect cost allocations are 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 general fund and recognized as an "other financing source."

M. Comparative Data

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

N. 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.

O. 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 2. LEGAL COMPLIANCE - BUDGETS

OCCA Section 50-8-34 paragraph (g) provides for the Council Board of Directors to adopt an annual budget and work program for the Commission. Annual appropriated 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. There were no material supplementary appropriations made during the year. All annual appropriations lapse at year-end.

For the year ended June 30, 2012, expenditures exceed appropriations at the department level (the legal level of control) as follows:

Aging program	\$ 379,425
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The overages in expenditures resulted from unanticipated costs and improper budgeting, and were funded by available revenues that exceeded projected amounts and by General Fund available fund balance.

Northwest Georgia Regional Commission
Notes to Financial Statements
June 30, 2012

NOTE 3. CASH AND INVESTMENTS

At June 30, 2012, the carrying amount of the Commission's deposits was \$ 1,707,978 and the bank balance was \$2,290,950. Of the bank balance, \$814,744 was covered by FDIC depository insurance. Cash is comprised as follows:

	General Fund	Special Revenue Fund	Revolving Loan Fund	Total
General	\$ 389,932	\$ -	\$ 608,489	\$ 998,421
AAA	-	135,600	-	135,600
Neighborhood stabilization	-	344,293	-	344,293
Workforce	-	229,664	-	229,664
	<u>\$ 389,932</u>	<u>\$ 709,557</u>	<u>\$ 608,489</u>	<u>\$ 1,707,978</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, 2012, \$324,837 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 4. 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 5. 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, 2012

NOTE 6. CAPITAL ASSETS

The following is a summary of changes in capital assets:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
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	1,157,820	52,054	-	1,209,874
Vehicles	40,732	-	-	40,732
Total capital assets being depreciated	1,671,445	52,054	-	1,723,499
Less accumulated depreciation for:				
Buildings and improvements	(447,371)	(8,020)	-	(455,391)
Equipment	(1,061,334)	(39,172)	-	(1,100,506)
Vehicles	(40,732)	-	-	(40,732)
Total accumulated depreciation	(1,549,437)	(47,192)	-	(1,596,629)
Total capital assets being depreciated, net	122,008	4,862	-	126,870
Government activities capital assets, net	\$ 145,421	\$ 4,862	\$ -	\$ 150,283

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

Governmental activities:

General government	\$ 21,685
Planning services	2,017
Workforce services	23,163
Neighborhood stabilization	327
	<u>\$ 47,192</u>

Northwest Georgia Regional Commission
Notes to Financial Statements
June 30, 2012

NOTE 7. INTERFUND BALANCES AND TRANSFERS

Interfund balances at June 30, 2012 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	WIA Fund	Revolving Loan Fund	Nonmajor funds	
Payable to:						
General Fund	\$ -	\$ 1,009,533	\$ 335,926	\$ 18,863	\$ 480,111	\$ 1,844,433
Aging Fund	369,269	-	-	-	-	369,269
WIA Fund	-	-	-	-	-	-
Nonmajor funds	37	-	-	-	-	37
Fiduciary funds	120,378	-	-	-	-	120,378
Total	\$489,684	\$ 1,009,533	\$ 335,926	\$ 18,863	\$ 480,111	\$ 2,334,117

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, and (2) provide unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

All interfund 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	Workforce Fund	Nonmajor Fund	
Transfers to:					
General Fund	\$ -	\$ 410,751	\$ 319,248	\$ 621,080	\$ 1,351,079
Aging Fund	81,550	-	-	-	81,550
Nonmajor governmental funds	597,995	-	-	-	597,995
Revolving Loan Fund	2,729	-	-	-	2,729
Total	\$ 682,274	\$ 410,751	\$ 319,248	\$ 621,080	\$ 2,033,353

NOTE 8. FUND BALANCES

For the year ended June 30, 2012, the Commission adopted GASB Statement No. 54, which redefined how fund balances of the governmental funds are presented in the financial statements. The detail of fund balances included in the accompanying Governmental Funds Balance Sheet at June 30, 2012, is as follows:

General Fund – This fund has nonspendable fund balance in the amount of \$1,397,986 which consists of long-term interfund receivable that is not expected to be converted to cash. Additionally, \$11,102 of fund balance has been classified as assigned, which consists of amounts that have been appropriated to eliminate a projected budgetary deficit in the subsequent year.

Workforce Fund – This fund has nonspendable fund balance in the amount of \$495 which consists of prepaid items not in spendable form.

Planning and Economic Development Fund – This fund has nonspendable fund balance in the amount of \$2,215 which consists of prepaid items not in spendable form.

NOTE 9. 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 Commission'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, 2012, contracts between the Commission and subcontractors whose owners or employees are on the WIB totaled \$1,909,540. The WIB board members abstain from voting on contracts that may result in a conflict of interest.

NOTE 10. 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, 2012	\$ 2,491,687
June 30, 2011	2,748,020
June 30, 2010	2,464,793

The Commission's total payroll was \$4,186,218 for the year ended June 30, 2012. 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 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, 2012, the Commission made contributions in the amount of \$283,964 (11.32% of expected payroll).

Northwest Georgia Regional Commission
Notes to Financial Statements
June 30, 2012

The table below sets forth required supplementary information to be disclosed in the schedule of funding progress. The items presented are based on the 2012, 2011 and 2010 actuarial valuations.

	2012	2011	2010
Actuarial value of assets	\$ 5,836,675	\$ 5,343,440	\$ 4,935,649
Actuarial accrued liability	6,250,149	5,766,007	5,324,164
Funded ratio	93.38%	92.67%	92.70%
Total unfunded actuarial liability (funding excess)	413,474	422,567	388,515
Annual covered payroll	2,491,687	2,464,793	2,112,918
Ratio of unfunded (excess) to annual covered payroll	16.59%	17.14%	18.39%

The participant data and the added values used in the actuarial valuations were compiled as of January 1, 2012, January 1, 2011 and January 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., "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 7.75% per year
- annual rates of increase in:
 - o salaries 3.5% per year
 - o cost of living adjustment Not applicable

Actuarial assumptions also include an expected inflation of 3.5 percent.

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.

Northwest Georgia Regional Commission
Notes to Financial Statements
June 30, 2012

Three-Year Trend Information:

<u>Year Ending</u>	<u>Costs (APC)</u>	<u>APC</u>	
		<u>Contributed</u>	<u>Obligation</u>
June 30, 2010	\$ 182,991	100%	-
June 30, 2011	188,481	100%	-
June 30, 2012	217,877	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:

	<u>Amortization</u>	<u>Related</u>
	<u>Period</u>	<u>Method</u>
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 provides for employer matching funds of 7.5%. 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

Northwest Georgia Regional Commission
Notes to Financial Statements
June 30, 2012

retirement but only to provide a regular contribution. Future benefits depend solely on amounts contributed to the plan plus investment earnings.

Balance - July 1, 2011	\$	364,574
Fiscal Year 2012 Contributions		7,644
Fiscal Year 2012 Distributions		(7,585)
Investment income (loss)		<u>(3,169)</u>
Balance - June 30, 2012	\$	<u>361,464</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 \$111,007.

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, 2012, contributions were as follows:

	<u>Amount</u>	<u>Amount as a % of Covered Payroll</u>
Contribution by employer	\$ 7,644	7.5%
Contribution by employee	\$ -	-

NOTE 11. LONG-TERM LIABILITIES

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

Balance - July 1, 2011	\$	189,412
Additions		156,834
Reductions		<u>(134,724)</u>
Balance - June 30, 2012	\$	<u>211,522</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 12. RISK MANAGEMENT

The Commission 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

Northwest Georgia Regional Commission
Notes to Financial Statements
June 30, 2012

Commission purchases commercial insurance to cover property and liability and professional liability claims. There were no significant reductions of insurance coverage compared to the prior year. Settle claims have not exceeded insurance coverage in the past three years.

Risk Pools

The Commission joined the Georgia Interlocal Risk Management Agency (GIRMA). The County management, based on anticipated needs, selects insurance coverage and deductible options for property, casualty and crime under the policy. The County is required to pay all premiums, applicable deductibles and assessments billed by GIRMA, as well as following loss reductions and prevention procedures established by GIRMA. GIRMA's responsibility includes paying claims, and representing the County in defense and settlement of claims. GIRMA's basis for estimating the liabilities for unpaid claims in "IBNR" is established by an actuary. The County has not completed a record of the claims paid up to the applicable deductible for the prior year or the current fiscal year. The County is unaware of any claims that the County is liable (up to the applicable deductible) which were outstanding and unpaid at June 30, 2012. No provisions have been made in the financial statements for the year ended June 30, 2012 for any estimate of potential unpaid claims.

NOTE 13. COMMITMENTS AND CONTINGENCIES

During FY 2012, the Commission became a defendant in a pending lawsuit. The Commission has authorized the settlement of the lawsuit in an amount that will not have a material adverse effect on the financial position of the Commission. Settlement of the lawsuit is expected to occur in the fiscal year 2013, and will be paid by the Commission's insurer, GIRMA, with the balance to be paid from Commission funds.

NOTE 14. PRIOR PERIOD RESTATEMENT

The Commission has determined a restatement is required to properly reflect an accrual of accounts payable relating the prior period. Additionally, the Internal Service Fund was eliminated and combined with the General Fund, effective June 30, 2011. The restatement impacts the beginning fund balance and net assets as follows:

Governmental fund financial statements:

Fund Balance, June 30, 2011, as previously reported	\$ 1,407,262
Adjustment to merge Internal Service Fund	69,968
Adjustment to accrue additional accounts payable	<u>(168,504)</u>
Fund Balance, July 30, 2011, as restated	<u>\$ 1,308,726</u>

Government-wide financial statements:

Net Assets, June 30, 2011, as previously reported	\$ 1,369,319 ✓
Adjustment to merge Internal Service Fund	69,968
Adjustment to accrue additional accounts payable	<u>(168,504)</u>
Net Assets, June 30, 2011, as restated	<u>\$ 1,270,783</u>

Northwest Georgia Regional Commission
 Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2012

	Planning and Economic Development Fund	Neighborhood Stabilization Fund	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ -	\$ 344,293	\$ 344,293
Receivables	507,536	174,131	681,667
Due from other funds	37	-	37
Prepaid expenses	2,215	-	2,215
TOTAL ASSETS	\$ 509,788	\$ 518,424	\$ 1,028,212
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 15,989	\$ 115,948	\$ 131,937
Accrued liabilities	20,898	3,116	24,014
Due to other funds	409,873	70,238	480,111
Deferred revenue	62,901	329,122	392,023
TOTAL LIABILITIES	509,661	518,424	1,028,085
FUND BALANCES			
Nonspendable:			
Prepaid items	2,215	-	2,215
Unassigned	(2,088)	-	(2,088)
TOTAL FUND BALANCES	127	-	127
TOTAL LIABILITIES AND FUND BALANCES	\$ 509,788	\$ 518,424	\$ 1,028,212

Northwest Georgia Regional Commission
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Nonmajor Governmental Funds
For the year ended June 30, 2012

	Planning and Economic Development Fund	Neighborhood Stabilization Fund	Total Governmental Funds
REVENUES			
From grantor agencies	\$ 827,973	\$ 96,647	\$ 924,620
Other income	201,030	1,013,760	1,214,790
TOTAL REVENUES	<u>1,029,003</u>	<u>1,110,407</u>	<u>2,139,410</u>
EXPENDITURES			
Current			
Planning and economic development	1,019,971	-	1,019,971
Neighborhood stabilization	-	1,078,758	1,078,758
Capital outlay	10,727	6,869	17,596
TOTAL EXPENDITURES	<u>1,030,698</u>	<u>1,085,627</u>	<u>2,116,325</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(1,695)</u>	<u>24,780</u>	<u>23,085</u>
OTHER FINANCING SOURCES AND (USES)			
Transfers in	597,995	-	597,995
Transfers (out)	(596,300)	(24,780)	(621,080)
TOTAL OTHER FINANCING SOURCES AND (USES)	<u>1,695</u>	<u>(24,780)</u>	<u>(23,085)</u>
NET CHANGE IN FUND BALANCE	-	-	-
FUND BALANCE - beginning of year	<u>127</u>	<u>-</u>	<u>127</u>
FUND BALANCE - end of year	<u>\$ 127</u>	<u>\$ -</u>	<u>\$ 127</u>

Northwest Georgia Regional Commission
 Combining Statement of Assets and Liabilities
 All Agency Funds
 June 30, 2012

	Hwy 27 Association Fund	Northwest Georgia Water Resource Partnership Fund	Total Agency Funds
ASSETS			
Cash and cash equivalents	\$ 1,441	\$ 62,137	\$ 63,578
Due from other funds	<u>11,096</u>	<u>109,282</u>	<u>120,378</u>
TOTAL ASSETS	<u>\$ 12,537</u>	<u>\$ 171,419</u>	<u>\$ 183,956</u>
LIABILITIES			
Accounts payable	\$ 1,200	\$ -	\$ 1,200
Deferred revenue	<u>11,337</u>	<u>171,419</u>	<u>182,756</u>
TOTAL LIABILITIES	<u>\$ 12,537</u>	<u>\$ 171,419</u>	<u>\$ 183,956</u>

STATE COMPLIANCE SECTION

RL Jennings & Associates, PC
Certified Public Accountants

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Mona Evans, CPA
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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, 2012, and have issued our report thereon dated February 20, 2013. 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, 2012, 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.

RL Jennings & Associates, PC
Rome, Georgia
February 20, 2013

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Northwest Georgia Regional Commission
 Schedule of Nonpublic Funds
 For the Year Ended June 30, 2012

Nonpublic Funds Retained Earnings 7/1/11 \$ 19,092

Revenues - Nonpublic Funds:

<u>Source</u>	<u>Date</u>	<u>Amount</u>	
Colson Services	7/11/2011	\$ 2,054	
Colson Services	8/8/2011	2,054	
Colson Services	9/6/2011	2,054	
Colson Services	10/11/2011	1,979	
Colson Services	10/17/2011	7,500	
Colson Services	11/7/2011	1,906	
Colson Services	12/2/2011	1,885	
Colson Services	1/4/2012	1,885	
Colson Services	2/2/2012	1,885	
Colson Services	3/2/2012	1,885	
Colson Services	4/3/2012	1,885	
Colson Services	5/2/2012	1,885	
Colson Services	6/8/2012	1,885	
Accrued Revenue - Colson Services - Prior Year		-	
Accrued Revenue - Colson Services - Current Year		-	
Prior Year Escrow		-	30,742
<i>Total Revenues - Nonpublic Funds</i>			<u>30,742</u>

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 Dlem Fee	NGCDC, Inc. Board Members	10/10/2011	120	
Other expenditures paid from nonpublic funds				11,191	
Accrued expenditures - Current year				20,960	32,271
<i>Total Expenditures - Nonpublic Funds</i>					<u>32,271</u>

Excess (Deficit) of Revenues over (under) Expenditures (1,529)

Nonpublic Funds Retained Earnings 6/30/2012 \$ 17,563

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

**Northwest Georgia Regional Commission
Notes to the Schedule of Nonpublic Funds
June 30, 2012**

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.

Northwest Georgia Regional Commission
 Schedule of State Contractual Assistance
 State of Georgia-Department of Human Resources
 For the Year Ended June 30, 2012

	<u>Contract Number</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Amount Owed to Grantor</u>	<u>Amount Due from Grantor</u>
AREA AGENCY ON AGING					
Aging/Multi-funded	42700-373-0000008193	\$ 8,842,333	\$ 8,842,333	\$ -	\$ 1,592,709
	42700-373-0000007383	<u>312,226</u>	<u>312,226</u>	<u>-</u>	
TOTAL		<u>\$ 9,154,559</u>	<u>\$ 9,154,559</u>	<u>\$ -</u>	<u>\$ 1,592,709</u>

FEDERAL COMPLIANCE SECTION

Northwest Georgia Regional Commission
 Schedule of Expenditures of Federal Awards
 For the year ended June 30, 2012

Federal Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures
APPALACHIAN REGIONAL COMMISSION			
Local Development District	23.001	GA-0701G-C1	\$ 105,404
Local Development District	23.001	GA-0701G-C2	207,558
<i>Total Appalachian Regional Commission</i>			<u>312,962</u>
HOUSING AND URBAN DEVELOPMENT			
Neighborhood Stabilization	14.256	08-NS-5052	1,110,407
<i>Total Housing and Urban Development</i>			<u>1,110,407</u>
U.S. DEPARTMENT OF COMMERCE			
Economic Development Administration			
Planning and Administrative Grants	11.302	04-83-06502	209,386
Revolving Loan Fund	11.307		1,010,116
<i>Total U.S. Department of Commerce</i>			<u>1,219,502</u>
AGING CLUSTER			
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Georgia Department of Human Resources			
Title IIIA	93.045	42700-373-0000008193	325,964
Title III C-1	93.045	42700-373-0000008193	764,633
Title III C-2	93.045	42700-373-0000008193	866,591
			<u>1,957,188</u>
Title IIIB	93.044	42700-373-0000008193	843,556
<i>TOTAL AGING CLUSTER</i>			<u>2,800,744</u>
Title IIID	93.043	42700-373-0000008193	53,863
Title IIIE	93.052	42700-373-0000008193	348,809
Title VII	93.042	42700-373-0000008193	29,447
Title XIX Community Care	93.778	42700-373-0000008193	2,384,278
Title XX SSBG	93.667	42700-373-0000008193	631,222
USDA Nutrition	93.053	42700-373-0000008193	446,644
			<u>3,894,263</u>
Georgia Cares	93.779	42700-373-0000008193	124,863
MIPPA SHIP	93.779	42700-373-0000008193	28,539
			<u>153,402</u>
MIPPA ADRC	93.071	42700-373-0000008193	30,175
MIPPA AAA	93.071	42700-373-0000008193	19,599
			<u>49,774</u>
Community Living Program	93.048	42700-373-0000008193	236,749
Alzheimer's Program	93.048	42700-373-0000008193	239,959
LTCO Supplemental	93.048	42700-373-0000008193	59,191
CBS	93.048	42700-373-0000008193	1,236,788
			<u>1,772,687</u>

Northwest Georgia Regional Commission
 Schedule of Expenditures of Federal Awards
 For the year ended June 30, 2012

Federal Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures
<i>Total U.S. Department of Health and Human Services</i>			<u>8,670,870</u>
<i>WIA CLUSTER</i>			
U.S. DEPARTMENT OF LABOR			
Georgia Department of Labor			
Workforce Investment Act			
Adult	17.258	10-10-11-01-001	105,450
Adult	17.258	10-11-11-01-001	65,871
Adult	17.258	11-11-11-01-001	1,429,171
Adult	17.258	11-12-11-01-001	<u>447,283</u>
			<u>2,047,775</u>
Youth	17.259	15-10-11-01-001	872,833
Youth	17.259	15-11-11-01-001	<u>868,596</u>
			<u>1,741,429</u>
Dislocated Worker	17.260	30-10-11-01-001	16,038
Dislocated Worker	17.260	30-11-11-01-001	1,691,928
Dislocated Worker	17.260	31-10-11-01-001	1,735,214
Dislocated Worker	17.260	71-11-11-01-001	1,330,813
Dislocated Worker	17.260	72-11-09-01-001	648,323
Dislocated Worker	17.260	73-11-01-01-001	<u>372,466</u>
			<u>5,794,782</u>
<i>TOTAL WIA CLUSTER</i>			<u>9,583,986</u>
Georgia Department of Human Resources			
Title V	17.235	42700-373-0000008193	<u>446,893</u>
			<u>446,893</u>
<i>Total U.S. Department of Labor</i>			<u>10,030,879</u>
<i>Total Expenditures of Federal Awards</i>			<u>\$ 21,344,620</u>

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

1. The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting.

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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, 2012, which collectively comprise the Northwest Georgia Regional Commission's basic financial statements and have issued our report thereon dated February 20, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

Management of Northwest Georgia Regional Commission is responsible for establishing and maintaining effective 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 over financial reporting. 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 was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that

we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies in internal control over financial reporting, described in Items 10-01, 10-02, 10-03, and 10-4. 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.

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 one instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as Item 12-01.

Northwest Georgia Regional Commission's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit Northwest Georgia Regional Commission's response and, accordingly, we express no opinion on it.

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

Rd Jennings & Associates, PC

Rome, Georgia
February 20, 2013

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

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

Compliance

We have audited the Northwest Georgia Regional Commission's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Northwest Georgia Regional Commission's major federal programs for the year ended June 30, 2012. 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 Northwest Georgia Regional Commission's management. Our responsibility is to express an opinion on 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 compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

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 to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Northwest Georgia Regional Commission's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

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.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance requirements of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 10-01, 10-02, 10-03, and 10-04 to be significant deficiencies.

Northwest Georgia Regional Commission's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Northwest Georgia Regional Commission's responses and, accordingly, we express no opinion of the responses.

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

RL Jennings & Associates, PC

Rome, Georgia
February 20, 2013

Northwest Georgia Regional Commission
 Schedule of Findings and Questioned Costs
 For the Year Ended June 30, 2012

Section I—Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: *unqualified*

Internal control over financial reporting:

Material weakness(es) identified?	yes	<input checked="" type="checkbox"/>	no
Reportable condition(s) identified not considered to be material weaknesses?	<input checked="" type="checkbox"/>	yes	
Noncompliance material to financial statements noted?	yes	<input checked="" type="checkbox"/>	no <input checked="" type="checkbox"/>

Federal Awards

Internal Control over major programs:

Material weakness(es) identified?	yes	<input checked="" type="checkbox"/>	no
Reportable condition(s) identified not considered to be material weaknesses?	<input checked="" type="checkbox"/>	yes	

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

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?	yes	<input checked="" type="checkbox"/>	no
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Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
17.258, 17.259, 17.260	WIA Cluster
93.045, 93.044	Aging Cluster

preparation and review of the reconciliation increases the risk of exposure to misappropriation of these assets.

Effect: Failing to properly reconcile 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 cash accounts were not performed due to management oversight.

Recommendation: We recommend that management ensures 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 reconciled each month and approved by a responsible member of management.

10-02 Maintenance of General Ledger (prior years finding)

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 (prior years finding)

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 (prior years finding)

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.

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Northwest Georgia Regional Commission
Summary Schedule of Prior Audit Findings
June 30, 2012

Auditor Reference Number

10-01 Reconciliation of Bank Statements

This was not corrected this fiscal year. In the future, all bank accounts will be reconciled timely each month and approved by a responsible member of management.

10-02 Maintenance of General Ledger

This was not corrected this fiscal year. In the future, all material journal entries will be made in timely manner and on a routine basis and will be approved by management during the next fiscal year.

10-3 Reconciliation of Grant Submissions to the General Ledger

This was not corrected this fiscal year. In the future, 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

This was not corrected this fiscal year. In the year subsequent to FY2012, management has begun reviewing 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.

