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**NORTHWEST GEORGIA
REGIONAL COMMISSION**

ROME, GEORGIA

**ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2013**

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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
KC Fax (706) 295-6565 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

April 14, 2014

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, 2013. 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, 2013, 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, 2013, 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.

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, Fannin, 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

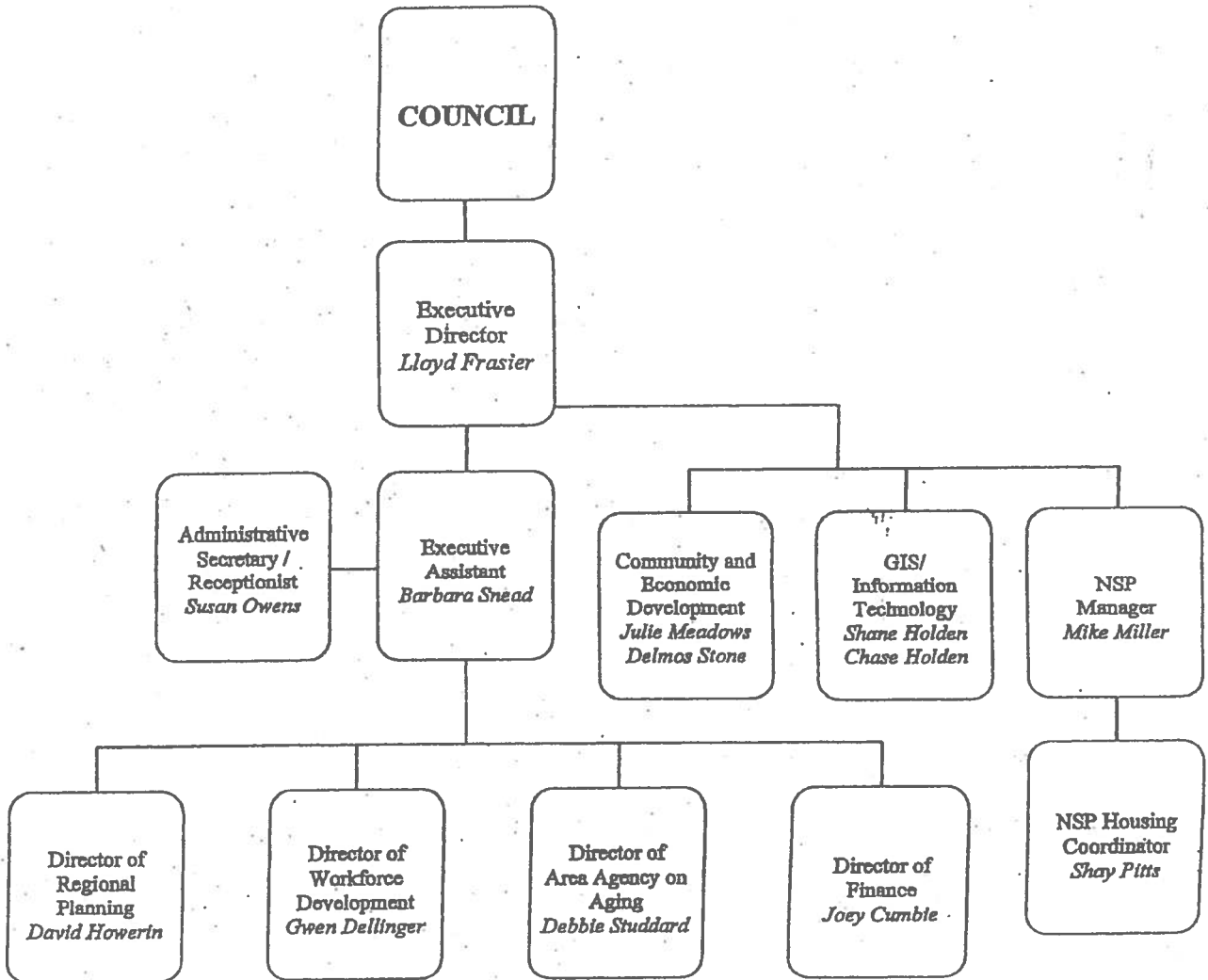
The preparation of this report was a cooperative effort of the Commission's fiscal staff. They were assisted by other program staff as needed, and by the auditors, RL Jennings & Associates, PC, whose knowledge and judgement were very valuable in the successful completion of this task.

Respectfully submitted,



Lloyd Frasier
Executive Director

NORTHWEST GEORGIA REGIONAL COMMISSION
Organizational Chart



NORTHWEST GEORGIA REGIONAL COMMISSION
LIST OF COUNCIL MEMBERS
JUNE 30, 2013

OFFICERS	Mike Babb Chairperson	Al Hoyle Secretary
	David A. Austin Vice Chairperson	Allen Poole Treasurer

MEMBERS

Bartow County

Commissioner Steve Taylor
Councilman Louis Tonsmeire, Cartersville
Edsel Dean, Nonpublic

Catoosa County

Commissioner Jim Cutler
Vacancy, Fort Oglethorpe
Mark Fletcher, Nonpublic

Chattooga County

Commissioner Jason R. Winters
Mayor Harry Harvey, Summerville
James H. Henry, Nonpublic

Dade County

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

Fannin County

Commission Chairman Bill Simonds
Mayor Donna Whitener, Blue Ridge
Stan Helton, Nonpublic

NORTHWEST GEORGIA REGIONAL COMMISSION
LIST OF COUNCIL MEMBERS
JUNE 30, 2013

Floyd County

Commissioner Garry Fricks
City Commissioner Kim Canada, Rome
Mark Eubanks, Nonpublic

Gilmer County

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

Gordon County

Commissioner Jeff Gazaway
Councilman David Hammond, Calhoun
Sam Payne, Nonpublic

Haralson County

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

Murray County

Commissioner Brittany Pittman
Mayor Don Penland, Chatsworth
Steve Noland, Nonpublic

Paulding County

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

Pickens County

Commission Chairman Robert Jones
Mayor John Weaver, Jasper
Gary Reece, Nonpublic

NORTHWEST GEORGIA REGIONAL COMMISSION
LIST OF COUNCIL MEMBERS
JUNE 30, 2013

Polk County

Commissioner Billy Croker
City Commissioner Scott Tillery, Cedartown
Alan Dean, Nonpublic

Walker County

Commissioner Bebe Heiskell
Vacancy, LaFayette
Virgil Sperry, Nonpublic

Whitfield County

Commission Chairman Mike Babb
Mayor Ken Gowin, Tunnel Hill
Nicky Starling, Nonpublic

Governor's Appointees

Vacancy
Butch Jones, Businessman, Ellijay
Melissa Mathis, Assistant Superintendent of Schools, Walker Co

Lieutenant Governor's Appointee

Brian Anderson, Greater Dalton Chamber of Commerce

Speaker of the House's Appointee

Donald N. Murray, Gilmer County

FINANCIAL SECTION

RL Jennings & Associates, PC

Certified Public Accountants

R. Lee Jennings, CFCA, CGMA, CPA
Mona Evans, CPA
Joe Sapp, CPA
Thomas H. Evans, Jr., CPA
Sherry L. Estes, CPA
Katherine S. Washington, CPA
David E DeScalzo, CPA, CFE, PC

Member

American Institute of
Certified Public Accountants

Georgia Society of
Certified Public Accountants

506 East Third Street
Rome, Georgia 30161
Phone 706.802.1945 Fax 706.802.1279
www.romecpa.com
14224 Highway 515 North
Ellijay, Georgia 30536
Phone 706.273.1945 Fax 706.273.1946
www.ellijaycpa.com

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

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 Northwest Georgia Regional Commission, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risks assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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 Northwest Georgia Regional Commission, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General Fund, Aging Fund, Workforce Fund, and Neighborhood Stabilization Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Northwest Georgia Regional Commission's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, schedule of nonpublic funds, and schedule of state contractual assistance are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, schedule of nonpublic funds, schedule of state contractual assistance, 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, schedule of nonpublic funds, schedule of state contractual assistance, and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic 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 it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 14, 2014, on our consideration of Northwest Georgia Regional Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Northwest Georgia Regional Commission's internal control over financial reporting and compliance.

Rob Jennings & Associates, PC

Rome, Georgia
April 14, 2014

BASIC FINANCIAL STATEMENTS

Northwest Georgia Regional Commission
Statement of Net Position
June 30, 2013

	Governmental Activities	Business-Type Activities	Total	Component Unit
ASSETS				
Cash	\$ 1,760,026	\$ 590,484	\$ 2,350,510	\$ 81,497
Receivables	2,756,701	345,019	3,101,720	-
Current portion of notes receivable	-	68,717	68,717	-
Internal balances	63,807	(63,807)	-	-
Due from component unit	103,279	-	103,279	-
Prepaid expenses	940	-	940	-
Notes receivable (net of allowance of \$58,122)	-	361,369	361,369	-
Nondepreciable capital assets	23,413	-	23,413	-
Depreciable capital assets, net	87,116	-	87,116	-
TOTAL ASSETS	\$ 4,795,282	\$ 1,301,782	\$ 6,097,064	\$ 81,497
LIABILITIES AND NET POSITION				
LIABILITIES				
Accounts payable	\$ 1,573,945	\$ -	\$ 1,573,945	\$ -
Accrued liabilities	153,092	-	153,092	-
Due to primary government	-	-	-	103,279
Deferred revenues	1,144,383	-	1,144,383	-
Long-term compensated absences	216,445	-	216,445	-
TOTAL LIABILITIES	3,087,865	-	3,087,865	103,279
NET POSITION				
Investment in capital assets	110,529	-	110,529	-
Unrestricted	1,596,888	1,301,782	2,898,670	(21,782)
TOTAL NET POSITION	1,707,417	1,301,782	3,009,199	(21,782)
TOTAL LIABILITIES AND NET POSITION	\$ 4,795,282	\$ 1,301,782	\$ 6,097,064	\$ 81,497

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

Northwest Georgia Regional Commission
Statement of Activities
For the Year Ended June 30, 2013

Functions/Programs Primary Government	Net (Expense) Revenue and Changes in Net Position						Component Unit
	Program Revenues		Primary Government		Business-Type		
	Charges for Services	Operating Grants & Contributions	Governmental Activities	Business-Type Activities	Total	Total	
Governmental activities:							
General government	\$ 1,548,744	\$ -	\$ (1,548,744)	\$ -	\$ (1,548,744)	\$ -	-
Aging services	7,996,293	8,488,169	491,876	-	491,876	-	-
Planning and development services	965,865	662,353	(79,514)	-	(79,514)	-	-
Workforce services	7,537,902	7,936,273	398,371	-	398,371	-	-
Neighborhood stabilization	575,118	-	48,164	-	48,164	-	-
Total governmental activities	18,623,922	17,086,795	(689,847)	-	(689,847)	-	-
Business-Type Activities							
Revolving Loan	28,781	10,338	-	(18,443)	(18,443)	-	-
Money Follows Person	-	264,316	-	264,316	264,316	-	-
Total business-type activities	28,781	274,654	-	245,873	245,873	-	-
Total primary government	\$ 18,652,703	\$ 1,121,934	\$ (689,847)	\$ 245,873	\$ (443,974)	\$ -	-
Component Unit							
NGCDC, Inc.	\$ 44,592	\$ 21,888	\$ -	\$ -	\$ -	\$ (22,704)	(22,704)
Total component unit	\$ 44,592	\$ 21,888	\$ -	\$ -	\$ -	\$ (22,704)	(22,704)
General revenues:							
Regional appropriations	865,294		865,294	-	865,294	-	-
Interest revenue	869		869	20,870	21,739	64	64
Miscellaneous income	24,692		24,692	-	24,692	3,879	3,879
Gain on sale of capital assets	2,055		2,055	-	2,055	-	-
Transfers	35,801		35,801	(15,217)	20,584	(20,584)	(20,584)
Total general revenues and transfers	928,711		928,711	5,653	934,364	(16,641)	(16,641)
Change in net position	238,864		238,864	251,526	490,390	(39,345)	(39,345)
Net position - beginning of year,	1,468,553		1,468,553	1,050,256	2,518,809	17,563	17,563
as restated	1,707,417		1,707,417	1,301,782	3,009,199	(21,782)	(21,782)
Net position - end of year	\$ 1,707,417		\$ 1,707,417	\$ 1,301,782	\$ 3,009,199	\$ -	\$ -

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

Northwest Georgia Regional Commission

Balance Sheet

Governmental Funds

June 30, 2013

	General Fund	Aging Fund	Workforce Fund	Neighborhood Stabilization Fund	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 89,030	\$ 72,144	\$ 579,726	\$ 1,012,818	\$ 6,308	\$ 1,760,026
Receivables	121,699	1,159,271	1,062,057	36,000	204,381	2,583,408
Due from other funds	2,156,889	303,217	2,055	34,703	752	2,497,616
Due from component unit	103,279	-	-	-	-	103,279
Prepaid expenses	-	-	940	-	-	940
TOTAL ASSETS	\$ 2,470,897	\$ 1,534,632	\$ 1,644,778	\$ 1,083,521	\$ 211,441	\$ 6,945,269
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Accounts payable	\$ 133,578	\$ 604,008	\$ 691,565	\$ 33,162	\$ 29,538	\$ 1,491,851
Accrued liabilities	128,940	-	24,152	-	-	153,092
Due to other funds	367,603	783,826	927,006	129,194	134,981	2,342,610
Unearned revenues	29,625	146,798	-	921,165	46,795	1,144,383
TOTAL LIABILITIES	\$ 659,746	\$ 1,534,632	\$ 1,642,723	\$ 1,083,521	\$ 211,314	\$ 5,131,936
FUND BALANCES						
Nonspendable:						
Prepaid items	-	-	940	-	-	940
Unassigned	1,811,151	-	1,115	-	127	1,812,393
TOTAL FUND BALANCES	\$ 1,811,151	\$ -	\$ 2,055	\$ -	\$ 127	\$ 1,813,333
TOTAL LIABILITIES AND FUND BALANCES	\$ 2,470,897	\$ 1,534,632	\$ 1,644,778	\$ 1,083,521	\$ 211,441	\$ 6,945,269

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

Northwest Georgia Regional Commission
 Reconciliation of the Governmental Funds Balance Sheet
 to the Statement of Net Position
 For the Year Ended June 30, 2013

Total fund balance, governmental funds \$ 1,813,333

*Amounts reported for governmental activities in the Statement of Net Position
 are different because:*

Capital assets used in governmental activities are not financial resources
 and, therefore, are not reported in the governmental fund statements.

Capital assets	\$	1,749,715	
Accumulated depreciation		1,639,186	110,529

Long-term liabilities consisting of compensated absences are not
 due and payable in the current period and, therefore, are not
 reported in the governmental fund statements. (216,445)

Net position of governmental activities \$ 1,707,417

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

Northwest Georgia Regional Commission
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2013

	General Fund	Aging Fund	Workforce Fund	Neighborhood Stabilization Fund	Other Governmental Funds	Total Governmental Funds
REVENUES						
Regional appropriations	\$ 865,294	\$ -	\$ -	\$ -	\$ -	\$ 865,294
From grantor agencies	-	8,488,169	7,936,273	-	662,353	17,086,795
Charges for services	-	-	-	73,681	223,998	297,679
Interest revenue	257	612	-	-	-	869
Other revenue	12,222	330	-	549,601	12,140	574,293
TOTAL REVENUES	877,773	8,489,111	7,936,273	623,282	898,491	18,824,930
EXPENDITURES						
Current						
General government	1,531,487	-	-	-	-	1,531,487
Aging	-	7,981,552	-	-	-	7,981,552
Planning/economic development	-	-	-	-	971,111	971,111
Workforce	-	-	7,510,843	-	-	7,510,843
Neighborhood stabilization	-	-	-	571,445	-	571,445
Capital outlay	-	9,185	819	-	2,803	12,807
TOTAL EXPENDITURES	1,531,487	7,990,737	7,511,662	571,445	973,914	18,579,245
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(653,714)	498,374	424,611	51,837	(75,423)	245,685
OTHER FINANCING SOURCES (USES)						
Proceeds from sale of capital assets	-	-	2,055	-	-	2,055
Transfers in	1,430,794	82,916	-	-	412,678	1,926,388
Transfers (out)	(495,594)	(581,290)	(424,611)	(51,837)	(337,255)	(1,890,587)
TOTAL OTHER FINANCING SOURCES (USES)	935,200	(498,374)	(422,556)	(51,837)	75,423	37,856
NET CHANGE IN FUND BALANCES	281,486	-	2,055	-	-	283,541
FUND BALANCES, beginning of year, as restated	1,529,665	-	-	-	127	1,529,792
FUND BALANCES, end of year	\$ 1,811,151	\$ -	\$ 2,055	\$ -	\$ 127	\$ 1,813,333

See auditor's report and accompanying notes to 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, 2013

Net change in fund balances - total governmental funds \$ 283,541

*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	\$ 2,803	
Depreciation expense	<u>(42,557)</u>	(39,754)

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

Compensated absences		
Liability, 06/30/13	(216,445)	
Liability, 06/30/12	<u>211,522</u>	<u>(4,923)</u>

Change in net position of governmental activities \$ 238,864

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, 2013

	Budgeted Amounts		Actual Amount (Budgetary Basis)	Variance with Final Budget
	Original	Final		
REVENUES				
Local dues	\$ 890,000	\$ 863,217	\$ 865,294	\$ 2,077
Charges for services	482,460	-	-	-
Interest revenue	-	-	257	257
Indirect cost recoveries	1,322,956	1,474,000	1,478,703	4,703
Other revenue	2,000	2,700	12,222	9,522
TOTAL REVENUES	<u>2,697,416</u>	<u>2,339,917</u>	<u>2,356,476</u>	<u>16,559</u>
EXPENDITURES				
Current				
Personnel services	1,549,616	794,300	733,911	60,389
Supplies	104,060	65,450	43,481	21,969
Contractual	283,276	488,000	507,530	(19,530)
Other	367,566	251,450	246,565	4,885
Indirect costs	-	37,000	47,909	(10,909)
Capital outlay	17,000	50	-	50
TOTAL EXPENDITURES	<u>2,321,518</u>	<u>1,636,250</u>	<u>1,579,396</u>	<u>56,854</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>375,898</u>	<u>703,667</u>	<u>777,080</u>	<u>73,413</u>
OTHER FINANCING SOURCES AND USES				
Transfers in	11,102	-	-	-
Transfers (out)	(387,000)	(384,450)	(495,594)	(111,144)
TOTAL OTHER SOURCES AND OTHER (USES)	<u>(375,898)</u>	<u>(384,450)</u>	<u>(495,594)</u>	<u>(111,144)</u>
NET CHANGE IN FUND BALANCE	-	319,217	281,486	(37,731)
FUND BALANCE - beginning of year, as restated	<u>1,529,665</u>	<u>1,529,665</u>	<u>1,529,665</u>	-
FUND BALANCE - end of year	<u>\$ 1,529,665</u>	<u>\$ 1,848,882</u>	<u>\$ 1,811,151</u>	<u>\$ (37,731)</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, 2013

	Budgeted Amounts		Actual Amount (Budgetary Basis)	Variance with Final Budget
	Original	Final		
REVENUES				
From grantor agencies	\$ 8,809,049	\$ 8,430,950	\$ 8,488,169	\$ 57,219
Subgrantee match				
In-kind	-	-	-	-
Interest revenue	-	940	612	(328)
Other income	-	-	330	330
TOTAL REVENUES	<u>8,809,049</u>	<u>8,431,890</u>	<u>8,489,111</u>	<u>57,221</u>
EXPENDITURES				
Current				
Personnel services	1,209,249	1,365,000	1,326,647	38,353
Supplies	91,687	55,500	52,605	2,895
Contractual	6,996,324	6,284,300	6,363,370	(79,070)
Other	153,215	247,600	238,930	8,670
Indirect costs	440,065	555,490	581,290	(25,800)
Capital outlay.	-	9,000	9,185	(185)
TOTAL EXPENDITURES	<u>8,890,540</u>	<u>8,516,890</u>	<u>8,572,027</u>	<u>(55,137)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(81,491)</u>	<u>(85,000)</u>	<u>(82,916)</u>	<u>2,084</u>
OTHER FINANCING SOURCES AND USES				
Transfers in	81,491	85,000	82,916	(2,084)
Transfers (out)	-	-	-	-
TOTAL OTHER SOURCES AND OTHER (USES)	<u>81,491</u>	<u>85,000</u>	<u>82,916</u>	<u>(2,084)</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, 2013

	Budgeted Amounts		Actual Amount (Budgetary Basis)	Variance with Final Budget
	Original	Final		
REVENUES				
From grantor agencies	\$ 5,964,902	\$ 8,006,175	\$ 7,936,273	\$ (69,902)
Other income	-	-	-	-
Subgrantee match	-	-	-	-
TOTAL REVENUES	5,964,902	8,006,175	7,936,273	(69,902)
EXPENDITURES				
Current				
Personnel services	1,540,538	1,096,000	1,919,548	(823,548)
Supplies	21,931	17,750	15,806	1,944
Contractual	3,647,500	6,405,000	5,490,571	914,429
Other	38,246	81,425	84,918	(3,493)
Indirect costs	702,233	406,000	424,611	(18,611)
Capital outlay	14,454	-	819	(819)
TOTAL EXPENDITURES	5,964,902	8,006,175	7,936,273	69,902
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	-	-	-
OTHER FINANCING SOURCES AND USES				
Proceeds from sale of capital assets	-	-	2,055	2,055
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
TOTAL OTHER SOURCES AND OTHER (USES)	-	-	2,055	2,055
NET CHANGE IN FUND BALANCE	-	-	2,055	2,055
FUND BALANCE - beginning of year	-	-	-	-
FUND BALANCE - end of year	\$ -	\$ -	\$ 2,055	\$ 2,055

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

Neighborhood Stabilization Fund

For the Year Ended June 30, 2013

	Budgeted Amounts		Actual Amount (Budgetary Basis)	Variance with Final Budget
	Original	Final		
REVENUES				
From grantor agencies	\$ 1,379,200	\$ 1,450,000	\$ -	\$ (1,450,000)
Charges for services	-	-	73,681	73,681
Other income	600,000	-	549,601	549,601
TOTAL REVENUES	<u>1,979,200</u>	<u>1,450,000</u>	<u>623,282</u>	<u>(826,718)</u>
EXPENDITURES				
Current				
Personnel services	227,400	110,500	149,004	(38,504)
Supplies	4,500	12,800	42	12,758
Contractual	31,500	11,000	-	11,000
Grant services	1,640,600	1,241,500	415,011	826,489
Other	40,500	24,200	7,388	16,812
Indirect costs	32,400	50,000	51,837	(1,837)
Capital outlay	2,300	-	-	-
TOTAL EXPENDITURES	<u>1,979,200</u>	<u>1,450,000</u>	<u>623,282</u>	<u>826,718</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
OTHER FINANCING SOURCES AND USES				
Transfers in	-	-	-	-
Transfers (out)	(1,640,600)	-	-	-
TOTAL OTHER SOURCES AND OTHER (USES)	<u>(1,640,600)</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>(1,640,600)</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>\$ (1,640,600)</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 Position

Proprietary Funds

June 30, 2013

	Enterprise Funds		Total Proprietary Funds
	Revolving Loan Fund	Fiscal Intermediary Fund (nonmajor)	
ASSETS			
Current Assets			
Cash	\$ 590,484	\$ -	\$ 590,484
Current portion of notes receivable	68,717	-	68,717
Total current assets	659,201	-	659,201
Noncurrent Assets			
Notes receivable, net of allowance	361,369	-	361,369
Due from other funds	-	345,020	345,020
Total noncurrent assets	361,369	345,020	706,389
TOTAL ASSETS	\$ 1,020,570	\$ 345,020	\$ 1,365,590
LIABILITIES AND NET POSITION			
LIABILITIES			
Current Liabilities			
Due to other funds	\$ 63,808	\$ -	\$ 63,808
Total current liabilities	63,808	-	63,808
TOTAL LIABILITIES	63,808	-	63,808
NET POSITION			
Unrestricted	956,762	345,020	1,301,782
TOTAL NET POSITION	956,762	345,020	1,301,782
TOTAL LIABILITIES AND NET POSITION	\$ 1,020,570	\$ 345,020	\$ 1,365,590

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

Northwest Georgia Regional Commission

Statement of Revenues, Expenses and Changes in Fund Net Position

Proprietary Funds

For the Year Ended June 30, 2013

	Enterprise Funds		Total Proprietary Funds
	Revolving Loan Fund	Fiscal Intermediary Fund (nonmajor)	
Revenues:			
Interest revenue from operations	\$ 20,870	\$ -	\$ 20,870
Commission revenue		264,316	264,316
Bad debt recoveries	10,338		10,338
Total operating revenues	<u>31,208</u>	<u>264,316</u>	<u>295,524</u>
Operating expenses:			
Personnel services			
Salaries and wages	25,700	-	25,700
Fringe benefits	3,039	-	3,039
Total personnel services	<u>28,739</u>	<u>-</u>	<u>28,739</u>
Operating expenses	42	-	42
Total operating expenses	<u>28,781</u>	<u>-</u>	<u>28,781</u>
Operating income before transfers	2,427	264,316	266,743
Transfers (out)	<u>(15,217)</u>	<u>-</u>	<u>(15,217)</u>
Increase (decrease) in net position	(12,790)	264,316	251,526
Net Position, beginning of year, as restated	<u>969,552</u>	<u>80,704</u>	<u>1,050,256</u>
Net Position, end of year	<u>\$ 956,762</u>	<u>\$ 345,020</u>	<u>1,301,782</u>

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

Northwest Georgia Regional Commission
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2013

	Enterprise Funds		Total Proprietary Funds
	Revolving Loan Fund	Fiscal Intermediary Fund (nonmajor)	
<i>Cash flows from operating activities</i>			
Cash received from customers	\$ 81,956	\$ 264,316	\$ 346,272
Interest received from bank	81	-	81
Loans to customers	(100,000)	-	(100,000)
Cash payments for personnel services	(29,729)	-	(29,729)
Cash payments for goods and services	(42)	-	(42)
Net cash provided (used) by operating activities	<u>(47,734)</u>	<u>264,316</u>	<u>216,582</u>
<i>Cash flows from noncapital financing activities</i>			
Interfund loans received (payments made)	<u>29,729</u>	<u>(264,316)</u>	<u>(234,587)</u>
Net cash provided (used) by noncapital financing activities	<u>29,729</u>	<u>(264,316)</u>	<u>(234,587)</u>
Net increase (decrease) in cash	(18,005)	-	(18,005)
Cash, beginning of year	<u>608,489</u>	<u>-</u>	<u>608,489</u>
Cash, end of year	<u>\$ 590,484</u>	<u>\$ -</u>	<u>\$ 590,484</u>
<i>Reconciliation of net income to net cash provided (used) by operating activities:</i>			
Operating income	\$ 2,427	\$ 264,316	\$ 266,743
Adjustments to reconcile operating income to net cash provided by operating activities:			
Bad debt recoveries	(10,338)	-	(10,338)
(Increase) decrease in notes receivable	(38,834)	-	(38,834)
Increase (decrease) in accrued liabilities	(989)	-	(989)
Net cash provided (used) by operating activities	<u>\$ (47,734)</u>	<u>\$ 264,316</u>	<u>\$ 216,582</u>

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

Northwest Georgia Regional Commission
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2013

	Pension Trust Fund	Agency Funds
ASSETS		
Cash	\$ -	\$ 89,670
Investments held for pension benefits		
Mutual funds	404,433	-
Annuities	7,337	-
Receivables		534,279
Due from others		73,982
Due from other funds	-	82,094
	<u> </u>	<u> </u>
TOTAL ASSETS	\$ 411,770	\$ 780,025
	<u> </u>	<u> </u>
LIABILITIES		
Due to others	\$ -	\$ 261,713
Due to other funds	-	518,312
TOTAL LIABILITIES	-	\$ 780,025
	<u> </u>	<u> </u>
NET POSITION		
Assets held in trust for pension benefits	<u>411,770</u>	
TOTAL NET POSITION	\$ 411,770	
	<u> </u>	

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

Northwest Georgia Regional Commission
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2013

	<u>Pension Trust Fund</u>
ADDITIONS	
Contributions	
Employer	\$ 9,815
Investment income	
Interest, dividends, and other	8,819
Net appreciation (depreciation) in fair value of assets	<u>31,672</u>
TOTAL ADDITIONS	50,306
DEDUCTIONS	<u>-</u>
Change in Net Assets Held In Trust For Employee Pension Benefits	50,306
NET POSITION - beginning of year	<u>361,464</u>
NET POSITION - end of year	<u>\$ 411,770</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 is 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 which provides programs for older citizens.

The Workforce Fund is used to account for the grant activity from the Department of Labor for the purpose of a job training program designed to increase employment, job retention, earnings, and occupational skills improvement by participants.

The Neighborhood Stabilization Fund is used to account for the purchase and redevelopment of foreclosed and abandoned homes and residential properties in order to stabilize communities that have suffered from foreclosures and abandonment.

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 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.

Northwest Georgia Regional Commission

Notes to Financial Statements

June 30, 2013

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.

D. New Pronouncements

For the year ended June 30, 2013, the Commission implemented GASB Statement No. 62, *GASB Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* (which is effective for financial statements for periods beginning after December 15, 2011). Statement No. 62 incorporates into GASB's accounting and financial reporting that is included in the FASB Statements and Interpretations, APB Opinions and Research Bulletins, which do not conflict with or contradict GASB statements, which were issued on or before November 30, 1989. The adoption of this pronouncement did not have a material effect on the Commission's financial statements.

For the year ended June 30, 2013, the Commission implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and*

Net Position (which is effective for periods beginning after December 15, 2011). Statement No. 63 requires governments to account for deferred outflows of resources, deferred inflows of resources, and net position elements in Concepts Statement No. 4 as it relates to GASB 53 (derivatives) and GASB 60 (Service Concession Arrangements). The adoption of this pronouncement did not have a material effect on the Commission's financial statements.

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, 2013 amounted to \$216,445. Amounts vested or accumulated vacation leave that is 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.

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, 2013 were \$201,841.

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. 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.

N. 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

OCGA 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, 2013, expenditures exceed appropriations at the department level (the legal level of control) as follows:

Aging program	\$ 55,137
---------------	-----------

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.

NOTE 3. CASH AND INVESTMENTS

At June 30, 2013, the carrying amount of the Commission's deposits was \$ 2,332,506 and the bank balance was \$2,470,919. At June 30, 2013, all financial institution deposits were fully insured or collateralized.

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. 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, 2013

NOTE 6. CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended June 30, 2013:

	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	1,209,874	2,803	-	1,212,677
Vehicles	40,732	-	-	40,732
Total capital assets being depreciated	1,723,499	2,803	-	1,726,302
Less accumulated depreciation for:				
Buildings and improvements	(455,391)	(8,059)	-	(463,450)
Equipment	(1,100,506)	(34,498)	-	(1,135,004)
Vehicles	(40,732)	-	-	(40,732)
Total accumulated depreciation	(1,596,629)	(42,557)	-	(1,639,186)
Total capital assets being depreciated, net	126,870	(39,754)	-	87,116
Government activities capital assets, net	\$ 150,283	\$ (39,754)	\$ -	\$ 110,529

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

Governmental activities:

General government	\$ 22,591
Planning services	1,514
Workforce services	18,125
Neighborhood stabilization	327
	<u>42,557</u>
	\$ <u>42,557</u>

Northwest Georgia Regional Commission
Notes to Financial Statements
June 30, 2013

NOTE 7. INTERFUND BALANCES AND TRANSFERS

Interfund balances at June 30, 2013 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	Neighborhood Stabilization Fund	Revolving Loan Fund	Nonmajor Funds And Fiduciary Funds	
Payable to:							
General Fund	\$ -	\$ 783,826	\$ 927,006	\$ 129,194	\$ 63,808	\$ 253,055	\$ 2,156,889
Aging Fund	250,054	-	-	-	-	53,163	303,217
WIA Fund	-	-	-	-	-	2,055	2,055
Neigh Stab Fund	34,703	-	-	-	-	-	34,703
Nonmajor funds	752	-	-	-	-	345,020	345,772
Fiduciary funds	82,094	-	-	-	-	-	82,094
Total	\$367,603	\$ 783,826	\$ 927,006	\$ 129,194	\$ 63,808	\$ 653,293	\$ 2,924,730

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, (2) provide unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations, and (3) record indirect costs that are expended in the General Fund but recovered by the General Fund from various programs, with budgetary authorization as indirect cost expenditures of the program.

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

	Transfers From:							Total
	General	Aging	Workforce	Neighborhood	Revolving Loan	Nonmajor Funds	Component Unit	
Transfers to:								
General Fund	\$ -	\$ 581,290	\$ 424,611	\$ 51,837	\$ 15,217	\$ 337,255	\$ 20,584	\$ 1,430,794
Aging Fund	82,916	-	-	-	-	-	-	82,916
Nonmajor funds	412,678	-	-	-	-	-	-	412,678
Total	\$ 495,594	\$ 581,290	\$ 424,611	\$ 51,837	\$ 15,217	\$ 337,255	\$ 20,584	\$ 1,926,388

NOTE 8. FUND BALANCES

For the year ended June 30, 2013, 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 that are nonspendable, assigned, committed, or restricted included in the accompanying Governmental Funds Balance Sheet at June 30, 2013, are as follows:

Workforce Fund – This fund has nonspendable fund balance in the amount of \$940 which consists of prepaid items not in spendable form.

All other funds reflect have fund balances that are classified as unassigned. Interfund receivables are considered current enough to provide cash flows in the near future.

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, 2013, contracts between the Commission and subcontractors whose owners or employees are on the WIB totaled \$2,016,663. The WIB board members abstain from voting on contracts that may result in a conflict of interest.

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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	\$ 2,235,717
June 30, 2012	\$ 2,491,687
June 30, 2011	\$ 2,748,020

The Commission’s total payroll was \$3,940,169 for the year ended June 30, 2013. 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.

Plan membership as of the January 1 valuation date consisted of the following:

Retired participants, currently receiving benefits	30
Terminated vested participants	26
Active participants	<u>47</u>
	<u>103</u>

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.

Northwest Georgia Regional Commission

Notes to Financial Statements

June 30, 2013

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, 2013, the Commission made contributions in the amount of \$290,681 (11.33% of expected payroll).

The table below sets forth required supplementary information to be disclosed in the schedule of funding progress. The items presented are based on the 2013, 2012 and 2011 actuarial valuations.

	2013	2012	2011
Actuarial value of assets	\$ 6,208,671	\$ 5,836,675	\$ 5,343,440
Actuarial accrued liability	6,636,285	6,250,149	5,766,007
Funded ratio	93.56%	93.38%	92.67%
Total unfunded actuarial liability (funding excess)	427,614	413,474	422,567
Annual covered payroll	2,235,717	2,491,687	2,464,793
Ratio of unfunded (excess) to annual covered payroll	19.13%	16.59%	17.14%

The participant data and the added values used in the actuarial valuations were compiled as of January 1, 2013, January 1, 2012 and January 1, 2011, 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 0.00% per year

Actuarial assumptions also include an expected inflation of 3.5 percent.

Northwest Georgia Regional Commission
 Notes to Financial Statements
 June 30, 2013

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

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

Three-Year Trend Information:

<u>Year Ending</u>	<u>Costs (APC)</u>	<u>APC Contributed</u>	<u>Obligation</u>
June 30, 2011	\$ 188,491	100%	-
June 30, 2012	\$ 217,877	100%	-
June 30, 2013	\$ 189,636	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 Period</u>	<u>Related 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

Northwest Georgia Regional Commission
Notes to Financial Statements
June 30, 2013

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. Fiscal year 2013 employer contributions totaled \$19,193.

Non-Contributory Defined Contribution Pension Trust Plan

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

Balance - July 1, 2012	\$	361,464
Fiscal Year 2012 Contributions		9,815
Fiscal Year 2013 Distributions		-
Investment income (loss)		40,491
Balance - June 30, 2013	\$	<u>411,770</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 \$117,707.

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, 2013, contributions were as follows:

	<u>Amount</u>	Amount as a % of <u>Covered Payroll</u>
Contribution by employer	\$ 9,815	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, 2012	\$	211,522
Additions		115,956
Reductions		<u>(111,033)</u>
Balance - June 30, 2013	\$	<u>216,445</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 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. Settlement claims have not exceeded insurance coverage in the past three years.

Risk Pools

The Commission joined the Georgia Interlocal Risk Management Agency (GIRMA). The Commission's management, based on anticipated needs, selects insurance coverage and deductible options for property, casualty and crime under the policy. The Commission 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 Commission in defense and settlement of claims. GIRMA's basis for estimating the liabilities for unpaid claims in "IBNR" is established by an actuary. The Commission has not completed a record of the claims paid up to the applicable deductible for the prior year or the current fiscal year. The Commission is unaware of any claims that the Commission is liable (up to the applicable deductible) which were outstanding and unpaid at June 30, 2013. No provisions have been made in the financial statements for the year ended June 30, 2013 for any estimate of potential unpaid claims.

NOTE 13. COMMITMENTS AND CONTINGENCIES

Grant Contingencies

The Commission has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to the disallowance of certain expenditures previously reimbursed by those agencies. Based upon prior experience, management believes such disallowances, if any, will not be significant.

Commitments

The Commission routinely enters into agreements and commitments during the year in the ordinary course of business. Such agreements do not give rise to assets or liabilities considered material.

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(s). Additionally, the Fiscal Intermediary Fund was created as a proprietary fund to record earned revenues for services provided to the Money

Northwest Georgia Regional Commission
Notes to Financial Statements
June 30, 2013

Follows Person program, and the applicable accumulated fund balance has been eliminated from the fund balance of the General Fund, effective June 30, 2012. The restatement impacts the beginning fund balance in the governmental fund financial statements and net position in the government-wide financial statements as follows:

Governmental fund financial statements:

General Fund

Fund Balance, June 30, 2012, as previously reported	\$ 1,610,369
Adjustment to transfer the Fiscal Intermediary Fund accumulated fund balance to a separate fund	<u>(80,704)</u>
Fund Balance, June 30, 2012, as restated	<u>\$ 1,529,665</u>

Fiscal Intermediary Fund

Fund Balance, June 30, 2012, as previously reported	\$ -
Adjustment to record the accumulated fund balance transferred from the General Fund	<u>80,704</u>
Fund Balance, June 30, 2012, as restated	<u>\$ 80,704</u>

Government-wide financial statements:

Governmental Activities

Net Assets, June 30, 2012, as previously reported	\$ 1,549,257
Adjustment to reclassify accumulated net position as business-type activities	<u>(80,704)</u>
Net Assets, June 30, 2012, as restated	<u>\$ 1,468,553</u>

Business-type Activities

Net Assets, June 30, 2012, as previously reported	\$ 969,552
Adjustment to reclassify accumulated net position transferred from governmental activities	<u>80,704</u>
Net Assets, June 30, 2012, as restated	<u>\$ 1,050,256</u>

OTHER SUPPLEMENTARY INFORMATION

Northwest Georgia Regional Commission
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2013

	Special Revenue Funds		Total Governmental Funds
	Economic Development Fund	Planning Fund	
ASSETS			
Cash and cash equivalents	\$ -	\$ 6,308	\$ 6,308
Receivables	-	204,381	204,381
Due from other funds	752	-	752
TOTAL ASSETS	\$ 752	\$ 210,689	\$ 211,441
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 752	\$ 28,786	\$ 29,538
Due to other funds	-	134,981	134,981
Unearned revenues	-	46,795	46,795
TOTAL LIABILITIES	752	210,562	211,314
FUND BALANCES			
Unassigned	-	127	127
TOTAL FUND BALANCES	-	127	127
TOTAL LIABILITIES AND FUND BALANCES	\$ 752	\$ 210,689	\$ 211,441

Northwest Georgia Regional Commission
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2013

	Special Revenue Funds		Total Governmental Funds
	Economic Development Fund	Planning Fund	
REVENUES			
From grantor agencies	\$ 179,751	\$ 482,602	\$ 662,353
Charges for services	-	223,998	223,998
Other revenue	-	12,140	12,140
TOTAL REVENUES	<u>179,751</u>	<u>718,740</u>	<u>898,491</u>
EXPENDITURES			
Current			
Planning and economic development	353,204	617,907	971,111
Capital outlay	-	2,803	2,803
TOTAL EXPENDITURES	<u>353,204</u>	<u>620,710</u>	<u>973,914</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(173,453)</u>	<u>98,030</u>	<u>(75,423)</u>
OTHER FINANCING SOURCES AND (USES)			
Transfers in	306,830	105,848	412,678
Transfers (out)	(133,377)	(203,878)	(337,255)
TOTAL OTHER FINANCING SOURCES AND (USES)	<u>173,453</u>	<u>(98,030)</u>	<u>75,423</u>
NET CHANGE IN FUND BALANCES	-	-	-
FUND BALANCES - beginning of year	-	127	127
FUND BALANCES - end of year	<u>\$ -</u>	<u>\$ 127</u>	<u>\$ 127</u>

Northwest Georgia Regional Commission
 Combining Statement of Assets and Liabilities
 All Agency Funds
 June 30, 2013

	Northwest Georgia					Total Agency Funds
	Hwy 27 Association Fund	Water Resource Partnership Fund	Money Follows Person Fund	NSP Paulding Fund	NSP Whitfield Fund	
ASSETS						
Cash and cash equivalents	\$ 63	\$ 89,607	\$ -	\$ -	\$ -	\$ 89,670
Receivables	140	-	534,139	-	-	534,279
Due from others	-	-	-	66,447	7,535	73,982
Due from other funds	-	82,094	-	-	-	82,094
TOTAL ASSETS	\$ 203	\$ 171,701	\$ 534,139	\$ 66,447	\$ 7,535	\$ 780,025
LIABILITIES						
Due to others	\$ -	\$ 171,701	\$ 82,652	\$ 6,924	\$ 436	\$ 261,713
Due to other funds	203	-	451,487	59,523	7,099	518,312
TOTAL LIABILITIES	\$ 203	\$ 171,701	\$ 534,139	\$ 66,447	\$ 7,535	\$ 780,025

STATE COMPLIANCE SECTION

RL Jennings & Associates, PC
Certified Public Accountants

R. Lee Jennings, CFCA, CGMA, CPA
Mona Evans, CPA
Joe Sapp, CPA
Thomas H. Evans, Jr., CPA
Sherry L. Estes, CPA
Katherine S. Washington, CPA
David E DeScalzo, CPA, CFE, PC

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

506 East Third Street
Rome, Georgia 30161
Phone 706.802.1945 Fax 706.802.1279
www.romecpa.com
14224 Highway 515 North
Ellijay, Georgia 30536
Phone 706.273.1945 Fax 706.273.1946
www.ellijaycpa.com

**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, 2013, and have issued our report thereon dated April 14, 2014. 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 opinion.

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, 2013, 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
April 14, 2014

Northwest Georgia Regional Commission
 Schedule of Nonpublic Funds
 For the Year Ended June 30, 2013

\$ 17,563

Nonpublic Funds Retained Earnings 7/1/12

Revenues - Nonpublic Funds:

<u>Source</u>	<u>Date</u>	<u>Amount</u>
Colson Services	07/06/12	\$ 1,885
Colson Services	08/27/12	1,885
Colson Services	09/05/12	1,481
Colson Services	10/02/12	1,481
Colson Services	11/02/12	1,481
Colson Services	11/06/12	2,638
Colson Services	11/09/12	1,581
Colson Services	12/04/12	1,481
Colson Services	01/11/13	1,481
Colson Services	01/17/13	365
Colson Services	01/22/13	950
Colson Services	02/07/13	1,564
Colson Services	03/07/13	1,564
Colson Services	04/15/13	1,564
Colson Services	05/08/13	1,564
Colson Services	05/08/13	1,241
Colson Services	06/04/13	1,564
Interest		61
Accrued Revenue - Colson Services - Prior Year		-
Accrued Revenue - Colson Services - Current Year		-
Prior Year Escrow		25,831
<i>Total Revenues - Nonpublic Funds</i>		<u>25,831</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 Diem Fee	NGCDC, Inc. Board Members	7/20/2012	270
NWGRC - Dalton Office	NGCDC Board Meeting Per Diem Fee	NGCDC, Inc. Board Members	8/22/2012	120
NWGRC - Dalton Office	NGCDC Board Meeting Per Diem Fee	NGCDC, Inc. Board Members	9/24/2012	180
NWGRC - Dalton Office	NGCDC Board Meeting Per Diem Fee	NGCDC, Inc. Board Members	12/19/2012	120
NWGRC - Dalton Office	NGCDC Board Meeting Per Diem Fee	NGCDC, Inc. Board Members	6/25/2013	60
Other expenditures paid from nonpublic funds				
Accrued expenditures - Prior year				62,783
Accrued expenditures - Current year				1,643
<i>Total Expenditures - Nonpublic Funds</i>				<u>65,176</u>
Excess of Revenues over (under) Expenditures				<u>(39,345)</u>
<i>Nonpublic Funds Retained Earnings 6/30/2013</i>				<u>\$ (21,782)</u>

See Notes to the Schedule of Nonpublic Funds.

Northwest Georgia Regional Commission
Notes to the Schedule of Nonpublic Funds
June 30, 2013

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, 2013

	<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	42700-373-0000012721	\$ <u>8,804,360</u>	\$ <u>8,804,360</u>	\$ <u>-</u>	\$ <u>1,159,271</u>
TOTAL		\$ <u><u>8,804,360</u></u>	\$ <u><u>8,804,360</u></u>	\$ <u><u>-</u></u>	\$ <u><u>1,159,271</u></u>

FEDERAL COMPLIANCE SECTION

Northwest Georgia Regional Commission
 Schedule of Expenditures of Federal Awards
 Year Ended June 30, 2013

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-C2	\$ 124,202
Local Development District	23.001	GA-0701G-C3	224,435
Local Food Guide	23.001	GA-17090-2011	20,749
			369,386
HOUSING AND URBAN DEVELOPMENT			
Neighborhood Stabilization	14.256	08-NS-5052	176,991
U.S DEPARTMENT OF COMMERCE			
Economic Development Administration Planning and Administrative Grants	11.302	04-83-06502	117,195
LTED Revolving Loan Fund	11.307		1,101,985
Total U.S. Department of Commerce			1,219,180
AGING CLUSTER			
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Georgia Department of Human Resources			
Title IIIA	93.045	42700-373-0000012721	331,664
Title III C-1	93.045	42700-373-0000012721	760,897
Title III C-2	93.045	42700-373-0000012721	832,722
			1,925,283
Title IIIB	93.044	42700-373-0000012721	783,378
TOTAL AGING CLUSTER			2,708,661
Title IIID	93.043	42700-373-0000012721	50,833
Title IIIE	93.052	42700-373-0000012721	323,675
Title VII	93.042	42700-373-0000012721	29,664
Title XIX Community Care	93.778	42700-373-0000012721	2,206,418
Title XX SSBG	93.667	42700-373-0000012721	445,645
Chronic Disease Self-Management	93.734	42700-373-0000012721	13,486
Georgia Cares	93.779	42700-373-0000012721	111,104
Money Follows the Person	93.791	42700-373-0000012721	135,286
USDA Nutrition	93.053	42700-373-0000012721	422,384
			3,738,495
ADRC	93.048	42700-373-0000012721	83,150
Alzheimer's Program	93.048	42700-373-0000012721	231,821
LTCO Supplemental	93.048	42700-373-0000012721	60,204
CBS	93.048	42700-373-0000012721	1,348,376
			1,723,551
Total U.S. Department of Health and Human Services			\$ 8,170,707

Northwest Georgia Regional Commission
 Schedule of Expenditures of Federal Awards
 Year Ended June 30, 2013

Federal Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures
<i>WIA CLUSTER</i>			
U.S. DEPARTMENT OF LABOR			
Georgia Department of Labor			
Workforce Investment Act			
Adult	17.258	10-10-11-01-001	\$ 146,458
Adult	17.258	10-11-11-01-001	103,828
Adult	17.258	11-12-11-01-001	1,048,701
Adult	17.258	11-12-12-01-001	65,826
Adult	17.258	11-12-13-01-001	425,164
			1,789,977
Youth	17.259	15-10-11-01-001	42,025
Youth	17.259	15-11-11-01-001	900,723
Youth	17.259	15-12-11-01-001	1,192,741
			2,135,489
Dislocated Worker	17.260	31-11-11-01-001	252,609
Dislocated Worker	17.260	31-12-11-01-001	426,540
Dislocated Worker	17.260	31-12-13-01-001	1,652,554
Dislocated Worker	17.260	71-11-11-01-001	948,722
Dislocated Worker	17.260	72-11-09-01-001	166,179
Dislocated Worker	17.260	73-11-11-01-001	564,203
			4,010,807
<i>TOTAL WIA CLUSTER</i>			7,936,273
Georgia Department of Human Resources			
Title V	17.235	42700-373-0000012721	446,893
			446,893
Total U.S. Department of Labor			8,383,166
Total Expenditures of Federal Awards			\$ 18,319,430

RL Jennings & Associates, PC
Certified Public Accountants

R. Lee Jennings, CFCA, CGMA, CPA
Mona Evans, CPA
Joe Sapp, CPA
Thomas H. Evans, Jr., CPA
Sherry L. Estes, CPA
Katherine S. Washington, CPA
David E DeScalzo, CPA, CFE, PC

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

506 East Third Street
Rome, Georgia 30161
Phone 706.802.1945 Fax 706.802.1279
www.romecpa.com
14224 Highway 515 North
Ellijay, Georgia 30536
Phone 706.273.1945 Fax 706.273.1946
www.ellijaycpa.com

**INDEPENDENT'S AUDITOR'S 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, in accordance with the 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, 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, 2013, and the related notes to the financial statements, which collectively comprise Northwest Georgia Regional Commission's basic financial statements, and have issued our report thereon dated April 14, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Northwest Georgia Regional Commission's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Northwest Georgia Regional Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of Northwest Georgia Regional Commission's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies described in the

accompanying schedule of findings and questioned costs to be material weaknesses, as described in Items 10-02 and 10-03.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies, as described in Items 13-01 and 10-04.

Compliance and Other Matters

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

Northwest Georgia Regional Commission's Response to Findings

Northwest Georgia Regional Commission's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Northwest Georgia Regional Commission's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

R. L. Glennings & Associates, PC

Rome, Georgia
April 14, 2014

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Certified Public Accountants

R. Lee Jennings, CFCA, CGMA, CPA
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506 East Third Street
Rome, Georgia 30161
Phone 706.802.1945 Fax 706.802.1279
www.romecpa.com
14224 Highway 515 North
Ellijay, Georgia 30536
Phone 706.273.1945 Fax 706.273.1946
www.ellijaycpa.com

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

Report on Compliance for Each Major Federal Program

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, 2013. 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.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Northwest Georgia Regional Commission's major federal programs based on our audit of the types of compliance requirements referred to above. 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 on compliance for each major federal program. However, our audit does not provide a legal determination of Northwest Georgia Regional Commission's compliance.

Opinion on Each Major Federal Program

In our opinion, Northwest Georgia Regional Commission complied, in all material respects, with the types of 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, 2013.

Report on Internal Control Over Compliance

Management of Northwest Georgia Regional Commission is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Northwest Georgia Regional Commission's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Northwest Georgia Regional Commission's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

R. L. Jennings & Associates, PC

Rome, Georgia
April 14, 2014

Northwest Georgia Regional Commission

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2013

Section I—Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued: *Unmodified*

Internal control over financial reporting:

Material weakness(es) identified?	X	yes	no
Significant deficiencies identified not considered to be material weaknesses?	X	yes	
Noncompliance material to financial statements noted?		yes	X no

Federal Awards

Internal Control over major programs:

Material weakness(es) identified?	yes	X	no
Significant deficiencies identified not considered to be material weaknesses?	yes	X	no

Type of auditor’s report issued on compliance for major programs:
Unmodified

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?	yes	X	no
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Programs tested as 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
11.307	LTED Revolving Loan

Northwest Georgia Regional Commission

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2013

Dollar threshold used to distinguish between Type A and Type B \$ 532,694

Auditee qualified as low-risk auditee? X yes no

Section II—Financial Statement Findings

13-01 Reconciliation of Wage Reporting (current year finding)

Criteria: The Commission is responsible for reporting wages in accordance with the Internal Revenue Code.

Condition/Context: The Commission's reporting of wages does not reconcile to the general ledger. Additionally, annual reporting of wages (Forms W-3 and W-2) does not reconcile to quarterly Form 941s filed during the year.

Effect: The failure to properly report wages results in possible errors in either the W-2s or the Form 941s, therefore, subjecting the Commission to the requirement of filing amended returns, and possible penalties should the amount of payroll taxes have been underpaid.

Cause: Although the Commission has the payroll reporting performed by staff, during the year a change in software during the year possibly contributed to the reporting of year-to-date wages being rolled over in incorrect amounts. Therefore, the rollover of wages in an incorrect amount would result in year-end wage reporting to be incorrect.

Recommendation: In order to comply with federal law and to better manage payroll reporting, we recommend that payroll reporting be reconciled at least monthly to the general ledger.

Response: Management agrees with this finding and will adopt, in the future, reconciliation of payroll reporting to the general ledger.

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.

10-03 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.

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

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

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