

**NORTHWEST GEORGIA
REGIONAL COMMISSION
ROME, GEORGIA
ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2017**

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INTRODUCTORY SECTION

NWGRC

NORTHWEST GEORGIA REGIONAL COMMISSION

A Region With A Bright Future



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December 28, 2017

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, 2017. 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, 2017, 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, 2017, 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 Centers 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

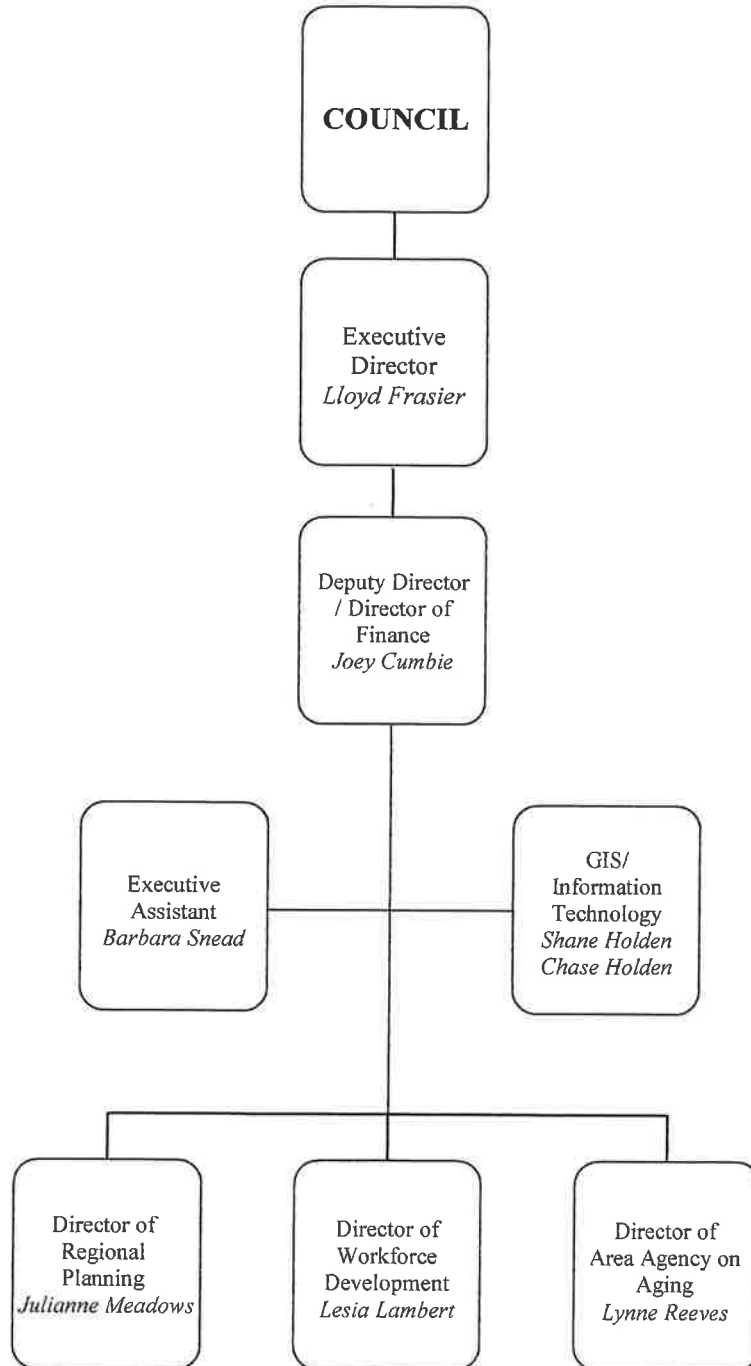
The preparation of this report was a cooperative effort of the Commission's fiscal staff. They were assisted by other program staff as needed, and by the auditors, RL Jennings & Associates, PC, whose knowledge and judgement were very valuable in the successful completion of this task.

Respectfully submitted,



Lloyd Frasier
Executive Director

NORTHWEST GEORGIA REGIONAL COMMISSION
Organizational Chart



NORTHWEST GEORGIA REGIONAL COMMISSION COUNCIL

Bartow County

Commissioner Steve Taylor
Councilman Louis Tonsmeire, Cartersville
Clarence Brown, Nonpublic

Catoosa County

Commissioner Jim Cutler
Vacancy, Fort Oglethorpe
Vacancy, Nonpublic

Chattooga County

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

Dade County

County Executive/Commission Chairman Ted M. Rumley
Mayor Alex Case, Trenton
Peter Cervelli, Nonpublic

Fannin County

Commission Chairman Stan Helton
Mayor Donna Whitener, Blue Ridge
Bo Chance, Nonpublic

Floyd County

Commission Chairman Rhonda Wallace
City Commissioner Craig McDaniel, Rome
Ronnie Kilgo, Nonpublic

Gilmer County

Commission Chairman Charlie Paris
Mayor Al Hoyle, Ellijay
Hubert Parker, Nonpublic

Gordon County

Commissioner M.L. "Bud" Owens
Councilman David Hammond, Calhoun
Dewayne Bowen, Nonpublic

Haralson County

Commission Chairman Allen Poole
Councilwoman Terry Crawford, Bremen
Bob Birky, Nonpublic

Murray County

Commissioner Greg Hogan
Mayor Tyson Hayns, Chatsworth
Steve Noland, Nonpublic

Paulding County

Commission Chairman David Carmichael
Mayor Boyd Austin, Dallas
Greg Perry, Nonpublic

Pickens County

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

Polk County

Commissioner Jennifer Hulseley
City Commissioner Jordan Hubbard, Cedartown
Alan Dean, Nonpublic

Walker County

Commissioner Shannon Whitfield
Vacancy, LaFayette
Chip Catlett, Nonpublic

Whitfield County

Commission Chairman Lynn Laughter
Mayor Ken Gowin, Tunnel Hill
Mike Babb, Nonpublic

Governor's Appointees

Nicholas Chester, Attorney, Paulding County
David Guldenschuh, Attorney, Floyd County
Michele Taylor, Superintendent, Calhoun City Schools

Lieutenant Governor's Appointee

Vacancy **Speaker of the House's Appointee** Donald N. Murray, Gilmer County

OFFICERS

Al Hoyle, Chairperson
Allen Poole, Vice Chairperson
Ted Rumley, Secretary
John Weaver, Treasurer

FINANCIAL SECTION

RL Jennings & Associates, PC

Certified Public Accountants

R. Lee Jennings, CFCA, CGMA, CPA
Marvin Chance, CPA, CGMA
Sarah A. Dunn, CPA, MBA
Thomas H. Evans, Jr., CPA
Katherine S. Washington, CPA
David E DeScalzo, CPA, CFE, PC

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INDEPENDENT AUDITOR'S REPORT

To the Chairman and Council Members
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 aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Northwest Georgia Regional Commission, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Northwest Georgia 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 risk 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 aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Northwest Georgia Regional Commission, as of June 30, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 9-14 and 21-23 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 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 and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December, 2017, on our consideration of the 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 the Northwest Georgia Regional Commission's internal control over financial reporting and compliance.

Rob Jennings & Associates, PC

Rome, Georgia
December 28, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Northwest Georgia Regional Commission's financial performance provides an overview of the Commission's financial activities for the fiscal year ended June 30, 2017. Please read it in conjunction with the Commission's accompanying financial statements and the Notes to the Financial Statements. The components of the financial statements include 1) Management's Discussion and Analysis (MD&A), 2) Basic Financial Statements, and 3) Other Required Supplementary Information (RSI). Management's Discussion & Analysis introduces the basic financial statements and provides an analytical overview of the Commission's financial activities. The MD&A for the current year ending June 30, 2017 provides comparisons with the previous year in compliance with the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 34.

FINANCIAL HIGHLIGHTS

The assets of the Commission exceeded its liabilities at the close of the fiscal year by \$4,490,393. Of this amount, \$4,139,534 in unrestricted net assets may be used to meet the Commission's ongoing obligations to the member local governments and other creditors. As indicated in the *Statement of Activities*, this year's operations resulted in a net position increase of \$405,007. Total program expenditures for the Commission decreased by \$839,753 (5%), and program revenues decreased by \$854,107 (5%).

Also from the *Statement Activities*, the General government reported a decrease in revenues of \$236,112 and an increase of \$81,837 in expenditures for the year. Aging services reported a decrease in revenues of \$210,913 and a decrease of \$528,964 in expenditures for the year. Planning services reported an increase in revenue of \$25,464 and an increase of \$62,476 in expenditures for the year. Workforce services reported a decrease in revenue of \$465,961 and a decrease of \$210,278 in expenditures for the year. Neighborhood stabilization services reported a decrease in revenue of \$10,002 and a decrease of \$1,705 in expenditures for the year.

From the *Statement of Revenues, Expenditures and Changes in Fund Balance*, the General Fund reported a decrease in revenue of \$15,998, a decrease of \$103,430 in expenditures for the year, and an increase in Fund Balance of \$317,492 to a current Fund Balance of \$3,001,004. The Special Revenue Fund reported an increase in revenue of \$518,536 and an increase of \$515,991 in expenditures for the year.

The General Fund is used primarily to account for local dues revenue and the contribution of those dues as required match to grants accounted for in the Special Revenue Fund. The Special Revenue Fund is used to account for the many different grants that the Commission receives and administers.

The majority of the administrative operating costs of the Commission are comprised of salaries, travel, indirect costs, and fringe benefits. The remaining balance of the Special Revenue Fund monies is spent for service contracts that provide a wide variety of services to the target groups designated by the grant agencies and/or grant documents. The Commission's ability to control the amount of these many funding resources is in most cases very limited. The General Fund local dues revenue is one revenue source that the Commission's Council directly controls. The Board directly approves the amount of this dues assessment. The Aging services grant amount is determined by the Department of Human Services as part of an annual state-wide allocation of funds which also contains a number of restrictions and limitations concerning the use of funds. The Commission maintains approximately twenty separate cost centers to record and track spending for the Aging services. We are also subject to a number of budgetary line item limitations within those cost centers. The total Aging services grant amount has been relatively stable.

The Workforce services grants are segregated into three main funding streams: adult, youth, and dislocated worker. Within those streams, administrative and program costs must be accounted for and are strictly limited. Most Workforce grants are for a two-year period and two grants for each funding stream are usually awarded each year. During the year, additional funds often become available because of Commission's requests for additional funds or because of money becoming available at the state level. These new funds are also subject to strict limitations controlling their use. Grant funds for one grant may not be spent for expenditures relating to the other grants. Each grant may only pay for those things that result in a direct or indirect benefit to that grant.

Planning service grants have recently become more unpredictable. Federal and state grant amounts are often subject to reductions or delays. When new grants are made available, they are often offered on a limited time basis and with little advanced notice. These conditions do not facilitate good planning for staff composition or financial budgets.

Based on the positive financial results during the year (assets exceeding liabilities, net position increasing and an increasing General Fund fund balance) management believes that the overall financial health of the Commission is excellent.

OVERVIEW OF THE AUDIT REPORT AND BASIC FINANCIAL STATEMENTS

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities are basic government-wide statements that provide information about the activities of the Commission as a whole and present a long-term view of the Commission's finances. Fund Financial Statements are for separate governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the Commission's operations in more detail than government-wide statements by providing information about all the Commission's funds.

REPORTING THE COMMISSION AS A WHOLE

The Statement of Net Assets and the Statement of Activities

For our overall analysis of the Commission, one of the most important concerns about the Commission's finances is whether we improved our general financial condition as a result of the year's activities. Such improvement is one indicator of how successfully we perform our financial duties and responsibilities to our member governments, and how we will be able to perform them in the future. The Statement of Net Position and the Statement of Activities report information about the Commission as a whole and about its activities in a way that addresses this government-wide focus. Changes in the Commission's financial position may be measured over time by increases and decreases in the Statement of Net Assets. The Statement of Activities reflects how the net position changed during the year.

REPORTING THE COMMISSION'S FUNDS

Fund Financial Statements

For our analysis of the Commission's funds, the Fund Financial Statements provide more detailed information about individual funds and individual funds sources of revenue. Some funds are required to be established by grant providers, federal and state laws, regulations, or other policies. Some funds are established for the Commission's management and control purposes.

Governmental funds - The Commission's basic services are reported in governmental funds. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Commission's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources available. The relationship and differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled on the following page of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

Notes to the Financial Statements provide additional information that is essential to the full understanding of the data provided in the government wide and fund financial statements. Refer to Note A of the financial statements for more detailed information on the many elements of the financial statements.

CONDENSED FINANCIAL INFORMATION

The Commission’s combined net position are composed primarily of equipment, furnishings, and real property. The Commission’s fiscal year is July 1 to June 30.

Net position of the Commission’s governmental activities compared to the previous year are as follows:

	Change in Net Position	
	<u>Governmental Activities</u>	
	<u>2016-2017</u>	<u>2015-2016</u>
Current and other assets	\$ 5,926,112	\$ 5,046,301
Capital assets	319,866	380,954
Deferred Outflows	<u>426,438</u>	<u>553,370</u>
Total Assets	<u>\$ 6,672,416</u>	<u>\$ 5,980,625</u>
Current liabilities	\$ 2,891,570	\$ 2,331,796
Long-term liabilities	954,596	1,108,746
Deferred Inflows	<u>282,064</u>	<u>140,274</u>
Total Liabilities	<u>\$ 4,128,230</u>	<u>\$ 3,580,816</u>
Net position:		
Invested in capital assets	\$ 319,866	\$ 380,954
Restricted	30,993	30,993
Unrestricted	<u>2,193,327</u>	<u>1,987,862</u>
Total Net Position	<u>\$ 2,544,186</u>	<u>\$ 2,399,809</u>

Net position increased by \$405,007 in the current fiscal year.

The comparison to the previous year revenues and expenses for governmental activities for the year are:

	Change in Net Position	
	2016-2017	2015-2016
Program revenues -		
General government		
Regional appropriations	\$ 881,536	\$ 873,305
Interest income	124	336
Miscellaneous income	287,002	339,370
Transfers	12,037	203,800
Charges for services		
Aging services	7,571,005	7,781,918
Planning & development	828,372	802,908
Workforce services	5,828,687	6,294,648
Neighborhood stabilization	500,569	510,571
Total Revenues	<u>15,909,332</u>	<u>16,806,856</u>
Program expenses -		
General government	164,524	132,757
Aging services	7,949,509	8,478,473
Planning services	1,280,123	1,217,647
Workforce services	5,864,113	6,074,391
Neighborhood stabilization	506,686	508,391
Total Expenses	<u>15,764,955</u>	<u>16,411,659</u>
Change in net position	144,377	395,197
Net position, beginning	2,399,809	2,004,612
Net position, ending	<u>\$ 2,544,186</u>	<u>\$ 2,399,809</u>

THE COMMISSION'S FUNDS

The Commission uses fund accounting to document financial activities and demonstrate compliance with finance related regulations and laws. This method of accounting provides the necessary level of detail to report and monitor expenditures in a number of individual cost centers. As the Commission completed the year, its governmental funds reported a combined fund balance increase of \$230,060 to \$2,764,575. The General Fund, fund balance increased \$230,060 to \$2,733,582.

Over the course of the year, the Commission's grant amounts, and therefore its budget, are constantly changing. The wide range of programs and services, the variety of grant start and end dates, and additional funds awarded to the Commission during the year dictates continuous attention to the Budget. For example, worker layoffs in our area can result in receiving substantial additional funds from the Georgia Department of Economic Development – Workforce Division to assist in retraining or job finding services.

An important concept to keep in mind for budget analysis and comparisons to expenditures is that some of the Commission's major activities do not consider the only purpose of the budget to be an instrument to limit spending. The programs plan to and actually should spend most of the funds available to them during the year. That provides one indication that they are fully utilizing available resources to provide the most services possible. Of course, the money is being spent in a responsible manner approved by the proper oversight Boards and officials. The Aging and Workforce Investment programs include grants and portions of grants that are examples of this situation.

GENERAL FUND BUDGETARY HIGHLIGHTS

In the General fund, the budgeted amounts changed during the year in several line items. Actual revenues were slightly lower than the final budget and actual expenditures were less than final budgeted expenditures. Although, the actual transfers out (local match) were more than the final budgeted amount, the General Fund, fund balance increased \$317,485.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2017, the Commission had \$319,866 in capital assets (net of depreciation), which was a net decrease of \$61,088 from 2016 as follows:

	<u>2016-2017</u>	<u>2015-2016</u>
Beginning Balance, Equipment	\$ 380,954	\$ 79,817
Increase	21,311	335,785
Decrease	<u>(82,399)</u>	<u>(34,648)</u>
Ending Balance, Equipment	<u>\$ 319,866</u>	<u>\$ 380,954</u>

Some assets owned by the Commission are purchased with grant money and maintained for the associated state agencies. For more detail on capital asset and long-term debt activity, please refer to Note E. Capital Assets and Note I. Long-Term Liabilities for more information on the respective classification.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The Commission's Council considered many factors when setting the 2016 – 2017 fiscal year budget. The Commission's staff and total budget has grown in many areas over the last several years. However, some of the Commission's grants sources continue to predict significant reductions in award amounts due to the budget shortfalls and cuts at federal and state levels, forcing the use of additional local funds if service levels are to be maintained. Considerable effort has been made to identify additional federal and state funding, but all levels of government are reducing where possible.

Local government contributions to the Commission remain one of the best investments available to cities and counties. Local dues allow the Commission to match grants and have funds for cash flow that enables the Commission to provide services that many community based service agencies would find to be impossible. The return on the dues investment made by member governments is very good by any standard. Every \$1 of local dues received allows the Commission to obtain up to \$18 of federal and state grant funds for the area.

CONTACTING THE COMMISSION'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the Commission's finances and to show the Commission's accountability for the money it receives. If you have questions about this report or need additional information, contact us at the Northwest Georgia Regional Commission, One Jackson Hill Drive, P.O. Box 1798, Rome, Georgia 30162-1798.

BASIC FINANCIAL STATEMENTS

Northwest Georgia Regional Commission
Statement of Net Position
June 30, 2017

	Governmental Activities	Business-Type Activities	Total	Component Unit
ASSETS				
Cash	\$ 1,780,694	\$ 805,201	\$ 2,585,895	\$ 77,809
Receivables	3,567,218	78,189	3,645,407	-
Current portion of notes receivable	-	28,228	28,228	-
Internal balances	(491,452)	491,452	-	-
Due from component unit	141,677	-	141,677	-
Due from agency fund	880,243	347,075	1,227,318	-
Prepaid items	63,888	-	63,888	-
Notes receivable (net of allowance of \$24,923)	-	196,081	196,081	-
Nondepreciable capital assets	23,413	-	23,413	-
Depreciable capital assets, net	296,453	-	296,453	-
Total assets	<u>6,262,134</u>	<u>1,946,226</u>	<u>8,208,360</u>	<u>77,809</u>
DEFERRED OUTFLOWS OF RESOURCES				
Pension related items	426,438	-	426,438	-
Total deferred outflows of resources	<u>426,438</u>	<u>-</u>	<u>426,438</u>	<u>-</u>
LIABILITIES				
Accounts payable	1,936,518	19	1,936,537	780
Accrued liabilities	61,755	-	61,755	-
Due to primary government	-	-	-	141,677
Unearned revenues	909,453	-	909,453	-
Long-term compensated absences	191,895	-	191,895	-
Net pension liability	762,701	-	762,701	-
Total liabilities	<u>3,862,322</u>	<u>19</u>	<u>3,862,341</u>	<u>142,457</u>
DEFERRED INFLOWS OF RESOURCES				
Pension related items	282,064	-	282,064	-
Total deferred inflows of resources	<u>282,064</u>	<u>-</u>	<u>282,064</u>	<u>-</u>
NET POSITION				
Net investment in capital assets	319,866	-	319,866	-
Restricted - Grant Provisions	30,993	-	30,993	-
Unrestricted	2,193,327	1,946,207	4,139,534	(64,648)
Total net position	<u>\$ 2,544,186</u>	<u>\$ 1,946,207</u>	<u>\$ 4,490,393</u>	<u>\$ (64,648)</u>

The accompanying notes are an integral part of this statement.

Northwest Georgia Regional Commission

Statement of Activities

For the Year Ended June 30, 2017

Functions/Programs Primary Government	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Unit	
	Expenses	Charges for Services	Operating Grants & Contributions	Governmental Activities	Primary Government			Total
					Business-type Activities	Total		
Governmental activities:								
General government	\$ 164,524	\$ -	\$ -	(164,524)	\$ -	\$ (164,524)	\$ -	
Aging services	7,949,509	-	7,571,005	(378,504)	-	(378,504)	-	
Planning and development services	1,280,123	52,543	787,866	(439,714)	-	(439,714)	-	
Workforce services	5,864,113	-	5,828,687	(35,426)	-	(35,426)	-	
Neighborhood stabilization	506,686	500,569	-	(6,117)	-	(6,117)	-	
Total governmental activities	15,764,955	553,112	14,187,558	(1,024,285)	-	(1,024,285)	-	
Business-type activities:								
Revolving loan	4,925	16,154	-	-	11,229	11,229	-	
Fiscal intermediary	68,122	317,523	-	-	249,401	249,401	-	
Total business-type activities	73,047	333,677	-	-	260,630	260,630	-	
Total primary government	15,838,002	886,789	14,187,558	(1,024,285)	260,630	(763,655)	-	
Component Unit								
NGCDC, Inc.	\$ 30,367	\$ 16,237	\$ -				(14,130)	
Total component unit	30,367	16,237	-				(14,130)	
				General revenues:				
				881,536	-	881,536	-	
				124	-	124	8,561	
				287,002	-	287,002	-	
				1,168,662	-	1,168,662	8,561	
				144,377	260,630	405,007	(5,569)	
				2,399,809	1,685,577	4,085,386	(59,079)	
				\$ 2,544,186	\$ 1,946,207	\$ 4,490,393	\$ (64,648)	

The accompanying notes are an integral part of this statement.

Northwest Georgia Regional Commission

Balance Sheet

Governmental Funds

June 30, 2017

	General Fund	Aging Fund	Workforce Fund	Neighborhood Stabilization Fund	Total Nonmajor Funds	Total Governmental Funds
ASSETS						
Cash	\$ 404,481	\$ 621	\$ 105,537	\$ 1,254,775	\$ 15,280	\$ 1,780,694
Receivables	31,510	616	-	179	-	32,305
Due from other funds	3,096,694	53,163	-	-	-	3,149,857
Due from component unit	141,677	-	-	-	-	141,677
Due from other governments	-	1,523,480	1,713,425	131,746	166,262	3,534,913
Prepaid expenses	63,888	-	-	-	-	63,888
Total assets	\$ 3,738,250	\$ 1,577,880	\$ 1,818,962	\$ 1,386,700	\$ 181,542	\$ 8,703,334
LIABILITIES						
Accounts payable	22,779	610,182	1,294,171	2,113	7,273	1,936,518
Accrued liabilities	54,711	-	7,044	-	-	61,755
Due to other funds	630,131	805,086	486,881	795,181	43,787	2,761,066
Unearned revenues	29,625	162,612	-	589,406	127,810	909,453
Total liabilities	737,246	1,577,880	1,788,096	1,386,700	178,870	5,668,792
FUND BALANCES						
Nonspendable	63,888	-	-	-	-	63,888
Restricted - Grant Provisions	-	-	30,866	-	127	30,993
Unassigned	2,937,116	-	-	-	2,545	2,939,661
Total fund balances	3,001,004	-	30,866	-	2,672	3,034,542
Total liabilities and fund balances	\$ 3,738,250	\$ 1,577,880	\$ 1,818,962	\$ 1,386,700	\$ 181,542	\$ 8,703,334

The accompanying notes are an integral part of this statement.

Northwest Georgia Regional Commission
 Reconciliation of the Governmental Funds Balance Sheet
 to the Statement of Net Position
 For the Year Ended June 30, 2017

Total fund balance, governmental funds		\$	3,034,542
<i>Amounts reported for governmental activities in the Statement of Net Position are different because:</i>			
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental fund statements.			
Capital assets	\$	2,141,558	
Accumulated depreciation		<u>1,821,692</u>	319,866
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.			
			(191,895)
The deferred outflows of resources, inflows of resources, and the net pension liability related to the pension plan are not expected to be liquidated with expendable available financial resources and, therefore, are not reported in the governmental funds.			
Deferred outflows of resources-pension items			426,438
Net pension liability			(762,701)
Deferred inflows of resources-pension items			<u>(282,064)</u>
Net position of governmental activities	\$		<u><u>2,544,186</u></u>

The accompanying notes are an integral part of this statement.

Northwest Georgia Regional Commission
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2017

	General Fund	Aging Fund	Workforce Fund	Neighborhood Stabilization Fund	Total Nonmajor Funds	Total Governmental Funds
REVENUES						
Regional appropriations	\$ 881,536	\$ -	\$ -	\$ -	\$ -	\$ 881,536
From grantor agencies	-	7,563,856	7,022,405	-	777,382	15,363,643
Charges for services	-	-	-	-	48,000	48,000
Interest revenue	124	-	-	-	-	124
Program revenue	-	-	-	500,569	-	500,569
Indirect cost recoveries	1,751,617	-	-	-	-	1,751,617
Other revenue	4,151	293,560	-	-	15,029	312,740
Total revenues	2,637,428	7,857,416	7,022,405	500,569	840,411	18,858,229
EXPENDITURES						
Current						
General government	1,823,169	-	-	-	-	1,823,169
Aging	-	7,912,581	-	-	-	7,912,581
Planning services and economic development	-	-	-	-	1,268,372	1,268,372
Workforce	-	-	7,012,189	-	-	7,012,189
Neighborhood stabilization	-	-	-	500,569	-	500,569
Capital outlay	-	-	-	-	-	-
Aging	-	11,095	-	-	-	11,095
Workforce	-	-	10,216	-	-	10,216
Total expenditures	1,823,169	7,923,676	7,022,405	500,569	1,268,372	18,538,191
Excess (deficiency) of revenues over expenditures	814,259	(66,260)	-	-	(427,961)	320,038
OTHER FINANCING SOURCES (USES)						
Transfers in	-	66,260	-	-	430,506	496,766
Transfers (out)	(496,767)	-	-	-	-	(496,767)
Total other financing sources (uses)	(496,767)	66,260	-	-	430,506	(1)
Net change in fund balances	317,492	-	-	-	2,545	320,037
Fund balances-beginning-as restated	2,683,512	-	30,866	-	127	2,714,505
Fund balances-ending	\$ 3,001,004	\$ -	\$ 30,866	\$ -	\$ 2,672	\$ 3,034,542

The accompanying notes are an integral part of this statement.

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, 2017

Net change in fund balances - total governmental funds \$ 320,037

*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	\$ 21,311	
Depreciation expense	<u>(82,399)</u>	(61,088)

The decrease in liability for compensated absences from the prior year
does not provide current financial resources and, therefore, is not
reported in governmental funds.

Compensated absences	3,371
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The decrease in net pension liability from the prior year does not provide
current financial resources and, therefore, is not reported in
governmental funds.

<u>(117,943)</u>

Change in net position of governmental activities	\$ <u><u>144,377</u></u>
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The accompanying notes are an integral part of this statement.

Northwest Georgia Regional Commission

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

General Fund

For the Year Ended June 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual Amount (Budgetary Basis)</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Local dues	\$ 868,768	\$ 881,536	\$ 881,536	\$ -
Charges for services	-	-	-	-
Interest revenue	125	125	124	(1)
Indirect cost recoveries	1,804,179	1,724,725	1,751,617	26,892
Other revenue	40,075	40,075	4,151	(35,924)
Total revenues	<u>2,713,147</u>	<u>2,646,461</u>	<u>2,637,428</u>	<u>(9,033)</u>
EXPENDITURES				
Current				
Personnel services	1,442,779	1,270,125	1,253,286	16,839
Supplies	53,150	53,400	41,418	11,982
Contractual	125,600	101,750	144,230	(42,480)
Operating	308,500	288,500	219,973	68,527
Indirect costs	27,740	145,500	164,262	(18,762)
Capital outlay				
General government	-	-	-	-
Total expenditures	<u>1,957,769</u>	<u>1,859,275</u>	<u>1,823,169</u>	<u>36,106</u>
Excess (deficiency) of revenues over expenditures	<u>755,378</u>	<u>787,186</u>	<u>814,259</u>	<u>27,073</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers (out)	<u>(475,515)</u>	<u>(495,000)</u>	<u>(496,767)</u>	<u>(1,767)</u>
Total other financing sources (uses)	<u>(475,515)</u>	<u>(495,000)</u>	<u>(496,767)</u>	<u>(1,767)</u>
Net change in fund balance	279,863	292,186	317,492	25,306
Fund balances-beginning - as restated	<u>2,683,512</u>	<u>2,683,512</u>	<u>2,683,512</u>	-
Fund balances-ending	<u>\$ 2,963,375</u>	<u>\$ 2,975,698</u>	<u>\$ 3,001,004</u>	<u>\$ 25,306</u>

The accompanying notes are an integral part of this statement.

Northwest Georgia Regional Commission

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

Aging Fund

For the Year Ended June 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual Amount (Budgetary Basis)</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
From grantor agencies	\$ 7,481,464	\$ 7,500,000	\$ 7,563,856	\$ 63,856
Interest revenue	-	-	-	-
Other income	-	-	293,560	293,560
Total revenue	<u>7,481,464</u>	<u>7,500,000</u>	<u>7,857,416</u>	<u>357,416</u>
EXPENDITURES				
Current				
Personnel services	1,317,971	1,317,971	1,267,003	50,968
Supplies	34,650	49,000	60,596	(11,596)
Contractual	5,764,170	5,774,067	6,067,731	(293,664)
Operating	150,720	119,500	179,233	(59,733)
Indirect costs	310,502	349,462	338,018	11,444
Capital outlay				
Aging	-	-	11,095	(11,095)
Total expenditures	<u>7,578,013</u>	<u>7,610,000</u>	<u>7,923,676</u>	<u>(313,676)</u>
Excess (deficiency) of revenues over expenditures	<u>(96,549)</u>	<u>(110,000)</u>	<u>(66,260)</u>	<u>43,740</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	96,549	110,000	66,260	(43,740)
Transfers (out)	-	-	-	-
Total other financing sources (uses)	<u>96,549</u>	<u>110,000</u>	<u>66,260</u>	<u>(43,740)</u>
Net change in fund balance	-	-	-	-
Fund balances-beginning	-	-	-	-
Fund balances-ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of this statement.

Northwest Georgia Regional Commission

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

Workforce Fund

For the Year Ended June 30, 2017

	Budgeted Amounts		Actual Amount (Budgetary Basis)	Variance with Final Budget
	Original	Final		
REVENUES				
From grantor agencies	\$ 7,347,478	\$ 7,347,478	\$ 7,022,405	\$ (325,073)
Other income	-	-	-	-
Subgrantee match	-	-	-	-
Total revenues	<u>7,347,478</u>	<u>7,347,478</u>	<u>7,022,405</u>	<u>(325,073)</u>
EXPENDITURES				
Current				
Personnel services	805,496	791,096	851,563	(60,467)
Supplies	41,757	45,500	37,585	7,915
Contractual	6,210,915	6,222,064	5,572,426	649,638
Operating	108,728	86,500	112,656	(26,156)
Indirect costs	174,006	193,818	437,959	(244,141)
Capital outlay				
Workforce	6,576	8,500	10,216	(1,716)
Total expenditures	<u>7,347,478</u>	<u>7,347,478</u>	<u>7,022,405</u>	<u>325,073</u>
Excess (deficiency) of revenues over expenditures	-	-	-	-
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balance	-	-	-	-
Fund balances-beginning	-	-	30,866	-
Fund balances-ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 30,866</u>	<u>\$ -</u>

The accompanying notes are an integral part of this statement.

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, 2017

	Budgeted Amounts		Actual Amount (Budgetary Basis)	Variance with Final Budget
	Original	Final		
REVENUES				
From grantor agencies	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	-
Program revenue	737,406	600,000	500,569	(99,431)
Other income	-	-	-	-
Total revenues	737,406	600,000	500,569	(99,431)
EXPENDITURES				
Current				
Personnel services	165,533	165,533	146,463	19,070
Grant services	-	-	-	-
Operating	530,700	393,294	315,368	77,926
Indirect costs	41,173	41,173	38,738	2,435
Total expenditures	737,406	600,000	500,569	99,431
Excess (deficiency) of revenues over expenditures	-	-	-	-
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	-	-	-	-
Fund balances-beginning	-	-	-	-
Fund balances-ending	\$ -	\$ -	\$ -	\$ -

The accompanying notes are an integral part of this statement.

Northwest Georgia Regional Commission

Statement of Net Position

Proprietary Funds

June 30, 2017

	Enterprise Funds		Total Proprietary Funds
	Revolving Loan Fund	Fiscal Intermediary Fund	
ASSETS			
Current Assets			
Cash	\$ 805,201	\$ -	\$ 805,201
Accounts receivable	-	78,189	78,189
Current portion of notes receivable	28,228	-	28,228
Total current assets	833,429	78,189	911,618
Noncurrent Assets			
Notes receivable, net of allowance	196,081	-	196,081
Due from other funds	-	892,496	892,496
Total noncurrent assets	196,081	892,496	1,088,577
Total assets	\$ 1,029,510	\$ 970,685	\$ 2,000,195
LIABILITIES			
Accounts payable	\$ -	\$ 20	\$ 20
Due to other funds	53,969	-	53,969
Total liabilities	53,969	20	53,989
NET POSITION			
Unrestricted	975,541	970,665	1,946,206
Total net position	\$ 975,541	\$ 970,666	\$ 1,946,207

The accompanying notes are an integral part of this statement.

Northwest Georgia Regional Commission
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2017

	Enterprise Funds		Total Proprietary Funds
	Revolving Loan Fund	Fiscal Intermediary Fund	
REVENUES			
Interest revenue from operations	\$ 16,154	\$ 1	\$ 16,155
Commission revenue	-	317,522	317,522
Bad debt recoveries	13,402	-	13,402
Total operating revenues	<u>29,556</u>	<u>317,523</u>	<u>347,079</u>
Operating expenses:			
Personnel services			
Salaries and wages	10,893	2,335	13,228
Fringe benefits	3,540	0	3,540
Total personnel services	<u>14,433</u>	<u>2,335</u>	<u>16,768</u>
Operating expenses	<u>3,894</u>	<u>65,787</u>	<u>69,681</u>
Total operating expenses	<u>3,894</u>	<u>65,787</u>	<u>69,681</u>
Net change in net position	11,229	249,401	260,630
Net position-beginning, as restated	<u>964,312</u>	<u>721,265</u>	<u>1,685,577</u>
Net position-ending	<u>\$ 975,541</u>	<u>\$ 970,666</u>	<u>\$ 1,946,207</u>

The accompanying notes are an integral part of this statement.

Northwest Georgia Regional Commission
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2017

	Enterprise Funds		Total Proprietary Funds
	Revolving Loan Fund	Fiscal Intermediary Fund	
<i>Cash flows from operating activities</i>			
Cash received from customers	\$ 247,921	\$ 299,869	\$ 547,790
Interest received from bank		-	-
Cash payments for personnel services	(14,433)	(2,315)	(16,748)
Cash payments for goods and services	(3,894)	(65,787)	(69,681)
Net cash provided (used) by operating activities	<u>229,594</u>	<u>231,767</u>	<u>461,361</u>
<i>Cash flows from noncapital financing activities</i>			
Interfund transfer in(out)	-	-	-
Interfund loans received (payments made)	18,311	(231,767)	(213,456)
Net cash provided (used) by noncapital financing activities	<u>18,311</u>	<u>(231,767)</u>	<u>(213,456)</u>
Net increase (decrease) in cash	247,905	-	247,905
Cash, beginning of year	561,505	-	561,505
Cash, end of year	<u>\$ 809,410</u>	<u>\$ -</u>	<u>\$ 809,410</u>
<i>Reconciliation of net income to net cash provided (used) by operating activities:</i>			
Operating income	\$ 11,229	\$ 249,401	\$ 260,630
Adjustments to reconcile operating income to net cash provided by operating activities:			
Increase in Accounts payable		20	20
(Increase) decrease in receivables	217,364	(17,654)	199,710
Net cash provided (used) by operating activities	<u>\$ 228,593</u>	<u>\$ 231,767</u>	<u>\$ 460,360</u>

The accompanying notes are an integral part of this statement.

Northwest Georgia Regional Commission
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2017

	Pension Trust Fund	Agency Funds
ASSETS		
Cash	\$ -	\$ 1,031,686
Investments held for pension benefits		
Mutual funds	704,721	-
Receivables	-	676,559
Due from other funds	-	84,710
Due from other government	-	32,000
	<u>704,721</u>	<u>1,824,955</u>
Total assets	\$ <u>704,721</u>	\$ <u>1,824,955</u>
LIABILITIES		
Accounts payable	\$ -	\$ 156,869
Due to others	-	59,019
Due to other funds	-	1,312,028
Unearned revenues	-	297,039
Total liabilities	<u>-</u>	<u>1,824,955</u>
NET POSITION		
Net position - restricted for pensions	<u>704,721</u>	<u>-</u>
Total liabilities and net position	\$ <u>704,721</u>	\$ <u>1,824,955</u>

The accompanying notes are an integral part of this statement.

Northwest Georgia Regional Commission
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2017

	<u>Pension Trust Fund</u>
ADDITIONS	
Contributions	
Employer	\$ 10,411
Investment income	
Interest, dividends, and other	7,120
Net appreciation (depreciation) in fair value of assets	<u>39,973</u>
Total additions	<u>57,504</u>
Change in net position held in trust for employee pension benefits	<u>57,504</u>
Net position-beginning	<u>647,217</u>
Net position-ending	<u>\$ 704,721</u>

The accompanying notes are an integral part of this statement.

Northwest Georgia Regional Commission

Notes to Financial Statements

June 30, 2017

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 35% and Agency on Aging grants represent 49% 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 is 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) as the servicing agent for loans financed 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 unit 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.

Northwest Georgia Regional Commission

Notes to Financial Statements

June 30, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) 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 funds:

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

The Fiscal Intermediary Fund is used to account for funds related to the performance of third-party contract administration services for various Aging related grants.

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.

Northwest Georgia Regional Commission

Notes to Financial Statements

June 30, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Regional appropriations are recognized as revenues in the year for which they are levied.

Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

Revenues of the governmental funds susceptible to accrual are dues from member counties and municipal governments, earned portion of grant contracts and interest on invested funds. Recognized costs of grant contracts are used as the basis of recorded revenues from the grantor. Accounts receivable will reflect amounts earned which are undrawn, and deferred revenues will show balances of advance contract and interest on invested funds.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary fund's principal ongoing operations. The principal operating revenue of the enterprise fund is the loans fees for services provided. Operating expenses for the enterprise fund includes the cost of services and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues. The proprietary fund type statement is prepared on the accrual basis of accounting. Revenues are recognized when they have been earned and are measurable; expenses are recognized when they are incurred, if measurable.

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

D. Deferred Outflows/Inflows of Resources

In preparing the accompanying financial statements, the Commission has implemented GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, and No. 65, Items Previously Reported as Assets and Liabilities. These standards establish accounting and financial reporting for deferred outflows / inflows of resources and the concept of net position as the residual of all other elements presented in a statement of financial position.

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

Northwest Georgia Regional Commission

Notes to Financial Statements

June 30, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Deferred Outflows/Inflows of Resources (Continued)

The Commission also has deferred outflows and inflows of resources related to the recording of changes in its net pension liability. Certain changes in the net pension liability are recognized as pension expense over time instead of all being recognized in the year of occurrence. Experience gains or losses result from periodic studies by the Commission's actuary which adjust the net pension liability for actual experience for certain trend information that was previously assumed, for example, the assumed dates of retirement of plan members. These experience gains or losses are recorded as deferred outflows of resources or deferred inflows of resources and are amortized into pension expense over the expected remaining service lives of plan members.

Changes in actuarial assumptions which adjust the net pension liability are also recorded as deferred outflows of resources or deferred inflows of resources and are amortized into pension expense over the expected remaining service lives of plan members. The difference between projected investment return on pension investments and actual return on those investments is also deferred and amortized against pension expense over a five year period. Additionally, any contributions made by the Commission to the pension plan before year end but subsequent to the measurement date of the Commission's net pension liability are reported as deferred outflows of resources. See Note 10 for further detail.

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 buildings and improvements, equipment and vehicles, 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 following useful lives of the assets.

<u>Asset Category</u>	<u>Years</u>
Buildings	50
Building improvements	10 - 30
Equipment	5 - 10
Vehicles	6

Capital assets purchased with resources provided by the Georgia Department of Human Resources have not been recorded in these financial statements. Donated property is valued at the estimated fair market value on the date each asset was acquired.

Northwest Georgia Regional Commission

Notes to Financial Statements

June 30, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2017 amounted to \$191,895. 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.

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 contributory group health plan as well as workers compensation coverage for all employees.

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.

Northwest Georgia Regional Commission

Notes to Financial Statements

June 30, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Fund Equity(Continued)

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 readily 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 are 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, an 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 reporting 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 Commission, 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.

Northwest Georgia Regional Commission

Notes to Financial Statements

June 30, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

O. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Northwest Georgia Regional Commission Retirement Plan (the Plan), and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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, 2017, expenditures exceed appropriations at the department level (the legal level of control) as follows:

Aging Fund	\$ 66,260
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The overages in expenditures resulted from unanticipated costs and improper budgeting, and were funded by available revenues that exceeded projected amounts.

NOTE 3. DEPOSITS AND INVESTMENTS

The Official Code of Georgia requires that deposited funds be secured by the Federal Deposit Insurance Corporation (FDIC), pledged securities, or a combination of these methods. The fair value of pledged securities should equal or exceed 110 percent of the deposited public funds.

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the Commission will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. All the Commission's deposits are covered by a combination of federal depository insurance and securities pledged by financial institutions as collateral to protect the deposits of the Commission as required under state law. Therefore, the Commission has no custodial risk.

The carrying amount of the Commission's deposits with financial institutions as of June 30, 2017 was \$3,175,527. The bank balance was \$4,360,544 on June 30, 2017. Of the bank balances, \$750,000 was covered by federal depository insurance, \$3,610,540 was collateralized in a pool of pledged securities, in the Commission's name, established and maintained by United Community Bank in accordance with Georgia Uniform Commercial Code Chapter 8, Title 45, Code Section 45-8-1.

Northwest Georgia Regional Commission

Notes to Financial Statements

June 30, 2017

NOTE 4. RECEIVABLES

Amounts due from local governments include local participation amounts (membership dues) 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.

<u>Receivables:</u>	<u>General Fund</u>	<u>Aging Fund</u>
Membership dues from local governments	\$ 31,510	\$ -
Receivables from service contractors	-	616
Total	<u>\$ 31,510</u>	<u>\$ 616</u>

NOTE 5. CONTINGENT LIABILITIES

Use of federal, state and other grant funds is subject to review and audit by grantor agencies. Such audits could lead to requests for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. To the extent such allowances involve expenditures under subcontracted arrangements, the Commission generally has the right of recovery from such subcontractors. Based upon prior experience, management believes that no significant liability exists for possible grant disallowances.

Northwest Georgia Regional Commission

Notes to Financial Statements

June 30, 2017

NOTE 6. CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended June 30, 2017:

<u>Governmental Activities:</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Reclassi- fication</u>	<u>Ending Balance</u>
Capital assets not depreciated:					
Land	\$ 23,413	\$ -	\$ -	\$ -	\$ 23,413
Total capital assets not depreciated	<u>23,413</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>23,413</u>
Capital assets depreciated:					
Buildings and improvements	578,464	-	-	-	578,464
Machinery and equipment	1,451,716	21,311	-	-	1,473,027
Vehicles	66,654	-	-	-	66,654
Total capital assets depreciated	<u>2,096,834</u>	<u>21,311</u>	<u>-</u>	<u>-</u>	<u>2,118,145</u>
Less accumulated depreciation for:					
Buildings and improvements	566,562	3,112	-	-	569,674
Machinery and equipment	1,122,554	74,103	-	-	1,196,657
Vehicles	50,177	5,184	-	-	55,361
Total accumulated depreciation	<u>1,739,293</u>	<u>82,399</u>	<u>-</u>	<u>-</u>	<u>1,821,692</u>
Total capital assets depreciated, net	<u>357,541</u>	<u>(61,088)</u>	<u>-</u>	<u>-</u>	<u>296,453</u>
Governmental activities capital assets, net	<u>\$ 380,954</u>	<u>\$ (61,088)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 319,866</u>

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

<u>Governmental Activities:</u>	
General government	\$ 12,892
Planning services	818
Workforce services	<u>68,689</u>
Total depreciation expense - Government activities	<u>\$ 82,399</u>

Northwest Georgia Regional Commission

Notes to Financial Statements

June 30, 2017

NOTE 7. INTERFUND BALANCES AND TRANSFERS

Interfund balances at June 30, 2017 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 Commission expects to repay all interfund balances within one year.

Payable to:	Payable from:							Total
	General Fund	Aging Fund	Workforce Fund	Neighborhood Stabilization Fund	Nonmajor Funds	Fiduciary Funds	Enterprise Funds	
General Fund	\$ -	\$ 805,086	\$ 486,881	\$ 795,181	\$ 43,787	\$ 911,790	\$ 53,969	\$ 3,096,694
Aging Fund	-	-	-	-	-	53,163	-	53,163
Fiduciary Funds	84,710	-	-	-	-	-	-	84,710
Enterprise Funds	545,421	-	-	-	-	347,075	-	892,496
Total	\$ 630,131	\$ 805,086	\$ 486,881	\$ 795,181	\$ 43,787	\$ 1,312,028	\$ 53,969	\$ 4,127,063

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

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

Transfers to:	Transfers from:					Total
	General Fund	Aging Fund	Workforce Fund	Neighborhood Stabilization Fund	Nonmajor Funds	
General Fund	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Aging Fund	66,260	-	-	-	-	66,260
Workforce Fund	-	-	-	-	-	-
Nonmajor Funds	442,543	-	-	-	-	442,543
Total	\$ 508,803	\$ -	\$ -	\$ -	\$ -	\$ 508,803

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 in the accompanying Governmental Funds Balance Sheet at June 30, 2017, is as follows:

General Fund – This fund has nonspendable fund balance in the amount of \$63,888 which consists of prepaid items not in spendable form.

Workforce Fund – This fund has restricted fund balance in the amount of \$30,866 for the purposes of the grants received.

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

Northwest Georgia Regional Commission

Notes to Financial Statements

June 30, 2017

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 Commission. 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. Five of the 21 WIB members are also owners or employees of subcontractors of the Commission in the utilization of WIA funds. During the year ended June 30, 2017, contracts between the Commission and subcontractors whose owners or employees are on the WIB totaled \$2,036,724. The WIB board members abstain from voting on contracts that may result in a conflict of interest.

NOTE 10. RETIREMENT BENEFITS

The Commission contributes to the Georgia Municipal Employees Benefit System ("GMEBS"), a multi-employer public employee retirement system that acts as a common investment and administrative agent for municipalities in Georgia. The plan is an agent multiple-employer defined benefit plan. Certain required information is presented herein. The Georgia Municipal Association issues a publicly available financial report that includes financial statements and required supplementary information for GMEBS. That report may be obtained at www.gmanet.com or by writing to Georgia Municipal Association, Risk Management and Employee Benefit Services, 201 Pryor Street, NW, Atlanta, Georgia 30303 or by calling (404) 688-0472.

Plan Membership consists of the following:

(as of January 1, 2017, the date of the most recent actuarial valuation)

Number of retired participants and beneficiaries	41
Number of vested former participants	27
Number of active employees	<u>28</u>
Total	<u>96</u>

The plan was amended to close participation to employees hired or rehired on or after August 19, 2010. Commission employees who retire at or after age 65 with five 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 1.75% 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 55 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 65% of the retiree's average monthly earnings, when coordinated with workman's compensation and Social Security for the twelve calendar month period immediately preceding the disability termination.

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

The Commission's pension plan with GMEBS is a non-contributory plan. The Commission contributes the minimum contributory amount each year out of current operations. For the year ended June 30, 2017, the Commission made contributions in the amount of \$165,680 (9.63% of expected payroll).

Northwest Georgia Regional Commission

Notes to Financial Statements

June 30, 2017

NOTE 10. RETIREMENT BENEFITS (CONTINUED)

Net Pension Liability of the Commission

Effective July 1, 2014, the Commission implemented the provisions of GASB Statement No. 68, Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27, which significantly changed the Commission’s accounting for pension amounts. The information disclosed below is presented in accordance with this new standard.

The Commission’s net pension liability was measured as of September 30, 2016. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as January 1, 2017 with update procedures performed by the actuary to roll forward to the total pension liability measured as of September 30, 2016.

Actuarial assumptions. The total pension liability in the January 1, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.25%
Salary increases (including inflation)	3.25% plus service based merit increases
Investment rate of return (net of pension plan investment expense, including inflation)	7.75%

Mortality rates for were based on the RP-2000 Combined Healthy Mortality Table with sex- distinct rates, set forward two years for males and one year for females.

The actuarial assumptions used in the January 1, 2017 valuation were based on the results of an actuarial experience study for the period January 1, 2010–June 30, 2014.

Cost of living adjustments were assumed to be 0% although the Plan allowance for annual cost of living adjustments is variable, as established by the Commission, in an amount not to exceed 4%.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan’s target asset allocation as of September 30, 2014 are summarized in the table below.

Asset Class	Target Allocation	Long-term expected real rate of return
Domestic equity	45.00%	6.75%
International equity	20.00%	7.45%
Real estate	10.00%	4.55%
Global fixed income	5.00%	3.30%
Domestic fixed income	20.00%	1.75%
Cash	0%	
Total	100.00%	

Northwest Georgia Regional Commission

Notes to Financial Statements

June 30, 2017

NOTE 10. RETIREMENT BENEFITS (CONTINUED)

Net Pension Liability of the Commission (Continued)

Discount rate. The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate, which is zero, and that the Commission contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all of the projected benefit payments to determine the total pension liability.

Changes in the Net Pension Liability of the Commission. The changes in the components of the net pension liability of the Commission for the fiscal year ended June 30, 2017 were as follows:

The required schedule of changes in the Commission's net pension liability and related ratios immediately following the notes to the financial statements presents multiyear trend information about whether the value of plan assets is increasing or decreasing over time relative to the total pension liability.

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a-b)
Balances at September 30, 2015	\$ 7,856,917	\$ 6,943,437	\$ 913,480
Changes for the year:			
Service cost	71,267	-	71,267
Interest	591,765	-	591,765
Differences between expected and actual experience	103,090	-	103,090
Assumption changes	-	-	-
Contributions - employer	-	165,680	(165,680)
Net investment income	-	762,636	(762,636)
Benefit payments, including refunds of employee contributions	(442,467)	(442,467)	-
Administrative expense	-	(11,415)	11,415
Other	-	-	-
Net changes	323,655	474,434	(150,779)
Balances at September 30, 2016	\$ 8,180,572	\$ 7,417,871	\$ 762,701

Sensitivity of the net pension liability to changes in the discount rate. The following presents the net pension liability of the Commission, calculated using the discount rate of 7.75 percent, as well as what the Commission's net pension liability would be if it were calculated using a discount rate that 1 percentage-point lower (6.75 %) or 1percentage-point higher (8.75 %) than the current rate:

	1% Decrease 6.75%	Discount Rate 7.75%	1% Increase 8.75%
Sensitivity of the net pension liability to the changes in discount rate	\$ 1,503,413	\$ 762,701	\$ 122,869

Northwest Georgia Regional Commission

Notes to Financial Statements

June 30, 2017

NOTE 10. RETIREMENT BENEFITS (CONTINUED)

Net Pension Liability of the Commission (Continued)

Changes in the Net Pension Liability of the Commission

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Actuarial calculations reflect a long-term perspective. Calculations are based on the substantive plan in effect as of September 30, 2016.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the fiscal year ended June 30, 2017, the Commission recognized pension expense of \$270,132. At June 30, 2017, the Commission reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 51,545	\$ -
Changes in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	10,642
Commission contributions subsequent to the measurement date	<u>115,750</u>	<u>-</u>
Total	<u>\$ 167,295</u>	<u>\$ 10,642</u>

Commission contributions subsequent to the measurement date of \$115,750 are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30:	
2018	\$ 48,124
2019	(3,421)
2020	43,337
2021	<u>(47,137)</u>
Total	<u>\$ 40,903</u>

401(k) Deferred Compensation Plan

The Northwest Georgia Regional Commission maintains a 401(k) Deferred Compensation 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 up to 7.5%. All contributions are made by the employee and are fully vested at the time of contribution. The Plan year is January 1 to December 31. All regular employees are eligible to participate in the Plan

Northwest Georgia Regional Commission

Notes to Financial Statements

June 30, 2017

beginning with their beginning date of employment with no age or service length requirements. During fiscal year 2017 employer contributions totaled \$48,064.

NOTE 10. RETIREMENT BENEFITS (CONTINUED)

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, 2016	\$	647,217
Fiscal Year 2017 Contributions		10,411
Fiscal Year 2017 Distributions		-
Investment income (loss)		7,120
Net appreciation (depreciation) in fair value of assets		39,973
Balance - June 30, 2017	\$	<u>704,721</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 eligible employees for the year was \$138,810.

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, 2017, contributions were as follows:

	<u>Amount</u>	<u>Amount as a % of Covered Payroll</u>
Contribution by employer	\$ 10,411	7.50%

NOTE 11. LONG-TERM LIABILITIES

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

Balance - July 1, 2016	\$	195,266
Additions		195,914
Reductions		<u>(199,285)</u>
Balance - June 30, 2017	\$	<u>191,895</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.

Northwest Georgia Regional Commission

Notes to Financial Statements

June 30, 2017

NOTE 12. RISK MANAGEMENT (continued)

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 follow loss reduction 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, 2017. No provisions have been made in the financial statements for the year ended June 30, 2017 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 other agreements and commitments during the year in the ordinary course of business. Such other agreements and commitments are not considered material to the accompanying financial statements.

NOTE 14. PRIOR PERIOD RESTATEMENT

The Commission has determined that restatements are required to properly reflect costs to prior periods cost as follows:

Governmental fund financial statements:

General Fund

Fund Balance, June 30, 2016, as previously reported	\$2,733,582
Adjustment to project delivery costs for grants in prior years	(50,070)
Fund Balance, June 30, 2016, as restated	<u>\$2,683,512</u>

Proprietary fund financial statements

Revolving Loan Fund

Net position, June 30, 2016, as previously reported	\$ 967,521
Adjustment to correct balances from prior years	(3,209)
Net position, June 30, 2016, as restated	<u>\$ 964,312</u>

Government-wide financial statements:

Governmental Activities

Net position, June 30, 2016, as previously reported	\$2,449,879
Adjustment to project delivery costs for grants in prior years	(50,070)
Net position, June 30, 2016, as restated	<u>\$2,399,809</u>

Business-type Activities:

Net position, June 30, 2016 as previously reported	\$1,688,786
Adjustment to correct balances from prior years	(3,209)
Net position, June 30, 2016, as restated	<u>\$1,685,577</u>

REQUIRED SUPPLEMENTAL INFORMATION

**NORTHWEST GEORGIA REGIONAL COMMISSION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY
AND RELATED RATIOS
LAST FISCAL YEAR ENDED JUNE 30**

	2017	2016	2015
Total pension liability			
Service cost	\$ 71,267	\$ 116,521	\$ 149,445
Interest	591,765	559,487	551,437
Differences between expected and actual experience	103,090	149,024	(169,544)
Changes of assumptions	-	-	
Benefit payments	(442,467)	(374,617)	(300,468)
Other			(89,919)
Net change in total pension liability	323,655	450,415	140,951
Total pension liability - beginning	7,856,917	7,406,502	7,265,551
Total pension liability - ending (a)	\$ 8,180,572	\$ 7,856,917	\$ 7,406,502
Plan fiduciary net position			
Contributions - employer	\$ 165,680	\$ 222,945	\$ 276,742
Net investment income	762,636	85,501	723,310
Benefit payments	(442,467)	(374,617)	(300,468)
Administrative expense	(11,415)	(12,990)	(10,428)
Net change in plan fiduciary net position	474,434	(79,161)	689,156
Plan fiduciary net position - beginning	6,943,437	7,022,598	6,333,442
Plan fiduciary net position - ending (b)	\$ 7,417,871	\$ 6,943,437	\$ 7,022,598
Net pension liability - ending (a) - (b)	\$ 762,701	\$ 913,480	\$ 383,904
Plan fiduciary net position as a percentage of total pension liability	90.68%	88.37%	94.82%
Covered-employee payroll	\$ 1,533,598	\$ 1,813,910	\$ 2,064,199
Net pension liability as a percentage of covered-employee payroll	49.73%	50.36%	18.60%

Note: Pension schedules are intended to show information for ten year. 2015 is the first fiscal year that data has been measured in accordance with GASB Statement 68. Additional years' information will be displayed as it becomes available.

**NORTHWEST GEORGIA REGIONAL COMMISSION
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PENSION CONTRIBUTIONS
LAST FISCAL YEAR ENDED JUNE 30**

	2017	2016	2015
Actuarially determined contribution	\$ 154,333	\$ 169,462	\$ 240,773
Contributions in relation to the actuarially determined contribution	154,333	169,462	240,773
Contribution deficiency (excess)	\$ -	\$ -	-
Covered employee payroll	\$ 1,533,598	\$ 1,813,910	2,064,199
Contributions as a percentage	10.06%	9.34%	11.66%

Notes to Schedule:

The information presented was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest valuation follows:

Valuation date:	January 1, 2017
Actuarial cost method	Projected unit credit
Amortization method	Closed level dollar for remaining liability
Remaining amortization period	Varies for the bases, net effective amortization period of 14 years
Asset valuation method	Sum of actuarial value at beginning of year and the cash flow during the year plus the assumed investment return, adjusted by 10% of the amount that the value exceeds or is less than the market value at end of year. The actuarial value is adjusted, if necessary, to be within 20% of market value.
Inflation	3.25%
Projected Salary Increases	3.25% plus service based merit increases
Investment rate of return	7.75%
Retirement age	65
Mortality	RP-2000 Healthy Mortality Table with sex-distinct rates, adjusted for actuarial experience study for the period January 1, 2010 through June 30, 2014

Note: Pension schedules are intended to show information for ten year. 2015 is the first fiscal year that data has been measured in accordance with GASB Statement 68. Additional years' information will be displayed as it becomes available.

OTHER SUPPLEMENTARY INFORMATION

Northwest Georgia Regional Commission
 Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2017

	Special Revenue Funds		
	Economic		Total
	Development	Planning	Nonmajors
	Fund	Fund	Funds
ASSETS			
Cash	\$ -	\$ 15,280	\$ 15,280
Due from other governments	20,705	145,557	166,262
Due from other funds	-	-	-
Total assets	<u>\$ 20,705</u>	<u>\$ 160,837</u>	<u>\$ 181,542</u>
LIABILITIES			
Accounts payable	\$ 1,264	\$ 6,009	\$ 7,273
Due to other funds	14,043	29,744	43,787
Unearned revenues	5,398	122,412	127,810
Total liabilities	<u>20,705</u>	<u>158,165</u>	<u>178,870</u>
FUND BALANCES			
Unassigned	-	2,672	2,672
Total fund balances	<u>-</u>	<u>2,672</u>	<u>2,672</u>
Total liabilities and fund balances	<u>\$ 20,705</u>	<u>\$ 160,837</u>	<u>\$ 181,542</u>

The accompanying notes are an integral part of this statement.

Northwest Georgia Regional Commission

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds

For the Year Ended June 30, 2017

	<u>Special Revenue Funds</u>		<u>Total Nonmajor Funds</u>
	<u>Economic Development Fund</u>	<u>Planning Fund</u>	
REVENUES			
From grantor agencies	\$ 255,632	\$ 521,750	\$ 777,382
Charges for services	-	48,000	48,000
Other revenue	2,992	12,037	15,029
Total revenues	<u>258,624</u>	<u>581,787</u>	<u>840,411</u>
EXPENDITURES			
Current			
Planning services and economic development	<u>601,846</u>	<u>666,526</u>	<u>1,268,372</u>
Total expenditures	<u>601,846</u>	<u>666,526</u>	<u>1,268,372</u>
Excess (deficiency) of revenues over expenditures	<u>(343,222)</u>	<u>(84,739)</u>	<u>(427,961)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	343,222	87,284	430,506
Transfers (out)	-	-	-
Total other financing sources (uses)	<u>343,222</u>	<u>87,284</u>	<u>430,506</u>
Net change in fund balance	-	2,545	2,545
Fund balances-beginning	-	127	127
Fund balances-ending	<u>\$ -</u>	<u>\$ 2,672</u>	<u>\$ 2,672</u>

The accompanying notes are an integral part of this statement.

Northwest Georgia Regional Commission
 Combining Statement of Assets and Liabilities
 All Agency Funds
 June 30, 2017

	Northwest Georgia					Total Agency Funds
	Hwy 127 Association Fund	Water Resource Partnership Fund	Money Follows Person Fund	NSP Paulding Fund	NSP Whitfield Fund	
ASSETS						
Cash	\$ 18,600	\$ 88,799	\$ 923,955	\$ 332.00	\$ -	\$ 1,031,686
Receivables	11,909	-	496,825	70,720	97,105	676,559
Due from other funds		84,710	-			84,710
Due from other government				32,000		32,000
Total assets	\$ 30,509	\$ 173,509	\$ 1,420,780	\$ 103,052	\$ 97,105	\$ 1,824,955
LIABILITIES						
Accounts payable	\$ -	\$ 6,306	\$ 83,253	\$ 67,273	\$ 37	\$ 156,869
Due to others			59,019			59,019
Due to other funds	13,717		1,191,494	9,749	97,068	1,312,028
Unearned revenues	16,792	167,203	87,014	26,030	0	297,039
Total liabilities	\$ 30,509	\$ 173,509	\$ 1,420,780	\$ 103,052	\$ 97,105	\$ 1,824,955

The accompanying notes are an integral part of this statement.

STATE COMPLIANCE SECTION

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

To the Chairman and Council Members
Northwest Georgia Regional Commission
Rome, Georgia

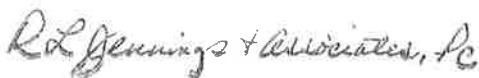
We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Northwest Georgia Regional Commission as of and for the year ended June 30, 2017, and have issued our report thereon dated December 28, 2017. 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, 2017, 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.



Rome, Georgia
December 28, 2017

Northwest Georgia Regional Commission
 Schedule of Nonpublic Funds
 For the Year Ended June 30, 2017

Nonpublic Funds Retained Earnings 7/1/16 \$ (44,406)

Revenues - Nonpublic Funds:

<u>Source</u>	<u>Date</u>	<u>Amount</u>
Wells Fargo	7/5/2016	\$ 1,725
Wells Fargo	8/2/2016	1,725
Wells Fargo	9/2/2016	1,725
Wells Fargo	10/4/2016	1,725
Wells Fargo	11/2/2016	1,725
Wells Fargo	11/15/2016	3,263
Wells Fargo	12/2/2016	1,913
Wells Fargo	1/4/2017	1,913
Wells Fargo	2/2/2017	1,913
Wells Fargo	3/2/2017	1,913
Wells Fargo	4/4/2017	1,913
Wells Fargo	5/2/2017	1,705
Wells Fargo	6/2/2017	1,705
Interest		
Refunded expenditures		15
<i>Total Revenues - Nonpublic Funds</i>		<u>24,878</u>

Expenditures of Nonpublic Funds:

<u>Place</u>	<u>Date</u>	<u>Amount</u>
NWGRC - Dalton Office	7/12/2016	\$ 60
NWGRC - Dalton Office	10/4/2016	60
NWGRC - Dalton Office	12/15/2016	60
NWGRC - Dalton Office	6/28/2017	90
Other expenditures paid from nonpublic funds		9,549
<i>Total Expenditures of NonPublic Funds</i>		<u>9,819</u>
Excess (Deficit) of Revenues Over Expenditures - NonPublic Funds		<u>15,059</u>
<i>Nonpublic Funds Retained Earnings 6/30/2017</i>		<u>\$ (29,347)</u>

See following Notes to the Schedule of Nonpublic Funds.

Northwest Georgia Regional Commission
Notes to The Schedule of Nonpublic Funds
June 30, 2017

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, 2017

	<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	42700-373-0000049524	\$ <u>7,923,676</u>	\$ <u>7,923,676</u>	\$ <u>-</u>	\$ <u>1,523,480</u>
TOTAL		\$ <u><u>7,923,676</u></u>	\$ <u><u>7,923,676</u></u>	\$ <u><u>-</u></u>	\$ <u><u>1,523,480</u></u>

* Revenues and expenditures are net of in-kind

Northwest Georgia Regional Commission

Schedule of Actual Indirect and Fringe Benefit Cost Pools

Budget and Actual

For the Year Ended June 30, 2017

	<u>Budget</u>	<u>Actual</u>
Salaries and wages	\$ 443,125	\$ 458,517
Bank charges	500	197
Computer charges	5,000	-
Contracts and leases	198,500	180,817
Dues and subscriptions	2,000	1,732
Education and training	15,000	15,828
Insurance and bonding	40,000	35,337
Motor vehicle expense	5,000	4,315
Postage and freight	20,000	17,608
Printing and reproduction	3,000	2,208
Repairs and maintenance	41,100	41,029
Supplies and materials	19,000	14,205
Telecommunications	3,000	27,093
Travel	2,500	1,675
Utilities	45,000	36,321
TOTAL INDIRECT COST	\$ 842,725	\$ 836,882
Direct salaries (excludes fringe benefits)	\$ 2,256,365	\$ 2,393,655
Indirect cost rate	<u>37.3%</u>	<u>35.0%</u>
Payroll taxes	\$ 195,000	\$ 209,566
Insurance	292,000	302,029
Retirement benefits	395,000	403,141
TOTAL FRINGE BENEFIT	\$ 882,000	\$ 914,736
Total salaries (excludes fringe benefits)	\$ 2,433,057	\$ 2,852,172
Fringe benefit rate	<u>36.3%</u>	<u>32.1%</u>

NOTE: The Commission includes fringe benefits in indirect costs for the computation of indirect rates.

FEDERAL COMPLIANCE SECTION

Northwest Georgia Regional Commission

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2017

Federal Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures
APPALACHIAN REGIONAL COMMISSION			
Direct Programs			
Local Development District	23.001	GA-701-G-C6-16	\$ 103,779
Local Development District	23.001	GA-701-G-C7-17	103,779
			207,558
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Passed Through Georgia Department of Community Affairs (DCA)			
Neighborhood Stabilization #1	14.256	08-NS-5052	214,763
Neighborhood Stabilization #3	14.256	11-NS-6009	285,182
			499,945
U.S. DEPARTMENT OF COMMERCE			
Direct Programs			
Economic Development Administration			
Planning and Administrative Grants	11.302	04-83-06896	8,139
Planning and Administrative Grants	11.302	ED17ATL3020011	23,097
Floor 360 Consortium Advancing Mfg in NWGA IMCP	11.302	ED16ATL3020029	16,838
			48,074
LTED Revolving Loan Fund	11.307		1,072,761
Total U.S. Department of Commerce			1,120,835
U.S. DEPARTMENT OF TRANSPORTATION			
Passed through Georgia Department of Transportation (GDOT)			
Transit Planning Assistance	20.205	GA-2016-002-01-01	33,279
Transportation Facility Improvements	20.205	PI-0014006	112,285
Highway Safety Improvement Program	20.205	PI-0013550	15,386
Lump Sum Traf & Revenue/Design-Build/Special Studies	20.205	PI-0015270	46,000
Total U.S. Department of Transportation			206,950
U.S. ENVIRONMENTAL PROTECTION AGENCY			
Passed through Georgia Environmental Protection Division			
Silver Creek 319(h) FY12- Element 14	66.460	751-130108	8,200
FY16 Seed Grant-N. GA Redudancy & Emergency Interconnectivity Study	66.460	751-160080	68,880
Total U.S. Environmental Protection Agency			77,080
AGING CLUSTER			
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed Through Georgia Department of Human Resources (DHR)			
Aging Cluster			
Title IIIA	93.045	42700-373-0000049524	198,784
Title III C-1	93.045	42700-373-0000049524	937,613
Title III C-2	93.045	42700-373-0000049524	490,903
			1,627,300
Title IIIB	93.044	42700-373-0000049524	389,937
TOTAL AGING CLUSTER			2,017,237

Northwest Georgia Regional Commission

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2017

Federal Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed Through Georgia Department of Human Resources (DHR) cont.			
Title IIID	93.043	42700-373-0000049524	33,207
Title IIIE	93.052	42700-373-0000049524	248,577
Title XIX Community Care	93.778	42700-373-0000049524	987,875
Title XX SSBG	93.667	42700-373-0000049524	360,282
Chronic Disease Self-Management	93.734	42700-373-0000037100	424
Georgia Cares	93.779	42700-373-0000049524	71,525
Money Follows the Person	93.791	42700-373-0000049524	166,945
Nutrition Services Incentive Program	93.053	42700-373-0000049524	376,724
			2,245,559
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (Continued)			
Georgia Department of Health and Human Services (Continued)			
Aging Disability Resource Center	93.048	42700-373-0000049524	\$ 107,662
Georgia Cares - SMP	93.048	42700-373-0000049524	9,875
			117,537
Total U.S. Department of Health and Human Services			4,380,333
<i>WIA CLUSTER</i>			
U.S. DEPARTMENT OF LABOR			
Passed Through Georgia Department of Economic Development, Workforce Division			
Workforce Innovation and Opportunity Act			
Adult	17.258	11-15-15-01-001	671
Adult	17.258	11-15-16-01-001	1,689,455
Adult	17.258	11-16-16-01-001	202,612
Adult	17.258	11-16-17-01-001	310,556
			2,203,294
Youth	17.259	15-15-15-01-001	936,875
Youth	17.259	15-16-16-01-001	1,601,439
			2,538,314
Dislocated Worker	17.278	31-15-15-01-001	377,377
Dislocated Worker	17.278	31-15-16-01-001	1,044,248
Rapid Response	17.278	44-15-16-01-001	84,043
Rapid Response	17.278	44-16-17-01-001	4,499
Adult	17.258	36-15-16-01-001	755,129
WIOA Branding Grant	17.258	WSG14-15-01-001	11,133
High Demand Career Initiative	17.258	HDCl-16-17-01-001	3,873
			2,280,302
<i>TOTAL WIA CLUSTER</i>			7,021,910
Total U.S. Department of Labor			7,021,910
Total Expenditures of Federal Awards			\$ 13,514,611

Northwest Georgia Regional Commission
Notes to Schedule of Expenditures of Federal Awards
June 30, 2017

Note 1 - GENERAL

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal assistance programs of the Northwest Georgia Regional Commission (Commission). The Commission reporting entity is defined in Note 1.A of the basic financial statements. Federal assistance received directly from federal or state agencies, as well as federal financial assistance passed through state agencies, are included on the schedule.

Note 2 - BASIC OF ACCOUNTING

The Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting, which is described in Note 1.C of the basic financial statements. The Commission did not use the de-minimis indirect cost rate during the year ended June 30, 2017.

Note 3 - NON-CASH AWARDS

The Commission did not have any non-cash awards during the fiscal year.

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

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, 2017, 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 December 28, 2017.

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.

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. 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.

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

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 matters 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 previously. 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 *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

R L Jennings & Associates, PC

Rome, Georgia
December 28, 2017

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Chairman and Council Members
Northwest Georgia Regional Commission
Rome, Georgia

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 Compliance Supplement* that could have a direct and material effect on each of the Northwest Georgia Regional Commission's major federal programs for the year ended June 30, 2017. 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the 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 the Northwest Georgia Regional Commission's compliance.

Opinion on Each Major Federal Program

In our opinion, the 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, 2017.

Report on Internal Control over Compliance

Management of the 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 the Northwest Georgia Regional Commission's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the 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.

The 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

R. L. Jennings & Associates, PC

Rome, Georgia
December 28, 2017

Northwest Georgia Regional Commission
 Schedule of Findings and Questioned Costs
 For the Year Ended June 30, 2017

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?	_____	Yes	_____	X	_____	No
Reportable condition(s) identified not considered to be material weaknesses?	_____	Yes	_____	X	_____	No
Noncompliance material to financial statements noted?	_____	Yes	_____	X	_____	No

Federal Awards

Internal Control over major programs:

Material weakness (es) identified?	_____	Yes	_____	X	_____	No
Reportable condition(s) 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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Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
14.256	Neighborhood Stabilization Program (Recovery Act Funded)
11.307	LTED Revolving Loan Fund
93.045	Georgia Department of Human Resources Social Services Block Grant
93.778	Georgia Department of Human Resources Medical Assistance Program
17.258	Georgia Department of Labor – Workforce Investment Act – Adult
17.259	Georgia Department of Labor – Workforce Investment Act – Youth
17.278	Georgia Department of Labor – Workforce Investment Act – Dislocated Worker

Northwest Georgia Regional Commission
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2017

Dollar threshold used to distinguish between Type A and Type B \$ 750,000

Auditee qualified as low-risk auditee? X Yes No

Section II—Financial Statement Findings

None reported.

Section III - Federal Award Findings and Questioned Costs

None reported.