

NORTHEAST GEORGIA REGIONAL COMMISSION
FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2017

NORTHEAST GEORGIA REGIONAL COMMISSION

FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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NORTHEAST GEORGIA REGIONAL COMMISSION

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FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

**To the Council Members
Northeast Georgia Regional Commission
Athens, Georgia**

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the remaining fund information of the **Northeast Georgia Regional Commission** (the "Regional Commission"), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Regional 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 each major fund, and the remaining fund information as of June 30, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparisons for the General Fund and major special revenue funds 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 on pages 4 – 9, the Schedule of Changes in the Net Pension Liability and Related Ratios on page 44 and the Schedule of Regional Commission Contributions on page 45 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 Northeast Georgia Regional Commission's basic financial statements. The state compliance schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Title 2 U.S. *Code of Federal Regulations* 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 schedule of expenditures of federal awards is the responsibility of management and was derived from and relates 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

The state compliance schedules 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 October 12, 2017, on our consideration of the Northeast 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 Regional Commission's internal control over financial reporting and compliance.

Mauldin & Jenkins, LLC

Macon, Georgia
October 12, 2017

NORTHEAST GEORGIA REGIONAL COMMISSION

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2017

As management of the Northeast Georgia Regional Commission, ("NEGRC or Commission") we offer readers of the NEGRC's financial statements this narrative overview and analysis of the financial activities of the Commission for the fiscal year ended June 30, 2017.

Financial Highlights

The assets of the NEGRC exceeded its liabilities at the close of the fiscal year by \$1,385,993 (net position). Of this amount, \$956,483 (unrestricted net position) may be used to meet the Commission's ongoing obligations to the member local governments and creditors.

Total net position of the Commission was \$1,151,820 at June 30, 2016. The results of NEGRC operations caused an increase of net position of \$234,173 for fiscal year 2017.

As of June 30, 2017, total net position consisted of \$429,510 invested in capital assets, and \$956,483 in unrestricted.

General Fund revenues after expenditures for the year were \$470,036. Of this, a net of \$305,884 was transferred to other funds to cover matching requirements and unfunded expenditures.

The NEGRC experienced an increase in its General Fund's fund balance of \$164,152. This amount is available for spending at the Commission's discretion (undesignated fund balance).

At the end of the fiscal year, fund balance for the General Fund was \$1,241,058 or 9.40 percent of total governmental fund expenditures.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the NEGRC's basic financial statements. The NEGRC's basic financial statements comprise three components. 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the NEGRC's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the NEGRC's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the NEGRC is improving or deteriorating.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. earned but unused vacation leave).

The only business-types activity that the NEGRC has is the internal service fund; therefore both of the government-wide financial statements reflect only governmental activities that are generally financed through dues, intergovernmental revenues, grants and other non-exchange transactions. The governmental activities of the NEGRC include general government, all grant funded activities, and one internal service fund. The internal service fund is used to account for pooled costs, which are allocated to various grants and contracts as determined by the Commission's cost allocation plan.

The NEGRC has no component units.

The government-wide financial statements can be found on pages 10 and 11 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The NEGRC, like other similar governmental entities, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the NEGRC can be divided into two categories: governmental funds and proprietary funds. The emphasis of fund financial statements is on major funds, general fund and special revenue funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental funds financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The NEGRC maintains two governmental fund types. These funds are the General Fund and the special revenue funds.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The NEGRC adopts an annual budget for its funds. Budgetary comparison statements have been provided within the Commission's financial statements to demonstrate compliance with this budget.

The Commission's governmental funds financial statements can be found on pages 12 through 21 of this report.

Proprietary Funds

The NEGRC has one proprietary fund. The NEGRC's internal service fund is an accounting device used to accumulate and allocate costs to grants and contracts in accordance with the Commission's cost allocation plan. Because these costs are allocated to and benefit governmental functions, they are included within governmental activities in the government-wide financial statements.

The proprietary funds financial statements can be found on pages 22 through 24 of this report.

Notes to the financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the NEGRC. This information is supplied to meet certain state requirements and to provide individual grantors information pertaining to their grant/contract.

Government-wide Financial Analysis

As noted earlier, net assets may over time serve as a useful indicator of a government's financial position. As of June 30, 2017, NEGRC's assets exceeded liabilities and net outflows/inflows by \$1,385,993.

Summary of Net Position

	<u>June 30,2017</u>	<u>June 30,2016</u>
Current and other assets	\$3,090,713	\$2,776,633
Capital assets - net	932,287	960,592
Total assets	4,023,000	3,737,225
Deferred outflows of resources	388,319	506,523
Current liabilities	1,909,926	1,749,862
Capital lease payable	435,329	502,775
Compensated absences payable	13,075	15,537
Net pension liability	477,769	642,148
Total liabilities	2,836,099	2,910,322
Deferred inflows of resources	189,227	181,606
Net Position		
Net investment in capital assets	429,510	393,562
Unrestricted	956,483	758,258
Total net position	\$1,385,993	\$1,151,820

MANAGEMENT'S DISCUSSION AND ANALYSIS

The balance of unrestricted net position \$956,483, may be used to meet the Commission's ongoing obligations.

The Commission has no business type activities; therefore the Commission's increase in net position of \$234,173 is completely from governmental activities.

Change in Net Position

	<u>June 30,2017</u>	<u>June 30,2016</u>
Program revenues:		
Operating grants and contributions	\$12,431,255	\$11,907,696
Charges for services	264,859	178,854
General revenues:		
Regional appropriations	593,887	585,905
Interest Income	8,103	3,280
Miscellaneous Income	4,844	13,123
Total revenues	<u>13,302,948</u>	<u>12,688,858</u>
Program expenses including indirect allocation:		
General government	230,769	409,182
Aging services	7,702,459	7,574,941
Planning & government services	782,908	700,329
Workforce development	4,326,629	3,795,027
Interest on long-term debt	26,010	29,103
Total expenses	<u>13,068,775</u>	<u>12,508,582</u>
Changes in net position	234,173	180,276
Net position - beginning, as restated	<u>1,151,820</u>	<u>971,544</u>
Net position - ending	<u>\$1,385,993</u>	<u>\$1,151,820</u>

The NEGRC operates primarily from grant revenues; therefore, expenses closely parallel grant funding for services.

Financial Analysis of the Government's Funds

As noted earlier, the NEGRC uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

Governmental Funds

The focus of the NEGRC's governmental funds is to provide information on near term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Commission's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the Commission's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the NEGRC's governmental funds reported an ending fund balance of \$1,241,058, a net increase of \$164,152 for the current year.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Proprietary Funds

As stated previously, the Regional Commission only maintains one proprietary fund, the Internal Service Fund.

The Internal Service Fund is used to accumulate and allocate costs that benefit two or more programs. The expenses are allocated to the special revenue fund's programs based on an indirect cost allocation plan approved by the Commission's cognizant agency, U.S. Department of Commerce. Indirect costs are allocated on the basis of direct salaries plus fringe benefits.

Budgetary Highlights

The NEGRC is mandated by state law to adopt its next year's budget before the end of the current year. Due to contracts and grants not being finalized or due to amendments during the year, the Commission's Council adopts the original budget using known and best "guess estimates". During the fiscal year the Council adopts revisions to incorporate new grants entered into during the year, amendments of existing grants, and delete contracts/grants that never materialized.

The General Fund received \$22,002 less in revenue than was budgeted. General Fund incurred expenses that were \$161,688 less than the amount budgeted. A detailed comparison of the general fund budget to actual amounts can be found on page 18 of this report.

Capital Assets

The NEGRC's investment in capital assets for its governmental type activities as of June 30, 2017, amounts to \$429,510. Detailed information regarding the capital asset activity for fiscal year 2017 can be found in Note 5 of this report.

Economic Factors and Next Year's Budget

Effective July 1, 2009, the Northeast Georgia Regional Development Center became the Northeast Georgia Regional Commission as per HB 1216 passed by the Georgia General Assembly. Member counties and municipalities remain unchanged.

Mandatory funding by the twelve member counties and their municipalities and prior approval by the Georgia General Assembly before a county may withdraw from the Commission helps support and maintain the NEGRC funding.

Although the approved FY2018 budget provides a zero increase in the General Fund fund balance there is a budgeted contingency of \$54,000 which would result in an increase in the General Fund fund balance should it not be utilized. The approved FY2018 budget also provides for no change in fund balance of the special revenue funds.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Request for Information

This financial report is designed to provide a general overview of the NEGRDC's finances for all those with an interest in the Center's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Executive Director
Northeast Georgia Regional Commission
305 Research Drive
Athens, GA 30605.

NORTHEAST GEORGIA REGIONAL COMMISSION

STATEMENT OF NET POSITION JUNE 30, 2017

	Governmental Activities
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	
ASSETS	
Current Assets	
Cash and cash equivalents	\$ 514,271
Investments, at fair value	639,979
Due from other governments	1,832,713
Prepaid items and other assets	103,750
Total current assets	3,090,713
Noncurrent Assets	
Capital assets, depreciable (net of accumulated depreciation)	932,287
Total assets	4,023,000
DEFERRED OUTFLOWS OF RESOURCES	
Pension experience differences	231,134
Pension contributions subsequent to measurement date	154,630
Pension investment return	2,555
Total deferred outflows of resources	388,319
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	
LIABILITIES	
Current Liabilities	
Accounts payable	1,448,703
Accrued liabilities	133,733
Accrued interest	8,227
Current portion of capital lease due	67,448
Current portion of compensated absences	120,914
Unearned revenue	130,901
Total current liabilities	1,909,926
Noncurrent Liabilities	
Capital lease due in more than one year	435,329
Compensated absences due in more than one year	13,075
Net pension liability	477,769
Total noncurrent liabilities	926,173
Total liabilities	2,836,099
DEFERRED INFLOWS OF RESOURCES	
2017 Membership dues	128,152
Pension assumption changes	61,075
Total deferred inflows of resources	189,227
NET POSITION	
Net investment in capital assets	429,510
Unrestricted	956,483
Total net position	\$ 1,385,993

The accompanying notes are an integral part of these financial statements.

NORTHEAST GEORGIA REGIONAL COMMISSION

STATEMENT OF ACTIVITIES FOR THE FISCAL YEAR ENDED JUNE 30, 2017

<u>Functions/Programs</u>	Program Revenues				Net (Expenses)	
	<u>Expenses</u>	<u>Charges for Services</u>	Operating	Capital	Revenues and	
			Grants and Contributions	Grants and Contributions	Changes in Net Position	
Primary government:					Governmental Activities	
Governmental activities						
General government	\$ 230,769	\$ 125,907	\$ -	\$ -	\$ (104,862)	
Aging services	7,702,459	3,747	7,690,448	-	(8,264)	
Planning & government services	782,908	85,917	449,853	-	(247,138)	
Workforce development	4,326,629	49,288	4,290,954	-	13,613	
Interest on long-term debt	26,010	-	-	-	(26,010)	
Total governmental activities	\$ 13,068,775	\$ 264,859	\$ 12,431,255	\$ -	(372,661)	
General revenues:						
Dues						593,887
Interest revenue						8,103
Miscellaneous						4,844
Total general revenues						606,834
Change in net position						234,173
Net position, beginning of year						1,151,820
Net position, end of year						\$ 1,385,993

The accompanying notes are an integral part of these financial statements.

NORTHEAST GEORGIA REGIONAL COMMISSION

BALANCE SHEET GOVERNMENTAL FUNDS JUNE 30, 2017

ASSETS	General Fund	Aging Fund	Workforce Development Fund	Planning and Government Services
Cash and cash equivalents	\$ 514,271	\$ -	\$ -	\$ -
Investments at fair value	639,979	-	-	-
Prepaid items	103,750	-	-	-
Due from other governments	63,404	1,203,863	426,657	138,789
Due from other funds	326,281	-	-	-
Total assets	<u>\$ 1,647,685</u>	<u>\$ 1,203,863</u>	<u>\$ 426,657</u>	<u>\$ 138,789</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 97	\$ 1,038,640	\$ 403,880	\$ 508
Accrued compensation	105,556	-	-	-
Accrued expenses	28,177	-	-	-
Due to other funds	13,744	165,223	22,777	138,281
Unearned revenue	130,901	-	-	-
Total liabilities	<u>278,475</u>	<u>1,203,863</u>	<u>426,657</u>	<u>138,789</u>
DEFERRED INFLOWS OF RESOURCES				
2018 membership dues	128,152	-	-	-
Total deferred inflows of resources	<u>128,152</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities and deferred inflows of resources	<u>406,627</u>	<u>1,203,863</u>	<u>426,657</u>	<u>138,789</u>
FUND BALANCES				
Nonspendable	103,750	-	-	-
Unassigned	1,137,308	-	-	-
Total fund balances	<u>1,241,058</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,647,685</u>	<u>\$ 1,203,863</u>	<u>\$ 426,657</u>	<u>\$ 138,789</u>

The accompanying notes are an integral part of these financial statements.

	Total
\$	514,271
	639,979
	103,750
	1,832,713
	326,281
	<hr/>
\$	3,416,994
	<hr/> <hr/>

\$	1,443,125
	105,556
	28,177
	340,025
	130,901
	<hr/>
	2,047,784
	<hr/>

128,152

128,152

2,175,936

103,750

1,137,308

1,241,058

\$ 3,416,994

NORTHEAST GEORGIA REGIONAL COMMISSION
RECONCILIATION OF THE BALANCE SHEET
OF GOVERNMENTAL FUNDS TO THE GOVERNMENT-WIDE
STATEMENT OF NET POSITION
JUNE 30, 2017

Amounts reported for governmental activities in the statement of net position are different from amounts reported in the balance sheet of governmental funds due to the following:

Fund balances - total governmental funds	\$ 1,241,058
Capital assets	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Cost of the assets	625,786
Accumulated depreciation	(612,555)
Long-term liabilities	
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	
Net pension liability	(477,769)
Deferred outflows of resources - pension experience differences	231,134
Deferred outflows of resources - pension contributions subsequent to measurement date	154,630
Deferred outflows of resources - pension investment return	2,555
Deferred inflows of resources - pension assumption changes	(61,075)
Internal service funds	
Internal service funds are used by management to charge the costs of administration to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.	
	282,229
Net position - governmental activities	\$ 1,385,993

The accompanying notes are an integral part of these financial statements.

NORTHEAST GEORGIA REGIONAL COMMISSION

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	General Fund	Aging Fund	Workforce Development Fund	Planning and Government Services
REVENUES				
Federal sources	\$ -	\$ 4,601,126	\$ 4,290,954	\$ 129,612
State sources	-	3,089,322	-	320,241
Local sources	-	-	-	-
Dues revenue	593,887	-	-	-
Charges for services	125,907	3,747	49,288	85,917
Interest income	7,261	842	-	-
Miscellaneous income	2,080	169	2,595	-
Total revenues	729,135	7,695,206	4,342,837	535,770
EXPENDITURES				
Direct:				
Current:				
Personnel services				
Salaries	58,443	647,892	408,204	356,035
Fringe benefits	33,244	365,489	234,603	201,641
Total personnel services	91,687	1,013,381	642,807	557,676
Operating expenditures				
Purchased and contract services	17,362	6,180,497	3,437,882	34,312
Supplies and materials	19,240	170,148	24,714	2,360
Capital outlay	-	13,927	-	-
Miscellaneous	71,952	-	-	-
Total operating expenditures	108,554	6,364,572	3,462,596	36,672
Debt service	26,010	-	-	-
Total direct expenditures	226,251	7,377,953	4,105,403	594,348
Indirect expenditures	32,848	364,158	237,434	200,401
Total expenditures	259,099	7,742,111	4,342,837	794,749
Excess (deficiency) of revenues over (under) expenditures	470,036	(46,905)	-	(258,979)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	46,905	-	258,979
Transfers out	(305,884)	-	-	-
Total other financing sources (uses)	(305,884)	46,905	-	258,979
Net change in fund balances	164,152	-	-	-
FUND BALANCES, beginning of year	1,076,906	-	-	-
FUND BALANCES, end of year	\$ 1,241,058	\$ -	\$ -	\$ -

The accompanying notes are an integral part of these financial statements.

Totals	
\$	9,021,692
	3,409,563
	-
	593,887
	264,859
	8,103
	4,844
	<u>13,302,948</u>

1,470,574
834,977
<u>2,305,551</u>

9,670,053
216,462
13,927
71,952
<u>9,972,394</u>

<u>26,010</u>

12,303,955

834,841

<u>13,138,796</u>

<u>164,152</u>

305,884
<u>(305,884)</u>
-

164,152

<u>1,076,906</u>

<u>\$ 1,241,058</u>

NORTHEAST GEORGIA REGIONAL COMMISSION

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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

Net change in fund balances - total governmental funds	\$ 164,152
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Additions to capital assets	13,927
Depreciation expense	(2,296)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
Pension expense	<u>58,390</u>
Change in net position - governmental activities	<u><u>\$ 234,173</u></u>

The accompanying notes are an integral part of these financial statements.

NORTHEAST GEORGIA REGIONAL COMMISSION

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES BUDGET (GAAP BASIS) AND ACTUAL GENERAL FUND FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Budget		Actual	Variance
	Original	Final		with Final Budget
REVENUES				
Dues revenue	\$ 593,887	\$ 593,887	\$ 593,887	\$ -
Charges for services	157,250	156,500	125,907	(30,593)
Interest income	-	750	7,261	6,511
Miscellaneous revenue	-	-	2,080	2,080
Total revenues	<u>751,137</u>	<u>751,137</u>	<u>729,135</u>	<u>(22,002)</u>
EXPENDITURES				
Current:				
Direct:				
Personnel services				
Salaries	135,134	135,134	58,443	76,691
Fringe benefits	60,258	60,258	33,244	27,014
Total personnel services	<u>195,392</u>	<u>195,392</u>	<u>91,687</u>	<u>103,705</u>
Operating expenditures				
Purchased and contract services	25,333	83,253	17,362	65,891
Supplies and materials	82,220	24,300	19,240	5,060
Miscellaneous	75,000	75,000	71,952	3,048
Total operating expenditures	<u>182,553</u>	<u>182,553</u>	<u>108,554</u>	<u>73,999</u>
Debt service				
Interest	26,010	26,010	26,010	-
Total direct expenditures	403,955	403,955	226,251	177,704
Indirect expenditures	16,832	16,832	32,848	(16,016)
Total expenditures	<u>420,787</u>	<u>420,787</u>	<u>259,099</u>	<u>161,688</u>
Excess of revenues over expenditures	<u>330,350</u>	<u>330,350</u>	<u>470,036</u>	<u>139,686</u>
OTHER FINANCING (USES)				
Transfers out	(301,518)	(301,518)	(305,884)	(4,366)
Total other financing (uses)	<u>(301,518)</u>	<u>(301,518)</u>	<u>(305,884)</u>	<u>(4,366)</u>
Net change in fund balance	28,832	28,832	164,152	135,320
FUND BALANCE, beginning of year	<u>1,076,906</u>	<u>1,076,906</u>	<u>1,076,906</u>	<u>-</u>
FUND BALANCE, end of year	<u>\$ 1,105,738</u>	<u>\$ 1,105,738</u>	<u>\$ 1,241,058</u>	<u>\$ 135,320</u>

The accompanying notes are an integral part of these financial statements.

NORTHEAST GEORGIA REGIONAL COMMISSION

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES BUDGET (GAAP BASIS) AND ACTUAL AGING FUND FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Budget		Actual	Variance
	Original	Final		with Final Budget
REVENUES				
Federal	\$ 4,618,721	\$ 4,618,721	\$ 4,601,126	\$ (17,595)
State	2,824,518	2,824,518	3,089,322	264,804
Charges for services	-	-	3,747	3,747
Interest income	-	-	842	842
Miscellaneous revenue	-	-	169	169
Total revenues	<u>7,443,239</u>	<u>7,443,239</u>	<u>7,695,206</u>	<u>251,967</u>
EXPENDITURES				
Direct:				
Personnel services				
Salaries	628,630	628,630	647,892	(19,262)
Fringe benefits	380,373	380,373	365,489	14,884
Total personnel services	<u>1,009,003</u>	<u>1,009,003</u>	<u>1,013,381</u>	<u>(4,378)</u>
Operating expenditures				
Purchased and contract services	6,035,974	6,035,974	6,180,497	(144,523)
Supplies and materials	23,350	23,350	170,148	(146,798)
Capital outlay	-	-	13,927	(13,927)
Total operating expenditures	<u>6,059,324</u>	<u>6,059,324</u>	<u>6,364,572</u>	<u>(305,248)</u>
Total direct expenditures	7,068,327	7,068,327	7,377,953	(309,626)
Indirect expenditures	404,838	404,838	364,158	40,680
Total expenditures	<u>7,473,165</u>	<u>7,473,165</u>	<u>7,742,111</u>	<u>(268,946)</u>
Deficiency of revenues over expenditures	<u>(29,926)</u>	<u>(29,926)</u>	<u>(46,905)</u>	<u>(16,979)</u>
OTHER FINANCING SOURCES				
Transfers in	29,926	29,926	46,905	16,979
Total other financing sources	<u>29,926</u>	<u>29,926</u>	<u>46,905</u>	<u>16,979</u>
Net change in fund balance	-	-	-	-
FUND BALANCE, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

NORTHEAST GEORGIA REGIONAL COMMISSION

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES BUDGET (GAAP BASIS) AND ACTUAL WORKFORCE DEVELOPMENT FUND FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Budget		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Intergovernmental				
Federal	\$ 4,853,100	\$ 4,853,100	\$ 4,290,954	\$ (562,146)
Charges for services	50,000	50,000	49,288	(712)
Miscellaneous revenue	-	-	2,595	2,595
Total revenues	4,903,100	4,903,100	4,342,837	(560,263)
EXPENDITURES				
Direct:				
Personnel services				
Salaries	404,500	404,500	408,204	(3,704)
Fringe benefits	237,250	237,250	234,603	2,647
Total personnel services	641,750	641,750	642,807	(1,057)
Operating expenditures				
Purchased and contract services	4,006,850	4,006,850	3,437,882	568,968
Supplies and materials	30,500	30,500	24,714	5,786
Total operating expenditures	4,037,350	4,037,350	3,462,596	574,754
Total direct expenditures	4,679,100	4,679,100	4,105,403	573,697
Indirect expenditures	224,000	224,000	237,434	(13,434)
Total expenditures	4,903,100	4,903,100	4,342,837	560,263
Net change in fund balance	-	-	-	-
FUND BALANCE, beginning of year	-	-	-	-
FUND BALANCE, end of year	\$ -	\$ -	\$ -	\$ -

The accompanying notes are an integral part of these financial statements.

NORTHEAST GEORGIA REGIONAL COMMISSION

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES BUDGET (GAAP BASIS) AND ACTUAL PLANNING AND GOVERNMENT SERVICES FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Budget		Actual	Variance
	Original	Final		with Final Budget
REVENUES				
Intergovernmental				
Federal	\$ 127,136	\$ 127,136	\$ 129,612	\$ 2,476
State	393,482	393,482	320,241	(73,241)
Charges for services	-	-	85,917	85,917
Total revenues	<u>520,618</u>	<u>520,618</u>	<u>535,770</u>	<u>15,152</u>
EXPENDITURES				
Direct:				
Personnel services				
Salaries	361,745	361,745	356,035	5,710
Fringe benefits	213,445	213,445	201,641	11,804
Total personnel services	<u>575,190</u>	<u>575,190</u>	<u>557,676</u>	<u>17,514</u>
Operating expenditures				
Purchased and contract services	13,620	13,620	34,312	(20,692)
Supplies and materials	2,075	2,075	2,360	(285)
Total operating expenditures	<u>15,695</u>	<u>15,695</u>	<u>36,672</u>	<u>(20,977)</u>
Total direct expenditures	590,885	590,885	594,348	(3,463)
Indirect expenditures	<u>201,325</u>	<u>201,325</u>	<u>200,401</u>	<u>924</u>
Total expenditures	<u>792,210</u>	<u>792,210</u>	<u>794,749</u>	<u>(2,539)</u>
Deficiency of revenues over expenditures	<u>(271,592)</u>	<u>(271,592)</u>	<u>(258,979)</u>	<u>(12,613)</u>
OTHER FINANCING SOURCES				
Transfers in	<u>271,592</u>	<u>271,592</u>	<u>258,979</u>	<u>12,613</u>
Total other financing sources	<u>271,592</u>	<u>271,592</u>	<u>258,979</u>	<u>12,613</u>
Net change in fund balance	-	-	-	-
FUND BALANCE, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

NORTHEAST GEORGIA REGIONAL COMMISSION

STATEMENT OF NET POSITION PROPRIETARY FUNDS JUNE 30, 2017

	Governmental Activities - Internal Service Funds
Assets	
Current assets:	
Due from other funds	\$ 13,744
Total current assets	<u>13,744</u>
Noncurrent assets:	
Capital assets:	
Depreciable assets	1,243,069
Less accumulated depreciation	<u>(324,013)</u>
Total noncurrent assets	<u>919,056</u>
Total assets	<u>932,800</u>
Liabilities	
Current liabilities:	
Accounts payable	5,578
Accrued interest	8,227
Compensated absences	120,914
Current portion of capital lease	<u>67,448</u>
Total current liabilities	<u>202,167</u>
Long-term liabilities:	
Compensated absences	13,075
Capital lease payable	<u>435,329</u>
Total long-term liabilities	<u>448,404</u>
Total liabilities	<u>650,571</u>
Net Position	
Net investment in capital assets	416,279
Unrestricted	<u>(134,050)</u>
Total net position	<u>\$ 282,229</u>

The accompanying notes are an integral part of these financial statements.

NORTHEAST GEORGIA REGIONAL COMMISSION

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION PROPRIETARY FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>Governmental Activities - Internal Service Funds</u>
Operating revenues	
Charges to other funds	
Indirect cost recovery	\$ 1,670,034
Total operating revenues	<u>1,670,034</u>
 Operating expenses	
Salaries	646,433
FICA	27,861
Depreciation	39,239
Group insurance	429,675
Insurance and bonding	42,344
Membership and subscriptions	3,610
Motor vehicle	1,951
Pension	172,154
Pension contribution DBP	122,329
Per diem and fees	47,970
Postage and freight	5,435
Publications and printing	4,238
Rentals - other	2,225
Repairs and maintenance	36,205
Supplies and materials	24,977
Telecommunications	8,795
Travel	4,518
Utilities	31,282
Workers compensation	18,793
Total operating expenses	<u>1,670,034</u>
Change in net position	-
 Net position, beginning of year	 <u>282,229</u>
 Net position, end of year	 <u><u>\$ 282,229</u></u>

The accompanying notes are an integral part of these financial statements.

NORTHEAST GEORGIA REGIONAL COMMISSION

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>Governmental Activities - Internal Service Funds</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from interfund services provided	\$ 1,712,914
Cash paid to employees	(695,679)
Cash paid to suppliers for goods and services	(952,982)
Net cash provided by operating activities	<u>64,253</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Principal paid on capital lease	(64,253)
Net cash used by capital and related financing activities	<u>(64,253)</u>
Net increase in cash and cash equivalents	-
Cash and cash equivalents, beginning of year	-
Cash and cash equivalents, end of year	<u>\$ -</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ -
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	39,239
Decrease in due from other funds	42,880
Increase in accounts payable	4,572
Decrease in compensated absences	(21,385)
Decrease in accrued liabilities	(1,053)
Net cash provided by operating activities	<u>\$ 64,253</u>

The accompanying notes are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

NORTHEAST GEORGIA REGIONAL COMMISSION

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Northeast Georgia Regional Commission (the “Regional Commission”) was established in 1961 to assist local governments in planning for common needs, cooperating for mutual benefit and coordinating sound area-wide development. Its purpose is to strengthen the individual and collective power of local governments by recognizing area-wide opportunities and matters of mutual concern, helping local governments resolve both local and area-wide problems through joint decisions, and developing means to assist local governments in the implementation of those decisions.

County members of the Regional Commission are as follows: Barrow, Athens-Clarke, Elbert, Greene, Jackson, Jasper, Madison, Morgan, Newton, Oconee, Oglethorpe and Walton. Municipalities which are members are as follows: Arcade, Arnoldsville, Auburn, Bethlehem, Bishop, Bogart, Bostwick, Bowman, Braselton, Buckhead, Carl, Carlton, Comer, Commerce, Covington, Crawford, Danielsville, Elberton, Good Hope, Greensboro, Hoschton, Hull, Ila, Jefferson, Jersey, Lexington, Loganville, Madison, Maxeys, Mansfield, Monroe, Monticello, Newborn, Nicholson, North High Shoals, Oxford, Pendergrass, Porterdale, Russell, Rutledge, Shady Dale, Siloam, Social Circle, Statham, Talmo, Walnut Grove, Watkinsville, White Plains, Winder, Winterville, Woodville, and Union Point.

A. The Financial Reporting Entity

Governmental Accounting Standards Board (GASB) Statement No. 61 “*The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34*” defines the reporting entity for determining which potential component units should be included in a primary government’s financial statements. Inclusion is based on financial accountability or the fact that exclusion would make the financial statements misleading or incomplete. No component units have been identified which should be included in the reporting entity.

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 non-fiduciary activities of the primary government. *Governmental activities*, which normally are supported by regional appropriations and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. The Regional Commission does not report any business-type activities.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

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

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. 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*. Under 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 Regional Commission considers revenues to be available if they are collected within 90 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Intergovernmental revenues and interest income associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Regional Commission.

The Regional Commission reports the following major governmental funds:

The **General Fund** is the Regional 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 a special revenue fund used to account for federal and state grants used to support the Regional Commission's aging programs.

The **Workforce Fund** is a special revenue fund used to account for workforce development services provided to counties serviced by the Regional Commission.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting, and Basis of Presentation (Continued)

Additionally, the Regional Commission reports the following fund type:

The *internal service fund* is used to account for management services provided to other departments or agencies of the Regional Commission on a cost reimbursement basis.

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 given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Other items not properly included among program revenues are reported instead as *general revenues*.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Regional Commission's internal service fund are charges for the allocation of indirect costs. Operating expenses for the internal service funds include the personnel expenses, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. Cash and Cash Equivalents

The Regional Commission's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with a maturity date within three months of the date of acquisition.

E. Receivables

Receivables and Due from Other Governments represent funds to be received from other local governments, state grant-in-aid, state contracts, or federal funds. No allowance is deemed necessary for these receivables.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Short-Term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. Activity between funds that are representative of lending/borrowing arrangement outstanding at the end of the fiscal year are referred to as “due to/from other funds”. Any residual balances outstanding between the governmental and business-type activities are reported in the government-wide statement of net position as “internal balances”.

G. Prepaid Items

Payments made to vendors for goods or services that will benefit periods beyond June 30, 2017, are recorded as prepaid items.

H. Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the Regional Commission as assets with an initial, individual cost of \$7,500 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. No public domain or infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are owned by the Regional Commission.

Title to all nonexpendable personal property acquired by the Regional Commission vests with the Regional Commission. Title to assets acquired in whole or in part with federal funds vests with the Regional Commission subject to certain residual rights retained by the grantor agency. Title to nonexpendable personal property acquired by the Regional Commission’s subgrantees vests with the subgrantees subject to certain residual rights retained by the grantor agency and the Regional Commission.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend useful lives are expensed as incurred.

Depreciation is provided on the straight-line method over the following estimated useful lives:

Buildings	15-40 years
Furniture, fixtures, and equipment	5-10 years
Vehicles	3 years

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. In-Kind Services and Contractor Matching

In-kind services and costs are accounted for as revenues and expenditures for grant reporting purposes and are valued in accordance with Federal Management Circular A-102 (i.e., cost basis) or on contract stipulated values which approximate fair value. The Regional Commission also requires subcontractors to match, as required by contract, federal and state grant money provided to them. Those matching funds are also accounted for as revenues and expenditures for grant reporting purposes.

In-kind services were provided by subcontractors during the year ended June 30, 2017, but are not included as revenue or expenditures in the accompanying financial statements.

J. Budgets

The Executive Director submits annual budgets to the Council for the General and special revenue funds. Legal provisions govern the budgetary process. These budgets are formally adopted on an individual grant-funded program level, which is the legal level of budgetary control. The Council amends the budget once annually and all previously unbudgeted items exceeding \$5,000 require specific Council approval. All expenditures in excess of budgeted amounts are the responsibility of the Regional Commission through local funds. Unobligated appropriations in the annual operating budget lapse at fiscal year-end.

Budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) and, therefore, no reconciliation of budget basis to GAAP basis is necessary.

K. Compensated Absences

Regional Commission policies allow an employee to accumulate 195 hours of annual leave. Vacation hours accumulate at approximately ten hours per month depending on the employee's years of service. The liability for earned but unused vacation pay has been recorded in the internal service fund. In the event an employee terminates employment, the employee is compensated for the annual leave not taken. At June 30, 2017, the Regional Commission was liable for \$133,989 in unused compensated absences.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Fund Equity

Fund equity at the governmental fund financial reporting level is classified as “fund balance”. Fund equity for all other reporting is classified as “net position”.

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

- **Nonspendable** – Fund balances are reported as nonspendable when amounts cannot be spent because they are either (a) not in spendable form (i.e., items that are not expected to be converted to cash, such as inventory or prepaid items) or (b) legally or contractually required to be maintained intact.
- **Restricted** – Fund balances are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Regional Commission or through external restrictions imposed by creditors, grantors or laws or regulations of other governments (e.g., grants or donations).
- **Committed** – Fund balances are reported as committed when they can be used only for specific purposes pursuant to constraints imposed by formal action of the Council. The Council approves committed resources through a motion and vote during the voting session of Council meetings.
- **Assigned** – Fund balances are reported as assigned when amounts are constrained by the Regional Commission’s intent to be used for specific purposes, but are neither restricted nor committed. The intent is expressed by the Council.
- **Unassigned** – Fund balances are reported as unassigned when the balances do not meet any of the above criterion. The Regional Commission reports positive unassigned fund balance only in the General Fund. Negative unassigned fund balances may be reported in all funds.

Flow Assumptions – When multiple categories of fund balance are available for use for expenditures incurred, it is the Regional Commission’s policy to use fund balance in the following order: committed, assigned, and unassigned.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Fund Equity (Continued)

Net Position – Net position represents the difference between assets and liabilities in reporting which utilizes the economic resources measurement focus. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used (i.e., the amount that the Regional Commission has spent) for the acquisition, construction or improvement of those assets. Net position is reported as restricted using the same definition as used for restricted fund balance as described in the section above. All other net position is reported as unrestricted.

When both restricted and unrestricted resources are available for use, it is the Regional Commission's policy to use restricted resources first, then unrestricted resources as they are needed.

M. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

N. Deferred Outflows/Inflows

In addition to assets, the statement of net 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(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. Other than the items related to the changes in the net pension liability as discussed below, the Regional Commission did not have any items that qualified for reporting in this category for the year ended June 30, 2017.

In addition to liabilities, the statement of net position and the governmental funds' balance sheet 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 future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Member dues for the subsequent fiscal year (2018 membership dues) qualify for reporting in this category and are reported in the governmental funds balance sheet and the government-wide statement of net position. These amounts are deferred and will be recognized as an inflow of resources in the period in which the amounts are earned.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. Deferred Outflows/Inflows (Continued)

The Regional Commission also has deferred inflows and outflows 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 Regional 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 Regional Commission to the pension plan before year end but subsequent to the measurement date of the Regional Commission's net pension liability are reported as deferred outflows of resources.

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 Northeast 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 are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

NOTE 2. CASH AND INVESTMENTS

A. Cash

Custodial Credit Risk. Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government 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. As of June 30, 2017, all of the Regional Commission's bank balances were covered by either federal depository insurance or by collateral held by the Regional Commission's agent in the Regional Commission's name.

NOTES TO FINANCIAL STATEMENTS

NOTE 2. CASH AND INVESTMENTS (CONTINUED)

B. Investments

Credit Risk. State statutes authorize the Regional Commission to invest in obligations of the United States Government, State of Georgia, other states, prime bankers' acceptances, repurchase agreements, other political subdivisions of Georgia, and the State of Georgia Local Government Investment Pool (Georgia Fund 1).

The local government investment pool "Georgia Fund 1", created by OCGA 36-83-8, is a stable asset value investment pool, which follows Standard and Poor's criteria for AAf rated money market funds and is regulated by the Georgia Office of the State Treasurer. The pool is not registered with the SEC as an investment company. The pool's primary objectives are safety of capital, investment income, liquidity and diversification while maintaining principal (\$1 per share value). The asset value is calculated weekly to ensure stability. The pool distributes earnings (net of management fees) on a monthly basis and determines participants' shares sold and redeemed based on \$1 per share. The pool also adjusts the value of its investments to fair market value as of year-end and the Regional Commission's investment in the Georgia Fund 1 is reported at fair value.

Investments of the Regional Commission at June 30, 2017, consist entirely of the investment in Georgia Fund 1.

	Credit Rating	Investment Value	Weighted Average Maturity
Georgia Fund 1	AAf Rated	\$ 639,979	26 days

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an instrument. The Regional Commission does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Custodial Credit Risk – Investments. Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the Regional Commission will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Regional Commission had no such investments with such risk at June 30, 2017.

NOTES TO FINANCIAL STATEMENTS

NOTE 3. DUE FROM OTHER GOVERNMENTS

Revenues from grant contracts are recognized when the qualifying expenditures have been incurred and all other grant requirements have been met. Amounts shown on the balance sheet represent the unpaid portion of amounts, which have been requested but not yet received. The Regional Commission has determined that no reserve is necessary as of June 30, 2017 for these receivables.

Accounts	Receivable
General Fund	
Upper Oconee Basin Water Authority	\$ 30,912
RCI Georgia Family	4,500
Northwest Georgia Regional Commission - MFP Reimbursement	27,992
Total Regional Appropriations Due	63,404
Special Revenue Funds	
Federal Grants and Contracts	
Workforce Development	426,657
DHR - Aging	987,369
DHS - Coordinated Transportation	216,494
Planning and Government Services	40,831
DOT	38,171
Total Federal Grants and Contracts	1,709,522
State Grants and Contracts	
DCA	50,489
Georgia Association of Regional Commissions	9,298
Total State Grants and Contracts	59,787
Total Due from Other Governments	\$ 1,832,713

NOTES TO FINANCIAL STATEMENTS

NOTE 4. INTERFUND BALANCES AND TRANSFERS

Generally, outstanding balances between funds reported as due to/from other funds include outstanding charges by one fund to another for services or goods, subsidy commitments outstanding, and other miscellaneous receivables and payables between funds. Interfund receivable and payable balances as of June 30, 2017, are as follows:

Due to/from other funds:

Receivable Fund	Payable Fund	Amount
General Fund	Aging Fund	\$ 165,223
	Workforce Development Fund	22,777
	Planning and Government Services Fund	138,281
Internal Service Fund	General Fund	13,744
Total		\$ 340,025

Transfers and payments within the reporting entity are substantially for the purposes of subsidizing operating functions, funding capital projects and assets acquisitions, or maintaining debt service. Resources are accumulated in a fund to support and simplify the administration of various projects or programs. Transfers as of June 30, 2017, are as follows:

Interfund transfers:

Transfers In	Transfers Out General Fund
Aging Fund	\$ 46,905
Planning and Government Services Fund	258,979
Total	\$ 305,884

NOTES TO FINANCIAL STATEMENTS

NOTE 5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2017, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental activities:				
Capital assets, being depreciated:				
Buildings	\$ 1,161,344	\$ -	\$ -	\$ 1,161,344
Furniture and equipment	84,758	13,927	-	98,685
Vehicles	573,851	-	-	573,851
Total capital assets, being depreciated	<u>1,819,953</u>	<u>13,927</u>	<u>-</u>	<u>1,833,880</u>
Program capital assets, being depreciated:				
Furniture and equipment	34,975	-	-	34,975
Total program capital assets, being depreciated	<u>34,975</u>	<u>-</u>	<u>-</u>	<u>34,975</u>
Less accumulated depreciation for:				
Buildings	(232,662)	(30,661)	-	(263,323)
Furniture and equipment	(80,014)	(5,441)	-	(85,455)
Vehicles	(546,685)	(5,433)	-	(552,118)
Total accumulated depreciation	<u>(859,361)</u>	<u>(41,535)</u>	<u>-</u>	<u>(900,896)</u>
Less accumulated depreciation for Program capital assets:				
Furniture and equipment	(34,975)	-	-	(34,975)
Total accumulated depreciation	<u>(34,975)</u>	<u>-</u>	<u>-</u>	<u>(34,975)</u>
Total capital assets, being depreciated, net	<u>960,592</u>	<u>(27,608)</u>	<u>-</u>	<u>932,984</u>
Total capital assets, net	<u>\$ 960,592</u>	<u>\$ (27,608)</u>	<u>\$ -</u>	<u>\$ 932,984</u>

For assets not associated with a special program, depreciation expense of \$39,239 was charged to the Regional Commission's indirect cost plan and allocated to the applicable programs in accordance with their approved plans from their respective internal service fund. Depreciation expense for assets attributable to a specific program was charged directly to the program. For 2017, \$2,296 was charged to planning and government services.

NOTES TO FINANCIAL STATEMENTS

NOTE 6. LONG-TERM LIABILITIES

Capital Lease

During fiscal year 2008, the Regional Commission entered into a capital lease with the Athens-Clarke County Public Facilities Authority (the Authority) for the lease of the new Regional Commission headquarters building. As part of the lease agreement, the Regional Commission assigned the land, land improvements, and existing building to the Authority. The Regional Commission constructed a new office building using bond proceeds totaling \$961,400 that were issued by the Authority on behalf of the Regional Commission. The total amount of the capital lease with the Authority was \$961,400. The financing period is 30 semiannual payments of \$45,658 at a 4.91% interest rate. Interest only payments were made on March 1, 2008 and September 1, 2008, with the first principal payment paid on March 1, 2009. The Regional Commission can purchase the land, land improvements, and the new building back from the Authority at the end of the capital lease for \$1. As of June 30, 2017, accumulated depreciation on the building totaled \$263,322 including depreciation expense of \$30,661.

Annual debt service requirements to amortize this capital lease are as follows:

Year	Principal	Interest	Total
2018	\$ 67,448	\$ 23,868	\$ 91,316
2019	70,800	20,516	91,316
2020	74,319	16,997	91,316
2021	78,014	13,302	91,316
2022	81,891	9,425	91,316
2023 - 2024	130,105	6,444	136,549
	<u>\$ 502,577</u>	<u>\$ 90,552</u>	<u>\$ 593,129</u>

Long-term liability activity for the fiscal year ended June 30, 2017, is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Capital Leases	\$ 567,030	\$ -	\$ (64,253)	\$ 502,777	\$ 67,448
Compensated Absences	155,374	274,166	(295,551)	133,989	120,914
	<u>\$ 722,404</u>	<u>\$ 274,166</u>	<u>\$ (359,804)</u>	<u>\$ 636,766</u>	<u>\$ 188,362</u>

The internal service fund serves the governmental funds. Accordingly, long-term liabilities for the internal service fund are included as part of the above totals for governmental activities. At fiscal year-end, internal service fund compensated absences of \$133,989 are included in the above amounts. For the governmental activities, compensated activities are generally liquidated by the General Fund.

NOTES TO FINANCIAL STATEMENTS

NOTE 7. DEFINED BENEFIT PENSION PLAN

Plan Description

The Northeast Georgia Regional Commission, has established a non-contributory defined benefit pension plan (The Northeast Georgia Regional Commission Retirement Plan), covering substantially all of the Regional Commission's employees. The Regional Commission's pension plan is administered through the Georgia Municipal Employee Benefit System (GMEBS), an agent multiple-employer pension plan administered by the Georgia Municipal Association. The Plan provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Benefits are provided by the Plan whereby retirees receive 2% multiplied by the average of the three highest years of regular earnings multiplied by the total credited years of service. The Regional Commission Council, in its role as the Plan sponsor, has the governing authority to establish and amend from time to time, the benefits provided and the contribution rates of the Regional Commission and its employees. 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. As of January 1, 2017, pension plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	6
Inactive plan members entitled to but not receiving benefits	4
Active plan members	<u>37</u>
	<u>47</u>

Contributions. The Plan is subject to minimum funding standards of the Georgia Public Retirement Systems Standards law. The Board of Trustees of GMEBS has adopted a recommended actuarial funding policy for the plan which meets state minimum requirements and will accumulate sufficient funds to provide the benefits under the plan. The funding policy for the Plan, as adopted by the Council of the Regional Commission, is to contribute an amount equal to or greater than the actuarially recommended contribution rate. This rate is based on the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. Employees make no contributions to the Plan. The Regional Commission is required to contribute at an actuarially determined rate. For the year ended June 30, 2017, the Regional Commission's contribution rate was 9.39% of annual payroll. Regional Commission contributions to the Plan were \$231,673 for the year ended June 30, 2017.

NOTES TO FINANCIAL STATEMENTS

NOTE 7. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Net Pension Liability of the Regional Commission

The Regional 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 of January 1, 2016 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	3.75% - 8.00%, including inflation
Investment rate of return	7.75%, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2000 Combined Healthy Mortality Table with gender-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.

The cost of living adjustment is assumed to be 0.00%

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, 2016, are summarized in the following table:

NOTES TO FINANCIAL STATEMENTS

NOTE 7. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Net Pension Liability of the Regional Commission (Continued)

Asset class	Target allocation	Long-term expected real rate of return*
Domestic equity	45%	6.75%
International equity	20%	7.45%
Real estate	10%	4.55%
Global Fixed Income	5%	3.30%
Domestic fixed income	20%	1.75%
Total	100%	

* Rates shown are net of the 3.25% assumed rate of inflation

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 Regional Commission contributions will be made at rates equal to the 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 Regional Commission. The changes in the components of the net pension liability of the Regional Commission for the year ended June 30, 2017, were as follows:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at 6/30/15	\$ 5,278,234	\$ 4,636,086	\$ 642,148
<i>Changes for the year:</i>			
Service cost	95,659	-	95,659
Interest	405,619	-	405,619
Differences between expected and actual experience	80,902	-	80,902
Assumption Changes	-	-	-
Contributions—employer	-	231,673	(231,673)
Net investment income	-	522,907	(522,907)
Benefit payments, including refunds of employee contributions	(88,882)	(88,882)	-
Administrative expense	-	(8,021)	8,021
<i>Net changes</i>	493,298	657,677	(164,379)
Balances at 6/30/16	\$ 5,771,532	\$ 5,293,763	\$ 477,769

NOTES TO FINANCIAL STATEMENTS

NOTE 7. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Net Pension Liability of the Regional Commission (Continued)

The required schedule of changes in the Regional 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.

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Regional Commission's net pension liability	\$ 1,245,441	\$ 477,769	\$ (171,206)

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, and the current sharing pattern of costs between employer and employee.

For the year ended June 30, 2017, the Regional Commission recognized pension expense of \$173,283. At June 30, 2017, the Regional Commission reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 231,134	\$ -
Changes in assumptions	-	(61,075)
Net difference between projected and actual earnings on pension plan investments	2,555	-
Regional Commission contributions subsequent to the measurement date	154,630	-
Total	\$ 388,319	\$ (61,075)

NOTES TO FINANCIAL STATEMENTS

NOTE 7. DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

Regional Commission contributions subsequent to the measurement date of \$154,630 are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the 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		\$ 28,503
2019		28,503
2020		54,126
2021		(6,045)
2022		25,633
Thereafter		41,894
	Total	<u>\$ 172,614</u>

NOTE 8. DEFINED CONTRIBUTION PLAN

The Regional Commission sponsors and administers the Northeast Georgia Regional Commission Retirement Savings Plan, a defined contribution plan. Employees can contribute to either a 401(k) or 403(b) plan. The Regional Commission Council has the authority to establish and amend the benefit provisions of the plan, as well as the contribution requirements.

The plan covers 37 employees for the year ended June 30, 2017, and total covered payroll for the period was \$2,027,408. The employees can contribute up to the maximum amount permitted by the Internal Revenue Code. Employee contributions to the 401(k) and 403(b) plans were \$169,295 and \$65,515, respectively.

During fiscal year 2010, the Regional Commission established a ROTH 401(k) option for employees. Contributions to the plan are made entirely by the employees.

NOTES TO FINANCIAL STATEMENTS

NOTE 9. EXPENDITURES OVER BUDGET

Excess of actual expenditures over budget are as follows:

Aging Fund		
Salaries	\$	19,262
Purchased and contract services		144,523
Supplies and materials		146,798
Capital outlay		13,927
Workforce Development Fund		
Salaries	\$	3,704
Planning and Governmental Services		
Purchased and contract services	\$	20,692
Supplies and materials		285

These over expenditures were funded by greater than anticipated revenues or by other expenditures that were less than budgeted amounts.

NOTE 10. COMMITMENTS AND CONTINGENCIES

Use of federal, state and other grant funds is subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursement to the grantor agency for expenditures disallowed under terms of the grant. To the extent such disallowances involve expenditures under subcontracted arrangements, the Regional 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.

The Regional Commission obtains a substantial portion of its funding for operations from federal and state grants. Management anticipates that this funding will continue; however, these grants are subject to annual appropriations by the funding agencies.

NOTE 11. RISK MANAGEMENT

The Regional Commission is exposed to various risks of losses related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Regional Commission carries commercial insurance coverage for these risks to the extent deemed prudent by management. Settlements of insurable risks did not exceed insurance coverage during the last three fiscal years.

REQUIRED SUPPLEMENTARY INFORMATION

NORTHEAST GEORGIA REGIONAL COMMISSION

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total pension liability			
Service cost	\$ 95,659	\$ 100,977	\$ 98,163
Interest on total pension liability	405,619	362,540	337,918
Differences between expected and actual experience	80,902	173,346	48,535
Changes of assumptions	-	-	(97,716)
Benefit payments, including refunds of employee contributions	(88,882)	(73,135)	(65,261)
Net change in total pension liability	493,298	563,728	321,639
Total pension liability - beginning	5,278,234	4,714,506	4,392,867
Total pension liability - ending (a)	\$ 5,771,532	\$ 5,278,234	\$ 4,714,506
Plan fiduciary net position			
Contributions - employer	231,673	381,173	306,173
Net investment income	522,907	43,473	419,289
Benefit payments, including refunds of employee contributions	(88,882)	(73,135)	(65,261)
Administrative expenses	(8,021)	(8,760)	(6,945)
Net change in plan fiduciary net position	657,677	342,751	653,256
Plan fiduciary net position - beginning	4,636,086	4,293,335	3,640,079
Plan fiduciary net position - ending (b)	\$ 5,293,763	\$ 4,636,086	\$ 4,293,335
Regional Commission's net pension liability - Ending (a) - (b)	\$ 477,769	\$ 642,148	\$ 421,171
Plan fiduciary net position as a percentage of the total pension liability	91.72%	87.83%	91.07%
Covered employee payroll	\$ 2,027,845	\$ 1,930,836	\$ 1,839,347
Regional Commission's net pension liability as a percentage of covered employee payroll	23.56%	33.26%	22.90%

NORTHEAST GEORGIA REGIONAL COMMISSION

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF REGIONAL COMMISSION CONTRIBUTIONS

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially determined contribution	\$ 184,166	\$ 165,388	\$ 184,305	\$ 191,051
Contribution in relation to the actuarially determined contribution	<u>231,673</u>	<u>381,173</u>	<u>306,173</u>	<u>206,173</u>
Contribution excess	<u>\$ 47,507</u>	<u>\$ 215,785</u>	<u>\$ 121,868</u>	<u>\$ 15,122</u>
Covered employee payroll	1,930,836	1,839,347	1,717,321	1,715,044
Contributions as a percentage of employee covered payroll	12.00%	20.72%	17.83%	12.02%

Notes to the Schedule

Valuation date	January 1, 2017
Cost method	Projected Unit Credit
Actuarial 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 amounts that the value exceeds or is less than the market value at the end of the year. The actuarial valuation is adjusted, if necessary, to be within 20% of market value.
Assumed rate of return on investments	7.75%
Projected salary increases	3.25% plus service based merit increases
Cost-of-living adjustment	0.00%
Amortization method	Closed level dollar for remaining unfunded liability
Remaining amortization period	None remaining

STATE COMPLIANCE SECTION

NORTHEAST GEORGIA REGIONAL COMMISSION

SCHEDULE TO COMPUTE FRINGE BENEFITS RATE FOR THE FISCAL YEAR ENDED JUNE 30, 2017

<u>Fringe Benefits:</u>		
FICA	\$	27,861
Group insurance		429,675
Retirement fund contributions		160,262
Pension contribution		134,221
Unemployment insurance		-
Workers compensation		18,793
Release time		274,166
		<hr/>
Total Fringe Benefits		1,044,978
 <u>Basis:</u>		
Indirect salaries		372,267
Direct salaries		1,470,574
		<hr/>
Total Basis	\$	1,842,841
		<hr/> <hr/>
 <u>Ratio:</u>		
Fringe Benefits/Basis		56.70%
		<hr/> <hr/>

NORTHEAST GEORGIA REGIONAL COMMISSION

SCHEDULE TO COMPUTE INDIRECT COST RATE FOR THE FISCAL YEAR ENDED JUNE 30, 2017

<u>Indirect Costs:</u>	
Indirect salaries	\$ 372,267
Fringe benefits	210,001
	<hr/>
Subtotal	582,268
Depreciation	38,393
Insurance and bonding	42,344
Membership and subscriptions	3,610
Motor vehicle expenditures	1,951
Per diem and fees	47,970
Postage and freight	5,435
Publications and printing	4,238
Rentals - other	2,225
Repairs and maintenance	36,205
Supplies and materials	25,825
Telecommunications	8,795
Training and education	1,373
Travel	3,145
Utilities	31,282
	<hr/>
Total Indirect Costs	\$ 835,059
	<hr/>
Direct salary costs	\$ 1,470,574
Fringe benefits	834,977
	<hr/>
Total Basis	\$ 2,305,551
	<hr/>
<u>Ratio:</u>	
Indirect-Costs/Basis	36.22%
	<hr/>

NORTHEAST GEORGIA REGIONAL COMMISSION

DHS CONTRACT #427-373-0000049523 AREA AGENCY ON AGING - SUMMARY SCHEDULE OF SERVICES FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Units Provided	Persons Served
Access Services		
Information and referral	7,456	7,456
Case management	4,781	87
Total	12,237	7,543
In Home Services		
Telephone reassurance	4,549	192
Total	4,549	192
Title III-C Nutrition		
Congregate meals	123,214	1,636
Home delivered meals	124,427	714
Total	247,641	2,350
Other Services		
Recreation	14,088	200,022
Homemaker	5,337	49
Nutrition/Health related	5,509	709
Adult day care	7,124	28
Respite in-home care	12,337	89
Personal care	3,244	32
Total	47,639	200,929
Grand Total	312,066	211,014

NORTHEAST GEORGIA REGIONAL COMMISSION

SCHEDULE OF STATE CONTRACTUAL ASSISTANCE FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>State Assistance</u>	<u>Total Expenditures</u>	<u>Settlements Receivable</u>
DHS Contract #42700-373-00000049523			
Aging FY17 Title III-A	\$ 131,496	\$ 131,496	\$ 17,214
Aging FY17 Title III-B	345,682	345,682	66,427
Aging FY17 Title IIIC-1	576,971	576,971	89,887
Aging FY17 Title IIIC-2	462,811	462,811	72,138
Aging FY NSIP	307,232	307,232	54,137
Aging FY17 Title III-D	36,448	36,448	19,485
Aging FY17 Title III-E	273,792	273,792	28,936
Aging FY17 Title V	490,906	490,906	92,790
Aging FY17 Title XIX (CCSP)	1,256,196	1,256,196	228,308
Aging FY17 Title XX (SSBG)	196,703	188,096	45,416
Aging FY17 Alzheimer's	147,024	146,363	28,862
Aging FY17 CBS	1,028,325	1,005,677	137,287
Aging FY17 Income Tax Checkoff	2,852	2,852	-
Aging FY17 Georgia Cares	68,784	68,784	12,735
Aging FY17 Money Follows the Person	197,690	197,690	123,911
Aging FY17 Aging & Disabilities Grant	37,000	37,000	11,041
Aging FY17 Nursing Home Transitions	50,600	50,600	41,923
	<hr/>	<hr/>	<hr/>
Total Contract 42700-373-00000049523	5,610,512	5,578,596	1,070,497
Aging FY17 MIPPA Grant	106,048	106,048	-
Aging FY17 Balancing Incentives	149,000	149,000	52,088
Aging FY17 Fall Prevention Program	2,250	2,250	-
	<hr/>	<hr/>	<hr/>
Total State Contractual Assistance	<u>\$ 5,867,810</u>	<u>\$ 5,835,894</u>	<u>\$ 1,122,585</u>

NORTHEAST GEORGIA REGIONAL COMMISSION

SCHEDULE OF CITY/COUNTY ASSESSMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2017

<u>City/County Government</u>	<u>Amount Due 6/30/2016</u>	<u>FY 17 Assessment Billed</u>	<u>FY17 Assessment Collections / Adjustments</u>	<u>Amount Due 6/30/2017</u>
Barrow County	\$ -	\$ 73,240	\$ 73,240	\$ -
Athens-Clarke County	-	120,938	120,938	-
Winterville	-	1,155	1,155	-
Elbert County	-	14,129	14,129	-
Bowman	-	825	825	-
Elberton	-	4,484	4,484	-
Greene County	-	10,484	10,484	-
Greensboro	-	3,426	3,426	-
Siloam	-	283	283	-
Union Point	-	1,676	1,676	-
White Plains	-	292	292	-
Woodville	-	329	329	-
Jackson County	-	45,423	45,423	-
Commerce	-	6,580	6,580	-
Jefferson	-	9,867	9,867	-
Jasper County	-	10,615	10,615	-
Monticello	-	2,579	2,579	-
Shady Dale	-	238	238	-
Madison County	-	28,312	28,312	-
Morgan County	-	17,956	17,956	-
Newton County	-	85,135	85,135	-
Covington	-	13,667	13,667	-
Mansfield	-	426	426	-
Newborn	-	720	720	-
Oxford	-	2,262	2,262	-
Porterdale	-	1,465	1,465	-
Oconee County	-	30,282	30,282	-
Bishop	-	238	238	-
Bogart	-	1,036	1,036	-
North High Shoals	-	682	682	-
Watkinsville	-	2,855	2,855	-
Oglethorpe County	-	14,673	14,673	-
Walton County	-	87,615	87,615	-
Total	<u>\$ -</u>	<u>\$ 593,887</u>	<u>\$ 593,887</u>	<u>\$ -</u>

SINGLE AUDIT SECTION



**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 Council Members
Northeast Georgia
Regional Commission
Athens, Georgia**

We have audited, 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, the financial statements of the governmental activities, each major fund, and the remaining fund information of the Northeast Georgia Regional Commission (the "Regional Commission"), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Regional Commission's basic financial statements and have issued our report thereon dated October 12, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Northeast 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 the Regional Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 the Northeast 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*.

Purpose of This Report

This 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.

Mauldin & Jenkins, LLC

Macon, Georgia
October 12, 2017



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

**To the Council Members
Northeast Georgia
Regional Commission
Athens, Georgia**

Report on Compliance for Each Major Federal Program

We have audited the Northeast Georgia Regional Commission's (the "Regional Commission") 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 Regional Commission's major federal programs for the year ended June 30, 2017. The Regional Commission's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the 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 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 Regional Commission's compliance.

Opinion on Each Major Federal Program

In our opinion, the Northeast Georgia Regional Commission complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Report on Internal Control Over Compliance

Management of the 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 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 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.

Mauldin & Jenkins, LLC

Macon, Georgia
October 12, 2017

NORTHEAST GEORGIA REGIONAL COMMISSION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Grant Identification Number	Program or Award Amount	Federal Expenditures	Expenditures to Sub - recipients
<u>U.S. Department of Health and Human Services</u>					
Passed through Georgia Department of Health and Human Services					
Special Programs for Aging - Title III, Part A & B	93.044	42700-373-0000049523	\$ 392,452	\$ 392,452	\$ -
Special Programs for Aging - Title III, Part C(1) & C(2)	93.045	42700-373-0000049523	883,814	883,814	-
				<u>1,276,266</u>	<u>-</u>
Special Programs for Aging - Nutrition Svcs Incentive	93.053	42700-373-0000049523	167,529	167,529	-
Subtotal Aging Cluster Programs				<u>1,443,795</u>	<u>-</u>
Special Programs for Aging - Title XIX	93.778	2017011	628,248	628,248	-
Special Services for Aging - Balancing Incentives	93.778	42700-373-0000049523	149,000	149,000	-
Subtotal Medicaid Cluster Programs				<u>777,248</u>	<u>-</u>
Special Services for Aging - Georgia Cares ACL - SMP	93.048	42700-373-0000049523	12,500	12,500	-
Special Services for Aging - Georgia Cares CMS - SHIP	93.224	42700-373-0000049523	40,100	40,100	-
Special Programs for Aging - Title III, Part D	93.043	42700-373-0000049523	30,981	30,981	-
Special Programs for Aging - Title III, Part E	93.052	42700-373-0000049523	205,344	205,344	-
Social Services Block Grant - Title XX	93.667	42700-373-0000049523	182,203	182,203	-
Special Programs for Aging - Money Follows the Person	93.779	42700-373-0000049523	475,029	475,029	-
Special Services for Aging - MIPPA	93.071	42700-373-0000056543	N/A	84,738	-
Special Services for Aging - Chronic Disease SME	93.761	42700-373-0000045523	2,250	2,250	-
Total U.S. Department of Health and Human Services				<u>3,254,188</u>	<u>-</u>
<u>U.S. Department of Commerce</u>					
Passed through Georgia Department of Economic Development:					
EDA Funding	11.302	48306894	399,000	66,500	-
Total U.S. Department of Commerce				<u>66,500</u>	<u>-</u>

(Continued)

NORTHEAST GEORGIA REGIONAL COMMISSION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Grant Identification Number	Program or Award Amount	Federal Expenditures	Expenditures to Sub - recipients
<u>U.S. Department of Labor</u>					
Passed through Georgia Department of Economic Development:					
WIOA Adult Program	17.258	11-15-15-05-009	326,315	\$ 10,924	\$ -
	17.258	11-15-16-05-009	1,897,805	1,409,949	-
	17.258	11-16-16-05-009	171,180	154,062	-
	17.258	11-16-17-05-009	1,173,112	181,103	-
	17.258	55-14-15-05-009	375,000	1,875	-
WIOA Youth Activities	17.259	15-15-15-05-009	1,543,534	1,118,222	-
	17.259	15-16-16-05-009	1,591,208	814,513	-
WIOA Dislocated Worker Formula Grants	17.278	31-15-15-05-009	24,120	24,120	-
	17.278	31-15-16-05-010	629,364	451,912	-
	17.278	44-15-15-05-009	30,217	18,009	-
	17.278	ExOff-15-16-05-009	125,000	40,885	-
	17.278	WSG-14-15-05-009	11,965	8,612	-
Subtotal WIOA Cluster Programs				4,234,186	-
Employment Service/Wagner-Peyser Funded Activities	17.207	44-14-15-05-009	350,000	64,233	-
Total U.S. Department of Labor				4,298,419	-
Passed through Georgia Department of Health and Human Services					
Special Programs for Aging - Title V	17.235	42700-373-0000049523	441,815	441,815	-
Total U.S. Department of Labor				4,740,234	-
<u>Appalachian Regional Commission</u>					
Direct Program					
LDD Administrative Grant	23.009	GA-701-E-C48-17	N/A	31,556	-
Total Appalachian Regional Commission				31,556	-
Total Expenditures of Federal Awards				\$ 8,092,478	\$ -

NORTHEAST GEORGIA REGIONAL COMMISSION

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Northeast Georgia Regional Commission and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of 2 CFR part 200, OMB's *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 2. NON-CASH ASSISTANCE AND LOANS

There were no federal awards expended in the form of noncash assistance during the year. There were also no loans or loan guarantees outstanding at year end.

NOTE 3. DE MINIMIS INDIRECT COST RATE

The Regional Commission did not use the ten percent de minimis indirect cost rate.

NORTHEAST GEORGIA REGIONAL COMMISSION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE FISCAL YEAR ENDED JUNE 30, 2017

SECTION I SUMMARY OF AUDIT RESULTS

Financial Statements

Type of auditor's report issued Unmodified

Internal control over financial reporting:
Material weaknesses identified? Yes No

Significant deficiencies identified not considered
to be material weaknesses? Yes None Reported

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal Control over major programs:
Material weaknesses identified? Yes No

Significant deficiencies identified not considered
to be material weaknesses? Yes None Reported

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 2 CFR part 200? Yes No

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
93.778	Medical Assistance Program (Title XIX)
93.044, 93.045, 93.053	Aging Cluster – Special Programs for the Aging and Nutrition Services

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

Auditee qualified as low-risk auditee? Yes No

NORTHEAST GEORGIA REGIONAL COMMISSION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE FISCAL YEAR ENDED JUNE 30, 2017

SECTION II FINANCIAL STATEMENT FINDINGS AND RESPONSES

None reported

SECTION III FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

None reported

NORTHEAST GEORGIA REGIONAL COMMISSION

**SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

No prior year findings.