

Centralina Council of Governments

Comprehensive Annual Financial Statements

Year Ended June 30, 2015



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Financial Section



Independent Auditors' Report

Board of Delegates
Centralina Council of Governments
Charlotte, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Centralina Council of Governments as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Centralina Council of Governments' 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.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Centralina Council of Governments as of June 30, 2015, and the respective changes in financial position thereof, and the respective budgetary comparison for the General Fund, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Change in Accounting Principle

As discussed in Note 20 to the financial statements, the beginning balances were restated due to the implementation of GASB Statement NO. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement NO. 71, *Pension Transition for Contributions made Subsequent to the Measurement Date*, in 2015. Our opinion is not modified with respect to these changes.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 4 through 16, Other Postemployment Benefits Schedule of Funding Progress, Schedule of Employer Contributions and Notes to the Required Schedules on page 42, and the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Asset and Contributions, on pages 43 through 44 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.

Supplementary and Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements of Centralina Council of Governments. The combining and individual fund statements and schedules, budgetary schedules and other schedules, as well as the Schedule of Expenditures of Federal and State awards as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State Single Audit Implementation Act, are presented for purposes of additional analysis and are not a required part of the basic financial statements.



The individual fund statements, budgetary schedules, other schedules, and the Schedule of Expenditures of Federal and State awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit and the procedures performed as described above, the combining and individual fund statements, budgetary schedules, other schedules, and the Schedule of Expenditures of Federal and State Awards are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 13, 2016 on our consideration of Centralina Council of Governments' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Centralina Council of Governments' internal control over financial reporting and compliance.

Dixon Hughes Goodman LLP

**Winston-Salem, North Carolina
April 13, 2016**

Centralina Council of Governments Management's Discussion and Analysis

This section of the financial report of Centralina Council of Governments (Centralina) represents discussion and analysis of the performance of Centralina for the year ended June 30, 2015. This information should be read in conjunction with the audited financial statements included in this report.

Financial highlights

The activities of Centralina fall in the following broad categories: Workforce Development, Area Aging Agency, Community and Economic Development, Sustainable Communities, Planning and Local Technical Assistance.

Through public and private sector partnerships, the Centralina Workforce Development Board (WDB) provided leadership in a variety of workforce development areas and has been effective in meeting the needs of the current and emerging workforce. This year's program highlights follow.

Workforce development highlights

Through public and private sector partnerships, the Centralina Workforce Development Board (WDB) provides leadership in a variety of workforce development areas and has been effective in meeting the needs of the current and emerging workforce. This year's program highlights include:

NCWorks Career Centers - The Centralina Workforce Development Board, which is responsible for the oversight and operation of local NCWorks Career Centers, has developed a vision and implemented a plan of action for upgrading Career Center facilities and changing the service environment. The NCWorks Career Center-Cabarrus which opened in October 2015 is the latest example of this "new day for workforce services" that started in the region with the opening of the new NCWorks Career Center in Mooresville in April 2015.

The eight NCWorks Career Centers in the region collectively served 45,298 career seekers looking for the right talent match for their skills and provided 70,095 services to employers and businesses in the region during the past fiscal year. For more information on the NCWorks Career Centers, visit www.centralinaworks.com

Incumbent Worker Training Grants - The NCWorks Incumbent Worker Training Grants offered by the Centralina Workforce Development Board (WDB) are competitive training grants designed to address employees' skill gaps and thereby help local companies grow. Eligible employers can use this talent solution when their employees have identified skills gaps that need to be addressed through training. These training funds can be used to provide either occupational or educational training to help employees who have identified skills gaps and want to upgrade skills and knowledge to retain their current job or obtain industry recognized certifications or gain new skills and knowledge to advance their career with their employer.

During the past fiscal year, the Centralina WDB was able to provide Incumbent Worker funding in the amount of \$201,439 to a total of 21 area businesses to train and upgrade the skills of 541 employees. For more information on Incumbent Worker grants, visit www.centralinaworks.com.

NC Manufacturing Institute - Centralina WDB in partnership with Rowan-Cabarrus Community College, NCWorks Career Centers, Cabarrus Regional Economic Development, Cabarrus Regional Chamber of Commerce, RowanWorks, Rowan County Chamber of Commerce, and employers developed and implemented the NC Manufacturing Institute. The North Carolina Manufacturing Institute is a collaboration between private and public sector partners and investors to link and leverage assets and resources in order to close the manufacturing skills gap through workforce training and certification, improve the image of manufacturing employment opportunities among job seekers, and assist manufacturing firms in improving recruitment, selection and retention of talent. Working together, the NCMI partners have established an effective pipeline through which our local employers now have convenient and quick access to qualified candidates. These efforts produced the following results:

Centralina Council of Governments Management's Discussion and Analysis

- 180 Discovery Session attendees in seven months directly exposed to the importance of manufacturing and the availability of good, well-paying jobs in that sector.
- Three eight-week training classes held starting in June, August and September with 27 Certified Production Technicians graduating from the eight-week training program.
- 12 field trips to local employers and training labs.
- Three Interview Fairs held for the NCMI partners to meet the graduates, with an 86% employer participation rate.
- 20 graduates hired, 13 by NCMI partners, within one month of graduation due largely to the Partner Interview Fairs.
- Seven highly qualified and nationally certified graduates still available for interviewing.

For more information, please visit www.ncmanufacturinginstitute.com.

Allied Health Summit - Centralina WDB collaborated with regional partners to host an Allied Health Summit titled "The Right Training Matters: How Patient-Centered Care and Other Trends are Reshaping the Healthcare Workforce". The event held on November 5, 2015 attracted 100 healthcare professionals, educators, workforce professionals, and other organizations. National and local speakers discussed shifting the focus from profit to patients actually improves the bottom line. Other speakers included those from Novant Health, Duke University, Carolinas Healthcare provided insight on ways healthcare systems respond to new changes and how it impacts the region and the key trends shaping healthcare and for planning for the future. More information can be found at www.agreatworkforce.com/alliedhealth.

Area Agency on Aging highlights

Through individual and systemic advocacy, innovative program development and creating educational opportunities, the Centralina Area Agency on Aging (CAAA) supports providers and empowers individuals and those who care for them by providing the ability to age with choice. This year's program highlights include:

Centralina Area Agency on Aging "New Look." - This year the AAA rolled out a new look, updating its mission, vision, logo, brochures, and outreach materials. Centralina AAA also began work on a new website which will be completed in early 2016.

Annual Aging Conference - Hundreds of professionals in the field of aging, healthcare, long term care, social services, home health, direct services attend the Annual Aging Conference and more come together each year to expand their knowledge of issues related to aging and disabilities. The Annual Aging Conference is the largest conference on aging anywhere in the state it featured 40 exhibitors and sponsors as well as nationally recognized speakers.

Volunteer Transportation Services (VTS) - The Volunteer Transportation Services program was developed to provide transportation to older adults, people with disabilities and veterans in the Centralina Region through a network of certified volunteers. The program reflects a grassroots effort to fill transportation gaps for those who do not qualify for existing services and relies on the help of volunteers from faith-based community groups, civic clubs and organizations, private companies, and government agencies to ensure the success of the program.

Senior Community Services Employment Program (SCSEP) - Providing on-the-job training opportunities for low-income, unemployed seniors over age 55, SCSEP participants gain work experience in a variety of community service activities at non-profit sites. This training serves as a bridge to unsubsidized employment opportunities. Enrollment priority is given to veterans/qualified spouses and individuals age 65 and older. In 2015, more than 25 percent of SCSEP participants gained permanent, unsubsidized employment.

Local Contact Agency (LCA) - A Medicaid Waiver from the Division of Medical Assistance funds the Local Contact Agency. Using a certified Options Counselor, the Area Agency on Aging assists residents in nursing facilities who are interested in possibly returning to the community explore the possible options including long-

Centralina Council of Governments Management's Discussion and Analysis

term services and supports. The LCA assists the individual in exploring the viability of leaving the institutional setting and developing a plan that will lead them toward a more independent life.

Evidence-Based Health Programs (EBHP) - The Area Agency on Aging (AAA) offers community-focused evidence-based health programs to promote healthy lifestyles and chronic disease self-management. These programs are focused on increasing physical activity, improving diet and nutrition, reducing falls, and promoting self-management. More than 100 workshops were provided in Centralina's nine-county region, helping approximately 1,300 individuals improve their quality of life and remain active in their communities. All of this is done successfully through a strong network of volunteers and partners in our region.

The AAA continues to expand by implementing additional evidence-based health programs that will meet the needs of the aging population. Centralina also participated in a Centers for Medicare and Medicaid Services research grant in which the AAA distributed surveys to all clients who participated in EBHP. The research is looking at effectiveness of the EBHP for possible future Medicare reimbursement.

Regional Long-Term Care Ombudsman - The Ombudsman program works to resolve complaints by or on behalf of residents in long term care facilities. Ombudsman provide education on long term care and residents' rights issues to residents, facility staff, family members and the general public. This past year the Ombudsman provided multiple workshops on such issues as transfer/discharge, ADA issues, dementia, and elder abuse awareness.

Community and economic development highlights

Community and Economic Department (CED) - provided municipal management and grant administration services and served as a regional conduit for other federal and state grants, including public facilities, water and wastewater improvements, and housing to help promote local and regional economic growth and quality of life.

HUD Five-Year Consolidated Plan Implementation - The department provided grant administration services for the activities and projects within the five-year consolidated plan for Mecklenburg County encompassing approximately \$600,000 annually in HUD Community Development Block Grant funding. It focuses on low and moderate income population housing and community development needs.

Code Enforcement and Drug-Alcohol Testing Program (DATP) - Multiple jurisdictions engaged CED to provide code enforcement and minimum housing standards operations as well as DATP testing for city and county workforce regulatory requirements.

Grants - CCOG and CEDC received an invitation only **Lumina Foundation Community Postsecondary Attainment grant** for the Greater Charlotte Region in May 2015. Approximately 75 major metropolitan locations from across the country have been invited to participate in this program. The goal of the Lumina Foundation is to increase the proportion of Americans with postsecondary degrees to 60% by the year 2025. Our project, **Centralina Partnership for Attainment and Career Pathways (CPACP)** is providing a pilot project and system for internal existing industry workforce attainment and related college and K-12 pipeline alignment.

Essential to collaborative region-wide economic growth is the **Centralina Economic Development Commission (CEDC)**, established by Centralina in 2005 as a 501(c)3 public-private entity and local U.S. Commerce EDA Designated Economic Development District. The CEDC builds collaborative partnerships to promote regional economic vitality through growth of target industry clusters, expanding jobs creation activities, and providing competitive advantage strategies to compete nationally and globally. Significant accomplishments for the Commission include:

Centralina Regional Economic Development District's CEDS Plan - The implementation of the 2012-2017 Centralina Economic Development Strategy (CEDS), "Prosperity for Greater Charlotte Report" and groundbreaking Jobs, Workforce, and Education Alignment Strategy continued with priorities that promoted alignment of regional infrastructure, talent and assets for economic growth. Recognized with a **2014 NADO Innovation Award as partner for "Centralina Career Headlight,"** that project operationalized key CEDS plan

Centralina Council of Governments Management's Discussion and Analysis

strategies for boosting the job growth rate by linking the region's workforce skills and strengths, education, and training assets to the needs of high-growth and emerging industries.

Global Competitiveness Summit Series Support to Global Vision Leaders Taskforce - "Prosperity for Greater Charlotte" and CEDC initiatives supported the 5th Charlotte Global Competitiveness Summit in March 2015 that continues to build a "Hub of Global Commerce" strategic brand by business, education and community leaders engaging Greater Charlotte Region's role in the global marketplace. Held the 5th Annual Advanced Manufacturing Awards in February 2015 with US Commerce EDA Assistant Secretary, Honorable Jay Williams, as keynote with additional Exports Roundtable meeting with the Assistant Secretary and regional leaders including the District Export Council.

Centralina Manufacturing Ecosystem Development Strategy (CMEDS) - Centralina and CEDC completed final phases of the **Investing in Manufacturing Community Partnership (IMCP) Phase I Strategy Planning grant** from US Commerce Economic Development Administration (EDA). The finished CMEDS plan will support and extend the Greater Charlotte Region's primary core competitive competency in Advanced Manufacturing by supporting the Advanced Industries workforce pipeline, R&D, supply chain analysis, and export/logistics growth for the region.

Sustainable communities, planning and local technical assistance highlights

CCOG staff supports communities by coordinating, introducing and implementing new initiatives relating to all aspects of planning such as: land use, pedestrian, small area and corridor plans; building healthy, lifelong communities; public engagement; board training and retreats; park, streetscape, and landscaping design; and transportation. CCOG also convenes and leads energy and environmental programs in conjunction with federal, state, and local agencies and other partners, and coordinates the Centralina Clean Fuels Coalition (CCFC) program. Significant activities in Fiscal Year 2014-15 include:

Regional scenario planning and the preferred growth concept - Planning efforts have focused on the extensive public engagement required to develop the region's top priorities related to growth. Building on those priorities, a regional scenario planning model was built and calibrated to model alternative growth scenarios and evaluate different growth options for the region. This process allowed communities to contemplate options and see how different growth patterns impact high priority issues, such as creating transportation choice, supporting local communities, providing access to parks and recreation, housing choice, and return on public investment. More than 8,400 participants were involved in developing the Preferred Growth Concept which is one of three building blocks in the CONNECT Regional Growth Framework, along with the region's growth priorities, and a toolkit to help local governments address local challenges.

Healthy communities - Centralina hosted the annual Planning for Healthy Communities conference, bringing together planners, park and recreation officials, and public health officials from throughout the region to build local capacity for creating active, life-long communities. Direct assistance was provided to local governments to incorporate health into their plans and policies, included road diet visualizations, neighborhood bike planning, and downtown streetscape recommendations.

Regional collaboration - The Regional Conference of Mayors, city and county managers, and regional planners meet regularly to receive updates on legislative activities that impact their community and to discuss shared challenges and experiences in an open forum. Building networks is important to helping our communities address issues and learn from others. Through these collaborative efforts, mayors and managers have become more active in building relationships with legislators through direct communication and through visits to Raleigh.

Water resources planning - At the Board's direction, staff has ramped up discussions focused on our region's capability to provide reliable and adequate water in the future. The focus of this work is to establish a cross-basin collaborative network, to build awareness and capacity around water issues, and to develop long term strategies to address the region's needs. The effort has included extensive engagement with regional stakeholders and a continued dialog with water "thought leaders".

Centralina Council of Governments Management's Discussion and Analysis

Clean Fuel Advanced Technology (CFAT) program - The CFAT program is focused on reducing transportation-related emissions in the 24 North Carolina counties that do not meet national air quality standards, many of which are located in this region. The Centralina Clean Fuels Coalition is the primary partner supporting the greater Charlotte Region for this NC Clean Energy Technology Center led initiative. The work was focused on air quality education and support of air quality improvements through funding for clean fuels and advanced technology vehicle projects. Those projects help remove nearly 60 metric tons of pollutants annually from the air in counties not meeting air quality standards.

CONNECT Our Future - Through CONNECT Our Future, Centralina COG, along with its South Carolina partner Catawba Regional Council of Governments, is facilitating the efforts of governments and organizations in the 14-county, two-state region surrounding Charlotte to achieve the fundamental obligation of government - to build greater communities for future generations. This initiative is funded by a \$4.9 million HUD Sustainable Communities Grant awarded in November 2011, and \$3 million in local in-kind public and private matching resources. Significant activities in this year include:

- **Engaging communities** – 54 local governments and 39 others (private sector, quasi-governmental and non-profits) joined the CONNECT Consortium. Twelve consortium meetings were held in late 2013 – mid 2014 to review CONNECT activities and provide guidance.
- **Engaging residents** – More than 7,500 diverse residents of CONNECT's 14 counties participated in various CONNECT Public Engagement forums during the year, including but not limited to Open Houses, Community Growth Workshops, County Consortium meetings, and an Online Engagement Forum (MetroQuest Tool).
- **Technical reports** – Several technical reports were produced as part of the CONNECT Our Future process to focus on specialized areas such as housing, food systems, public health, energy, air quality, economic development and land use & transportation. These technical report findings will be aligned with the final Regional Growth Framework.

Other financial highlights are as follows:

- The liabilities and deferred inflows of resources of Centralina exceeded its assets and deferred outflows of resources at the close of the fiscal year by \$510,246 (*net position*).
- Centralina's total net position decreased by \$519,097. \$308,119 of this amount is due to the implementation of GASB 68 and restatement of the beginning fund balance. Remaining decrease is primarily due to a loss on HUD grants and the inability to charge out indirect cost.
- As of the close of the current fiscal year, Centralina's governmental funds reported a combined ending fund balances of \$130,461, a decrease of \$364,842 from the prior year. Approximately \$595,871 is restricted for stabilization by state statute because the majority of Centralina's major funding sources consist of expenditure reimbursement driven grants.
- Centralina's fiscal obligation for accumulated vacation and sick leave, including the salary-related payments (FICA, retirement), amounts to \$324,918.

Overview of the financial statements

The audited financial statements of Centralina consist of three components. They are as follows:

- Management's Discussion and Analysis
- Basic Financial Statements
- Individual Fund Statements and Schedules that present comparative balance sheets for the General Fund and Special Revenue Fund, budgetary statements for the Special Revenue Fund and Component Unit, and computation of the indirect cost allocation rate

Centralina Council of Governments Management's Discussion and Analysis

The *Basic Financial Statements* include two types of statements that present different views of Centralina's finances. The first is the *government-wide statements*. The government-wide statements are presented on the full accrual basis of accounting and include the Statement of Net Position and the Statement of Activities. The Statement of Net Position includes all of Centralina's assets and deferred outflows of resources as well as liabilities and deferred inflows of resources. Assets, deferred outflows of resources, liabilities, and deferred inflows of resources are classified in the order of relative liquidity for assets and deferred outflows and due date for liabilities and deferred inflows. This statement provides a summary of Centralina's investment in assets and obligations to creditors. Liquidity and financial flexibility can be evaluated using the information contained in this statement. The Statement of Activities summarizes Centralina's revenues and expenses for the current year. A net (expense) revenue format is used to indicate to what extent each function is self-sufficient.

The second set of statements included in the basic financial statements is the *Fund Financial Statements*, which are presented for Centralina's major governmental funds. These statements present the governmental funds on the modified accrual basis of accounting, measuring the near-term inflows and outflows of financial resources and what is available at year-end to spend in the next fiscal year. The fund financial statements focus on Centralina's most significant funds. Because a different basis of accounting is used in the government-wide statements, reconciliation from the governmental fund financial statements to the government-wide statements is required. The government-wide statements provide information about Centralina as an economic unit, while the fund financial statements provide information on the financial resources of Centralina's major funds.

Government-Wide Statements

The government-wide statements report information about Centralina as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of Centralina's assets, deferred outflows of resources, liabilities, and deferred inflows of resources. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two government-wide statements report Centralina's net position and how they have changed. A review of net position (i.e., the difference between Centralina's assets and deferred outflows of resources and liabilities and deferred inflows of resources) is one way to measure the entity's financial health or position.

The government-wide statements are divided into two categories:

- *Governmental activities*: all of Centralina's basic services are included here.
- *Component unit*: although legally separate from Centralina, the Centralina Workforce Development Consortium is important to Centralina because Centralina provides all managerial and accounting functions for the Consortium and the Consortium is for the benefit of residents of seven of the nine counties in the geographic area of Centralina.

The government-wide statements are shown as Exhibits A and B of this report.

Fund Financial Statements

The fund financial statements provide more detailed information about Centralina's funds, focusing on its most significant or "major" funds - not the government as a whole. Funds are accounting devices Centralina uses to keep track of specific sources of funding and spending on particular programs. Centralina established funds to control and manage money for a particular purpose or to show that it is properly using certain revenues, such as in the Special Revenue - Grant Project Fund. All of Centralina's funds are governmental funds.

**Centralina Council of Governments
Management's Discussion and Analysis**

Governmental funds: All of Centralina's basic services are included in the governmental funds, which generally focus on two things - how cash and other assets can readily be converted to cash flow in and out, and the balances left at year-end that are available for spending. As a result of this focus, the governmental funds statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the coming year to finance Centralina's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information at the bottom of the governmental funds statements, in the form of a reconciliation, explains the relationship (or differences) between the government-wide and the fund financial statements. Centralina has two governmental funds: the General Fund and the Special Revenue - Grant Project Fund.

The governmental fund statements are shown as Exhibits C, D and E of this report.

Government-Wide Financial Analysis

**Table 1
Condensed Statement of Net Position
for Governmental Activities
as of June 30, 2015 and 2014**

	<u>2015</u>	<u>2014</u>
Current and other assets	\$ 2,447,871	\$ 3,228,457
Capital assets	<u>108,038</u>	<u>121,201</u>
Total assets	<u>2,555,909</u>	<u>3,349,658</u>
Deferred outflows of resources	<u>199,482</u>	<u>-</u>
Current liabilities	2,147,747	2,815,942
Noncurrent liabilities	<u>332,595</u>	<u>305,344</u>
Total liabilities	<u>2,480,342</u>	<u>3,121,286</u>
Unearned revenue	216,547	219,521
Pension deferrals	<u>568,748</u>	<u>-</u>
Total deferred inflows of resources	<u>785,295</u>	<u>219,521</u>
Net investment in capital assets	55,906	92,055
Restricted	595,871	1,011,584
Unrestricted net position	<u>(1,162,023)</u>	<u>(1,094,788)</u>
Total net position	<u>\$ (510,246)</u>	<u>\$ 8,851</u>

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The liabilities of Centralina exceeded assets by \$510,246 as of June 30, 2015. The assets of Centralina exceeded liabilities by \$8,851 as of June 30, 2014. Centralina's net position decreased by \$519,097 and \$407,845 for the fiscal years ended June 30, 2015 and 2014 respectively. The investment in Board identified initiatives influenced the total unrestricted governmental net position. Also, Centralina implemented GASB Statement 68 this year. With the new reporting change, Centralina allocated its proportionate share of the Local Government Employees' Retirement System's net pension asset, deferred outflows of resources, deferred inflows of resources, and pension expense. A restatement to record the effects of the new reporting guidance decreased beginning net position by \$308,119. Decisions regarding the allocations are made by the administrators of the pension plan, not by Centralina's management.

**Centralina Council of Governments
Management's Discussion and Analysis**

Table 2

**Centralina Changes in Net Assets
for Governmental Activities
for the Years Ended June 30, 2015 and 2014**

	<u>2015</u>	<u>2014</u>
Revenues:		
Restricted intergovernmental revenues - state	\$ 10,037,008	\$ 9,916,677
Restricted intergovernmental revenues - federal	4,334,024	5,125,203
Technical assistance contracts	343,309	367,278
Contracts and fees	17,984	32,934
Other program revenue	83,688	209,181
Interest and other	396,296	116,002
Member dues and contributions	<u>749,225</u>	<u>759,278</u>
Total revenues	<u>15,961,534</u>	<u>16,526,553</u>
Expenses:		
General government	(7,713)	218,670
Transportation	317,695	130,287
Environmental protection	230,271	272,495
Economic and physical development	2,313,529	3,473,887
Human services	12,311,808	11,813,064
Workforce development	1,005,201	1,023,323
Interest	<u>1,721</u>	<u>2,672</u>
Total expenses	<u>16,172,512</u>	<u>16,934,398</u>
Decrease in net position	(210,978)	(407,845)
Beginning net position, restated	<u>(299,268)</u>	<u>416,696</u>
Ending net position	<u>\$ (510,246)</u>	<u>\$ 8,851</u>

Governmental activities accounted for Centralina's decrease in net position. The key element of this decrease is due to a loss on Housing and Urban Development projects of approximately \$329,000 and the inability to charge out indirect costs of approximately \$123,000.

Financial Analysis of Centralina's Funds

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

Governmental funds: The focus of Centralina's governmental funds is to provide information on near-term inflows, outflows and balances of usable resources. Such information is useful in assessing Centralina's financing requirements. Specifically, unreserved fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

Centralina Council of Governments Management's Discussion and Analysis

The General Fund is the chief operating fund of Centralina. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$(792,805), while total fund balance amounted to \$130,461. As a measure of the General Fund's liquidity, it may be useful to compare total fund balance to total fund expenditures. Total fund balance represents 2% of total General Fund expenditures. According to Centralina's fund balance policy, the Executive Board and Executive Director will take immediate steps to reduce expenses and/or increase revenues in order to rebuild the fund balance to 10% of General Fund expenditures.

General fund budgetary highlights: During the fiscal year, Centralina revised the budget on several occasions. Generally, budget amendments fall into one of three categories: (1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; (2) amendments made to recognize new funding amounts from external sources, such as federal and state grants; and (3) increases in appropriations that become necessary to maintain services.

Actual revenues and expenditures were less than budgeted amounts primarily because several grants were awarded later in the fiscal year than anticipated.

Capital Assets

Centralina's investment in capital assets for its governmental activities as of June 30, 2015 totals \$108,038 (net of accumulated depreciation). These assets include the financial software system, vehicles, furniture, fixtures, and equipment and leasehold improvements.

Budget Highlights for the Fiscal Year Ending June 30, 2016

An overall framework was developed to guide budget development and address the significant financial challenges facing Centralina. That framework includes the following:

- Increasing revenue by requesting direct payment of the match required from core Area Agency on Aging programs provided to member counties (\$150,000).
- Increasing revenue by basing dues payment on updated (2014) population estimates (\$17,000 increase over using the 2010 census data).
- Increased attention to recovering overhead costs through indirect cost payments from federal programs and updating Indirect Cost Recovery Plan to reflect these costs more accurately.
- Implementing disciplined budget and project management systems including "pre-audit" procedures to assure program cost recovery, project deliverables, proper and timely invoicing.
- Strategic and disciplined utilization of member dues to balance department budgets.
- Initiating search for replacement offices with a focus on significantly reducing occupancy costs. While this will not likely assist current year budget, steps taken now will provide the foundation for savings in future years. Current lease expires in May of 2018 but options are under review for early lease termination.
- Increased efforts to obtain private and foundation funding as well as competitive government grants for Centralina core initiatives.
- Expansion of services and programs that match our organization mission with full cost recovery. This will help us distribute our fixed costs.
- Aggressive efforts to reduce health care costs including change of providers.

Other efforts to balance budget have been systematically reviewed. One primary option is reduction of employees. This option works contrary to our business model since reduction of staff will result in fewer hours available to complete grant work assigned to Centralina. Since the billed hours are fully reimbursed, no savings would be achieved. To complicate, the financial impact hours billed to these grants also permit charge for indirect costs (overhead). Because these costs are relatively fixed, decreasing the base to distribute fixed costs is counterproductive.

Centralina Council of Governments Management's Discussion and Analysis

The Budget for fiscal year ending June 30, 2016 (FY16) was prepared with a focus on diversification of services and revenues. Because Federal and State programs that provide a substantial base for the operations for Workforce Development and Area Agency on Aging were not finalized at the beginning of our fiscal year, the range of anticipated changes was reasonably accommodated. With the indeterminate implications of legislation at the federal, state and local level, the organization initiated efforts to expand services and programs as it moves forward. With a strategic focus on improving quality of life, growing the economy and jobs, and controlling the cost of government, Centralina plans to embark on several initiatives to address the workforce, changing demographics, transportation, water quality, air quality, and economic development issues on a regional scale. These efforts will be undertaken within the context of rebuilding fund balance so the organization can pursue specifically identified Board initiatives. Efforts also include development of foundation and private sector fundraising.

For FY16, the Centralina Workforce Development Board (WDB) will focus its energies and resources on specific goals and strategies/actions that will drive the Board's future work direction. These include the following:

- Implementation of Integrated Services Delivery (ISD) and Workforce Innovation and Opportunity Act (WIOA)
 - NCWorks - full implementation, usage by all partners
 - Enhanced employer and business services design
 - NCWorks Career Center certification by NC Department of Commerce for centers in all seven counties.
 - Localized branding and marketing with new NCWorks logo
 - Expanded coordination and collaboration with Charlotte and Gaston boards
 - Regional ISD Leadership Team and continued development of regional workforce plan in preparation for implementation of WIOA
- Focus on business services
 - Increase by 40% the number of area employers utilizing Centralina WDB business services
 - Implement new NCWorks Client Relation Management software system for WDB Business Services and for all area workforce system partners
 - Promote new Work Keys Profiler Assessments available for Centralina WDB staff to conduct
 - Ensure that at least 5 Work Keys profiles are performed by with profits to Centralina WDB
- Focus on youth services
 - Continue and expand Centralina WDB role as workforce intermediary for Pathways to Prosperity effort for Cabarrus, Iredell, and Rowan Counties
 - Implementation of Pathways to Prosperity effort/partnership with Anson, Union, and Mecklenburg Counties
 - Expand Teaching for Jobs initiative for Iredell County
 - Develop Toastmaster Club arrangements for all Centralina WDB counties for youth to participate and develop speaking and soft skills
 - Hold annual Youth Summit focused on developing the talent pipeline, work-based learning, and apprenticeships
- Communications and marketing of Centralina WDB and its services/products
 - Create brand awareness of Centralina Workforce Development Board and NCWorks Career Centers to at least 50% of employers and career seekers in the region by June 30, 2015
 - Increase registrations to Centralina WDB sponsored NCWorks Career Centers by 25%
 - Complete development of new Centralina WDB website, secure provider, and implement new site
 - Increase social media outreach by 30% via Twitter and Facebook posts from WDB events and live video feeds and YouTube uploads

Centralina Council of Governments Management's Discussion and Analysis

During FY16 Centralina Area Agency on Aging (CAAA) will work on the following initiatives:

- Procure Medicare certification for Centralina. This will allow Centralina to bill Medicare under Part B benefits for Diabetes Self-Management Program workshops for those referred by their physician and with Medicare insurance coverage.
- Procure American Association of Diabetes Educators (AADE) recognition for the Diabetes Self-Management Program. This allows CAAA to bill Medicare as an approved service.
- With three counties having higher than the 9% state average in Hispanic population, CAAA will continue to expand the Tomando Control de su Salud (Spanish Chronic Disease Self-Management Program). This crucial workshop provides skills to those in our community who are unable to manage their chronic condition on a daily basis.
- CAAA will continue to serve as the lead for the Centralina Volunteer Transportation Service (VTS). With a full-time Coordinator and Program Manager in place, recruitment and training of volunteers is a top priority. Since mid-year 2014, rides were provided in the counties in which there were certified volunteers. In order to expand into other counties, outreach efforts will continue. Grants will be submitted to NCDOT in November 2015 for continued funding.
- CAAA will apply for a second Senior Community Services Employment Program (SCSEP) grant through Senior Service America, Inc. This grant will more than double the number of clients that CAAA served in the prior year. CAAA will work on transitioning current clients, reassess clients for proper placement, acquiring new host agencies, and ensuring overall that the program is fully compliant. One new position will be filled to assist in this effort.
- CAAA will conduct a readiness assessment and receive training on My Care, My Choice, also known as the Veterans' Directed Home and Community-Based Services (VD-HCBS) program. This program maintains veterans in their own home with consumer-directed services in which they are provided a monthly budget to purchase care and supplies necessary to remain in their home. CAAA staff will be fully prepared when referrals begin from the Salisbury VA Medical Center.
- Increase communications and marketing efforts through rebranding the image of the AAA through evaluation of current "look", logo, mission statement, website and more. Bellaworks Web Design has begun working with CAAA staff to review website and logo.
- CAAA has been selected to serve as a research site for the Centers for Medicare and Medicaid Services (CMS) grant in which the current EBHP will be assessed for cost savings and effectiveness. The study is for a 12-month period and will be led by Westat, a research and consulting corporation. CAAA staff and EBHP Master Trainers will assist in serving as survey "proctors" to deliver and collect responses.

The Community and Economic Development Department (CED) will continue to implement and expand its local and regional activities in FY16, and provide integral economic component support to Centralina departments on a number of comprehensive regional project efforts during the coming year in collaboration with Centralina Economic Development Commission.

Anticipated focus and activities include the following:

- Facilitate increase of federal and state economic funds, grants, and investments for the region and increase federal funding and investments in our Economic Development District (EDD).
- Operationalize the regional Comprehensive Economic Development Strategy (CEDS) Plan 2012-2017 "Prosperity for Greater Charlotte"; Administer Centralina EDD under US Commerce Economic Development Administration guidelines.
- Manage implementation of goals and strategies in support of local and regional action plans.
- Grow and strengthen partnership network with regional county and city Economic Development entities and Workforce Boards through managing and implementing economic components of the NC Department of Commerce NC Tomorrow strategy and the "CONNECT Our Future" HUD Sustainable Communities Grant outcomes and future initiatives.

Centralina Council of Governments Management's Discussion and Analysis

- Maintain and support our regional advanced manufacturing initiative, "Minds That Manufacture," complete Centralina Investing in Manufacturing Community Partnership (IMCP) strategic plan, and pursue nationwide designation in federal IMCP Round 2 competitions.
- Promote the regional intermodal and freight mobility studies and support the "Logistics Alliance" initiative.
- Build strong relationships with federal and state officials through events, meetings, and fact-finding trips.
- Collaborate on projects with neighboring EDDs where regional issues are relevant to economic growth of our region.

The Planning Department will continue to implement and expand its local and regional planning activities in FY 16 and will be heavily involved in a number of regional initiatives during the coming year. Primary activities include the following:

- Begin development of the region's first Regional Freight Plan (expected completion December 15, 2016).
- Implement the Mobility Management and volunteer transportation program for the region.
- Develop a Healthy Communities project center to include an annual conference and health-related technical assistance to communities.
- Build regional capacity around scenario planning, CommunityViz, and return on investment tools. Use data to assist local governments in evaluating alternative growth patterns and the impacts on local government services, facilities, revenues, etc.
- Enhance existing and develop new services to meet local government needs, based on input received and data and tools created during the CONNECT Our Future project.
- Continue to staff and coordinate the Regional Conference of Mayors and city and county manager meetings and programs.
- Provide professional development, networking, and training opportunities for local government staff based on identified needs.
- Expand energy technical assistance services to local government and non-profit groups in helping find ways to reduce energy.
- Continue the agency's efforts to reduce dependence on petroleum through the US Department of Energy's Clean Cities Program, which is locally represented by the Centralina Clean Fuels Coalition.
- Continue to provide outreach and critical information to member governments on air quality issues.
- Continue to provide solid waste planning services and further seek opportunities to provide education and networking opportunities for regional solid waste officials as topics and needs emerge around recycling, composting, multi-jurisdictional collaboration, and related issues.
- Seek opportunities to address the most pressing water resource issues in our region through strategic partnerships and conversations with the multifarious organizations that have an interest in this topic.
- Continue to serve as staff to the Lake Wylie Marine Commission.

Centralina Council of Governments will move to implementation of programs developed within the context of **CONNECT Our Future** which was completed in FY15. This nationally recognized initiative produced a Regional Growth Framework along with over 60 best practice tools that have all been incorporated into an on-line toolkit.

- Develop, market, and implement technical services aligned with the CONNECT strategies including Community-Based Housing Strategy (Mooresville), Key Financial Strategies (Waxhaw), Downtown Development Services (Statesville, Bessemer City, and Salisbury), Healthy Communities (NC Chapter of the American Planning Association, Mecklenburg County).
- Continue with various technical studies undertaken with the CONNECT Our Future Workgroups.

Centralina Council of Governments Management's Discussion and Analysis

- Align the technical reports produced with the Preferred Growth Scenario.
- Continue to work with our member communities to ensure CONNECT Our Future accurately reflects the values embedded within each community and that communities have resources to implement the vision achieved through CONNECT.
- Continue and expand outreach to increase the CONNECT Consortium membership.
- Participate in other capacity building trainings/workshops targeted specifically for initiatives like CONNECT.
- Seek funding to transition CONNECT into implementation phase and align CONENCT vision with other region-wide planning initiatives.

The economic challenges the region has faced demanded a more disciplined approach to addressing regional issues. Centralina's staff will work closely with member governments to identify needs and to design solutions to address them. The staff will also work proactively to address any issues on the horizon for the region, particularly at the legislative level. These factors contribute to high expectations for the upcoming year.

Request for Information

This report is intended to provide a summary of the financial condition of Centralina Council of Governments. Questions or requests for additional information should be addressed to:

Marsha G. Sutton, Finance Director
Centralina Council of Governments
525 North Tryon Street, 12th Floor
Charlotte, NC 28202

Basic Financial Statements

Government-Wide Financial Statements

Centralina Council of Governments
Statement of Net Position
June 30, 2015

	<u>Primary Government</u>	<u>Component Unit</u>
	<u>Governmental Activities</u>	<u>Workforce Development Consortium</u>
ASSETS		
Current assets:		
Cash and investments	\$ 15,817	\$ -
Designated assets:		
Cash and investments	324,918	-
Receivables, net	8,474	-
Due from primary government	-	206,281
Due from other governments	1,855,274	564,857
Prepayments	2,477	-
Total current assets	<u>2,206,960</u>	<u>771,138</u>
Noncurrent assets:		
Net pension asset	240,911	-
Capital assets:		
Equipment, net of depreciation	<u>108,038</u>	<u>-</u>
Total assets	<u>2,555,909</u>	<u>771,138</u>
DEFERRED OUTFLOWS OF RESOURCES		
Contributions to pension plan in current fiscal year	<u>199,482</u>	<u>-</u>

See accompanying notes.

	<u>Primary Government</u>	<u>Component Unit</u>
	<u>Governmental Activities</u>	<u>Workforce Development Consortium</u>
LIABILITIES		
Current liabilities:		
Accounts and grants payable	\$ 1,514,574	\$ 732,293
Accrued liabilities	139,097	-
Due to component unit	206,281	-
Current portion of long term obligations	<u>348,086</u>	<u>-</u>
Total current liabilities	2,208,038	732,293
Noncurrent liabilities:		
Noncurrent portion of long term obligations	<u>272,304</u>	<u>-</u>
Total liabilities	<u>2,480,342</u>	<u>732,293</u>
DEFERRED INFLOWS OF RESOURCES		
Unearned revenue	216,547	38,845
Pension deferrals	<u>568,748</u>	<u>-</u>
Total deferred inflows of resources	<u>785,295</u>	<u>38,845</u>
NET POSITION		
Net investment in capital assets	55,906	-
Restricted:		
Stabilization by State Statute	595,871	-
Unrestricted	<u>(1,162,023)</u>	<u>-</u>
Total net position	<u>\$ (510,246)</u>	<u>\$ -</u>

Centralina Council of Governments
Statement of Activities
Year Ended June 30, 2015

<u>Functions / Programs</u>	<u>Expenses</u>	<u>Indirect Expenses Allocation</u>
Primary government:		
Governmental activities:		
General government	\$ 1,657,633	\$ (1,665,346)
Transportation	205,435	112,260
Environmental protection	144,620	85,651
Economic and physical development	1,764,825	548,704
Human services	11,684,488	627,320
Workforce development	713,790	291,411
Interest	1,721	-
Total primary government	<u>\$ 16,172,512</u>	<u>\$ -</u>
Component unit:		
Workforce development Consortium	<u>\$ 5,479,786</u>	
Total component unit	<u>\$ 5,479,786</u>	

See accompanying notes.

Exhibit B

Program Revenues		Net Revenue (Expense) and Changes in Net Position	
		Primary Government	Component Unit
Charges for Services	Operating Grants and Contributions	Governmental Activities	Workforce Development Consortium
\$ 44,405	\$ 97,873	\$ 149,991	\$ -
-	228,303	(89,392)	-
10,905	178,871	(40,495)	-
347,643	970,228	(995,658)	-
171,368	12,156,979	16,539	-
-	1,005,201	-	-
-	-	(1,721)	-
<u>\$ 574,321</u>	<u>\$ 14,637,455</u>	<u>(960,736)</u>	<u>\$ -</u>
<u>\$ -</u>	<u>\$ 5,479,786</u>	<u>-</u>	<u>\$ -</u>
<u>\$ -</u>	<u>\$ 5,479,786</u>	<u>-</u>	<u>\$ -</u>

General revenues:

Member dues and contributions	749,225
Unrestricted investment earnings	289
Miscellaneous, unrestricted	244

Total general revenues 749,758

Change in net position (210,978)

Net position - beginning, previously reported 8,851

Restatement (308,119)

Net position - beginning, restated (299,268)

Net position - ending \$ (510,246)

Fund Financial Statements

**Centralina Council of Governments
Balance Sheet - Governmental Funds
June 30, 2015**

Exhibit C

	<u>Major Funds</u>		<u>Total Governmental Funds</u>
	<u>General</u>	<u>Special Revenue Fund</u>	
ASSETS			
Cash and investments	\$ 12,976	\$ 2,841	\$ 15,817
Designated assets:			
Cash and investments	324,918	-	324,918
Receivables	8,474	-	8,474
Due from other governments	587,397	1,267,877	1,855,274
Prepayments	2,477	-	2,477
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 936,242</u>	<u>\$ 1,270,718</u>	<u>\$ 2,206,960</u>
LIABILITIES			
Accounts and grants payable	\$ 245,777	\$ 1,268,797	\$ 1,514,574
Due to component unit	206,281	-	206,281
Accrued liabilities	139,097	-	139,097
	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>591,155</u>	<u>1,268,797</u>	<u>1,859,952</u>
DEFERRED INFLOWS OF RESOURCES			
Unearned revenue	214,626	1,921	216,547
	<u> </u>	<u> </u>	<u> </u>
Total deferred inflows of resources	<u>214,626</u>	<u>1,921</u>	<u>216,547</u>
FUND BALANCES			
Nonspendable:			
Prepayments	2,477	-	2,477
Restricted:			
Stabilization by state statute	595,871	-	595,871
Assigned:			
Accrued vacation and sick leave	324,918	-	324,918
Unassigned	(792,805)	-	(792,805)
	<u> </u>	<u> </u>	<u> </u>
Total fund balances	<u>130,461</u>	<u>-</u>	<u>130,461</u>
	<u> </u>	<u> </u>	<u> </u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 936,242</u>	<u>\$ 1,270,718</u>	<u>\$ 2,206,960</u>

See accompanying notes.

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE
SHEET TO THE STATEMENT OF NET POSITION**

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

Ending fund balance - governmental funds	\$	130,461
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds		108,038
Net pension asset		240,911
Contributions to the pension plan in the current fiscal year are deferred outflows of resources on the Statement of Net Position		199,482
Some liabilities are not due and payable in the current period and therefore are not reported in the funds:		
Obligations under capital lease		(52,132)
Net OPEB obligation		(59,376)
Accrued vacation and sick leave		(324,918)
Accrued rent		(183,964)
Pension-related deferrals		(568,748)
		<hr/>
Net position of governmental activities	\$	<u>(510,246)</u>

Centralina Council of Governments
Statement of Revenues, Expenditures and Changes in Fund Balances -
Governmental Funds
Year Ended June 30, 2015

Exhibit D

	<u>Major Funds</u>		<u>Total Governmental Funds</u>
	<u>General</u>	<u>Special Revenue Fund</u>	
Revenues:			
Restricted intergovernmental revenues	\$ 4,334,024	\$ 10,037,008	\$ 14,371,032
Technical assistance contracts	343,309	-	343,309
Contracts and fees	17,984	-	17,984
Other program revenue	83,688	-	83,688
Interest and other	396,296	-	396,296
Member dues and contributions	749,225	-	749,225
Total revenues	<u>5,924,526</u>	<u>10,037,008</u>	<u>15,961,534</u>
Expenditures:			
Current:			
General government	147,872	-	147,872
Transportation	317,695	-	317,695
Environmental protection	230,271	-	230,271
Economic and physical development	2,313,529	-	2,313,529
Human services	2,274,800	10,037,008	12,311,808
Workforce development	1,005,201	-	1,005,201
Total expenditures	<u>6,289,368</u>	<u>10,037,008</u>	<u>16,326,376</u>
Revenues under expenditures and net change in fund balance	(364,842)	-	(364,842)
Fund balances - July 1	<u>495,303</u>	<u>-</u>	<u>495,303</u>
Fund balances - June 30	<u>\$ 130,461</u>	<u>\$ -</u>	<u>\$ 130,461</u>

**Centralina Council of Governments
Statement of Revenues, Expenditures and Changes in Fund Balances -
Governmental Funds
Year Ended June 30, 2015**

**Exhibit D
(Continued)**

**Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balance of Governmental Funds to
the Statement of Activities**

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

Net change in fund balances - total governmental funds.	\$ (364,842)
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. This is the amount by which depreciation expense exceeds capital outlays in the current period.	(13,164)
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	181,071
The recording of the annual required contribution for Other Post-Employment Benefits.	(14,032)
Rent expenditures are reported based on when payments are due in governmental funds. Rent expense is reported based on the total rent expense allocated over the entire lease period in the Statement of Activities. This is the amount by which rent expenditures exceed rent expense.	44,028
Pension expense	(1,305)
The recording of the net adjustment to the obligation for compensated absences.	(19,748)
The incurrence of capital lease obligations provides current financial resources to governmental funds, while the repayment of the principal of capital lease obligations consumes the current financial resources of governmental funds. Neither transaction has any effect on net assets. This is the amount by which capital lease obligations incurred exceed principal payments made under capital lease obligations.	(22,986)
Change in net assets of governmental activities	<u>\$ (210,978)</u>

Centralina Council of Governments
Statement of Revenues, Expenditures and Changes in Fund Balance -
Annual Budget and Actual - General Fund
Year Ended June 30, 2015

Exhibit E

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Restricted intergovernmental revenues	\$ 5,092,156	\$ 5,155,871	\$ 4,334,024	\$ (821,847)
Technical assistance contracts	421,943	432,357	343,309	(89,048)
Contracts and fees	19,947	18,000	17,984	(16)
Other program revenue	245,131	262,899	83,688	(179,211)
Interest and other	53,000	98,000	396,296	298,296
Member dues and contributions	726,252	726,252	749,225	22,973
Total revenues	<u>6,558,429</u>	<u>6,693,379</u>	<u>5,924,526</u>	<u>(768,853)</u>
Expenditures:				
Current:				
General government:				
Board, executive committee and committees	232,123	197,123	191,428	5,695
Management and business operations	1,477,238	1,595,432	1,669,745	(74,313)
Indirect costs representation	<u>(1,791,258)</u>	<u>(1,832,839)</u>	<u>(1,713,301)</u>	<u>(119,538)</u>
Total general government	<u>(81,897)</u>	<u>(40,284)</u>	<u>147,872</u>	<u>(188,156)</u>
Transportation:				
Planning assistance and administration	<u>288,395</u>	<u>296,966</u>	<u>317,695</u>	<u>(20,729)</u>
Total transportation	<u>288,395</u>	<u>296,966</u>	<u>317,695</u>	<u>(20,729)</u>
Environmental protection				
Planning assistance and administration	<u>209,034</u>	<u>215,247</u>	<u>230,271</u>	<u>(15,024)</u>
Total environmental protection	<u>209,034</u>	<u>215,247</u>	<u>230,271</u>	<u>(15,024)</u>
Economic and physical development:				
Planning assistance and administration	413,912	426,215	455,964	(29,749)
Economic program initiative Sustainable Communities Initiative	1,550,935	1,238,913	1,117,057	121,856
Information technology and data service	<u>219,456</u>	<u>201,558</u>	<u>64,212</u>	<u>137,346</u>
Total economic and physical development	<u>2,774,652</u>	<u>2,578,280</u>	<u>2,313,529</u>	<u>264,751</u>
Human services:				
Area agency on aging	1,912,896	2,304,385	2,274,800	29,585
Workforce development	<u>1,455,349</u>	<u>1,338,785</u>	<u>1,005,201</u>	<u>333,584</u>
Total expenditures	<u>6,558,429</u>	<u>6,693,379</u>	<u>6,289,368</u>	<u>404,011</u>
Revenues under expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>(364,842)</u>	<u>\$ (364,842)</u>
Fund balances - July 1			<u>495,303</u>	
Fund balances - June 30			<u>\$ 130,461</u>	

See accompanying notes.

Notes to Financial Statements

1. Summary of Significant Accounting Policies

The accounting policies of Centralina Council of Governments and its discretely presented component unit conform to generally accepted accounting principles as applicable to governments. Significant accounting policies are as follows:

Reporting entity

Centralina Council of Governments (the "Council") is a public authority which is governed by a 66 member Board of Delegates. As required by generally accepted accounting principles, these financial statements present the Council and its component units, legally separate entities for which the Council is financially accountable. The Centralina Workforce Development Consortium, a discretely presented component unit, is reported in a separate column in the Council's financial statements in order to emphasize that it is legally separate from the Council. Centralina Foundation, Inc. and Centralina Economic Development Commission, Inc. are presented as blended component units. The blended presentation method presents component units as a department of the Council and offers no separate presentation as with the discrete method.

Centralina Workforce Development Consortium

The Council does not appoint the governing board of the Centralina Workforce Development Consortium (the "Consortium"); however, the seven members of the Consortium are members of the Council. The Council provides all managerial and accounting functions for the Consortium under an administrative agreement, which includes the preparation and adoption of budgets. Title to all assets and liabilities of the Consortium are held by the Council. Also, the Consortium is for the benefit of the residents of seven of the nine counties comprising the geographic area served by the Council. The Consortium does not issue separate financial statements.

Centralina Foundation, Inc.

The governing board of Centralina Foundation, Inc. (the "Foundation") is comprised of the officers and Executive Director of the Council. The Foundation is a nonprofit corporation organized to facilitate, plan, develop and coordinate innovative regional public service planning in areas of public concern including transportation, air and water quality, public health and safety, and to further the common good and general welfare of the people in and around the southern piedmont region of North Carolina. The Foundation does not issue separate financial statements.

Centralina Economic Development Commission, Inc.

The governing board of Centralina Economic Development Commission, Inc. (the "Commission") is appointed by the Executive Committee of the Council. The Commission is a nonprofit corporation organized to facilitate, plan and coordinate innovative regional economic development, promote new and effective thinking and action, including federal, state and local legislation, to facilitate regional economic development in and around the southern piedmont region of North Carolina. The Commission does not issue separate financial statements.

Centralina Council of Governments Notes to Financial Statements

Centralina Connection, Inc.

The governing board of Centralina Connection, Inc. is appointed by its nominating committee. Centralina Connection is a nonprofit corporation organized to coordinate and work with volunteers and funding streams to promote independence by offering transportation service to and engagement of primarily older adults, persons with disabilities and veterans, and to provide access to resources in the community through collaborating with existing agents. Centralina Connection does not issue separate financial statements.

Basis of presentation

Government-wide statements - The Statement of Net Position and the Statement of Activities display information about the primary government and its component units. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. These statements display the governmental activities of the Council. Governmental activities generally are financed through assessments, intergovernmental revenues and other non-exchange transactions.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the Council's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational requirements of a particular program. Revenues that are not classified as program revenues, including member dues, are presented as general revenues.

Fund financial statements - The fund financial statements provide information about the Council's funds. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column.

The Council reports the following major governmental funds:

General Fund

The General Fund is the general operating fund of the Council. The General Fund accounts for all financial resources except those that are required to be accounted for in another fund. The primary revenue sources are federal and state restricted intergovernmental revenues, technical assistance contracts, contracts and fees, and member dues and contributions. The primary expenditures are for general government, economic and physical development, human services and workforce development.

Special Revenue Fund

This fund is used to account for certain grant funds that are restricted for use for a particular purpose.

Measurement focus and basis of accounting

In accordance with North Carolina General Statutes, all funds of the Council are maintained during the year using the modified accrual basis of accounting.

Government-wide financial statements - The government-wide financial statements are reported using the economic resources measurement focus. The government-wide financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the Council gives (or receives) value without directly receiving (or giving) equal value in exchange, include grants. Revenue from grants is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Amounts reported as program revenues include: (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all assessments.

Centralina Council of Governments Notes to Financial Statements

Governmental fund financial statements - Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

The Council considers all revenues available if they are collected within ninety days after year-end.

Those revenues susceptible to accrual are member dues and contributions, investment earnings, technical assistance contracts, contracts and fees, and federal and state restricted intergovernmental revenues. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been satisfied.

All governmental activities of the Council follow FASB Statements and Interpretations issued on or before November 30, 1989, Accounting Principles Board Opinions, and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements.

Budgetary data

The Council's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund. All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for the Special Revenue Fund and the Component Unit. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the object level for the multi-year funds. Any revisions that alter total expenditures of any fund must be approved by the Board of Delegates. During the year, several amendments to the original budget were necessary.

The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

Allocation of indirect costs

Indirect costs are allocated to all cost centers, including grants, based upon actual expenditures and depreciation, in accordance with Office of Management and Budget Circular A-87. Indirect costs necessary to sustain overall operations are allocated as a percentage of total direct labor costs and employee benefits charged to cost centers.

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 and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses or expenditures during the reporting period. Actual results could differ from those estimates.

Deposits and investments

All deposits of the Council are made in board-designated official depositories and are secured as required by state law [G.S. 159-31]. The Council may designate, as an official depository, any bank or savings association whose principal office is located in North Carolina. Also, the Council may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts and certificates of deposit.

**Centralina Council of Governments
Notes to Financial Statements**

State law [G.S. 159-30(c)] authorizes the Council to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the state of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and banker's acceptances; and the North Carolina Capital Management Trust (NCCMT).

The Council's investments with a maturity of more than one year at acquisition and non-money market investments are reported at fair value as determined by quoted market prices. The securities of the NCCMT Cash Portfolio, a SEC-registered (2a7) money market mutual fund, are valued at fair value, which is the NCCMT's share price. The NCCMT Term Portfolio's securities are valued at fair value.

Designated assets

Designated assets include assets set aside by the Board of Delegates for the payment of accrued vacation and sick leave.

Allowances for doubtful accounts

Receivables are reported at net realizable value; therefore, they are shown net of allowance for doubtful accounts where applicable. The allowance is an estimate of the uncollectible amount based on management's experience and knowledge.

Prepayments

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements and reported as expenses or expenditures as the items are used.

Capital assets

Capital assets are defined by the Council as assets with an initial, individual cost greater than or equal to \$5,000 and an estimated useful life in excess of two years. Purchased or constructed capital assets are reported at cost. Donated capital assets are recorded at their estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend assets lives are not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Furniture and equipment	10 years
Computer equipment and software	3 years

Long-term obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column of the Statement of Net Position.

In fund financial statements, the face amount of debt issued is reported as other financing sources, and debt payments are reported as expenditures in the period in which they are paid.

Compensated absences

The vacation policy of the Council provides for the accumulation of earned vacation leave up to maximum amounts determined by length of service with such leave being fully vested when earned. The Council's sick leave policy provides for an unlimited accumulation of earned sick leave. Upon termination of employment, employees may elect to receive payment for up to one-third of earned sick leave, not to exceed 15 days of pay.

Deferred outflows/inflows of resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. The separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Council has one item that meets the criterion for this category, contributions made to the pension plan in the 2015 fiscal year. In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Council has two items that meet the criterion for this category, deferred/unearned revenue, which represents grant receipts not yet earned (not expended) and prepayments of certain other revenues, and deferrals of pension expense that result from the implementation of GASB Statement 68.

Net position/fund balances

Net position in government-wide financial statements is classified as net investment in capital assets, restricted, and unrestricted. Restricted net position represents constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through state statute.

In the governmental fund financial statements, fund balance is composed of five classifications designed to disclose the hierarchy of constraints placed on how fund balance can be spent. The governmental fund types classify fund balances as follows:

Nonspendable fund balance - This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Prepayments - portion of fund balance that is not available for appropriation because it represents the year-end balance of prepayments which are not expendable, available resources.

Restricted fund balance - This classification includes revenue sources that are restricted to specific purposes externally imposed by creditors or imposed by law.

Restricted for Stabilization by State Statute - portion of fund balance that is restricted by State Statute [G.S. 159-8(a)].

Assigned fund balance - This classification includes the portion of fund balance constrained by the Council's intent to be used for specific purposes, but is neither restricted nor committed.

Accrued Vacation and Sick Leave - portion of fund balance that has been budgeted by the board to cover leave obligations.

Unassigned fund balance - This classification includes the portion of fund balance that has not been reported in any other classification.

**Centralina Council of Governments
Notes to Financial Statements**

The following schedule provides management and members with information on the portion of General fund balance available for appropriation:

Total fund balance - General Fund	\$	130,461
Less:		
Prepayments		(2,477)
Stabilization by state statute		(595,871)
Assigned		<u>(324,918)</u>
Available for appropriation (deficit)	\$	<u>(792,805)</u>

The Council has a revenue spending policy that provides policy for programs with multiple revenue sources. The Finance Officer will use resources in the following hierarchy: proportionally as dictated by the grant, federal funds, state funds, local non-council funds, Council funds. For the purposes of fund balance classification expenditures are to be spent from restricted fund balance first, followed in order by committed fund balance, assigned fund balance and lastly unassigned fund balance. The Finance Officer has the authority to deviate from this policy if it is in the best interest of the Council.

The Council has also adopted a minimum fund balance policy for the General Fund which instructs management to conduct the business of the Council in such a manner that available fund balance is at least 15% of budgeted expenditures. If the fund balance exceeds 30% of budgeted expenditures, the Council's Executive Committee or Executive Director will identify opportunities to use "excess" fund balance to provide additional services to members, enhance service delivery, or adjust dues for members.

Pensions

For purposes of measuring the net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Local Governmental Employees' Retirement System (LGERS) and additions to/deductions from LGERS' fiduciary net position have been determined on the same basis as they are reported by LGERS. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The Council's employer contributions are recognized when due and the Council has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of LGERS. Investments are reported at fair value.

2. Stewardship, Compliance and Accountability

Deficit in net position

At June 30, 2015 the Council had a deficit in net position of \$510,246 due to expenditures in excess of appropriations and the implementation of GASB 68. In order to eliminate this deficit the Executive Management, Staff, and Council have implemented a plan to reduce fixed expenses and increase revenue streams through diversification as well as installed a software expense control feature which would alert budget managers and finance at the 90% of budget level and stop expenses entirely once 100% of budget is met. This feature will be used to require each budget manager to submit new funding sources when submitting requests for additional budget expenditures.

Excess of expenditures over appropriations

For the fiscal year ended June 30, 2015, the expenditures made in the Council's general fund exceeded the authorized appropriations made by the governing board for general government activities by \$188,156, transportation activities by \$20,729 and environmental activities by \$15,024. As indicated in the Deficit in Net Position note, the implementation of an expenditure control feature along with additional monitoring processes

**Centralina Council of Governments
Notes to Financial Statements**

have been implemented to prevent this from occurring in the future. The budget managers and finance staff have been tasked with constantly monitoring budget revenues and expenditures.

3. Deposits

All of the Council's deposits are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage are collateralized with securities held by the Council's agent in the Council's name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Council for the Council, these deposits are considered to be held by the Council's agent in the Council's name. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Council or the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the Council under the Pooling Method, the potential exists for under-collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Council has no formal policy regarding custodial risk for deposits, but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The Council complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2015, the Council's deposits had a carrying amount of \$308,347 and a bank balance of \$773,053. Of the bank balance, \$250,000 was covered by federal depository insurance; any amounts in excess of \$250,000 were covered by collateral held under the Pooling Method.

4. Investments

At June 30, 2015, the Council's investments consisted of \$32,388 in the North Carolina Capital Management Trust's Cash Portfolio, which carried a credit rating of AAAm by Standard and Poor's. The Council has no policy on credit risk.

5. Receivables

Receivables at the government-wide level consisted of the following at June 30, 2015:

	Due from Other Governments	Other
	<u> </u>	<u> </u>
Governmental activities:		
General	\$ 587,397	\$ 8,474
Special revenue	<u>1,267,877</u>	<u>-</u>
	<u>\$ 1,855,274</u>	<u>\$ 8,474</u>
Workforce Development Consortium	<u>\$ 564,857</u>	<u>\$ -</u>

**Centralina Council of Governments
Notes to Financial Statements**

Due from other governments consisted of the following at June 30, 2015:

	<u>Governmental Activities</u>	<u>Workforce Development Consortium</u>
Receivables under expenditure-driven grants	\$ 1,728,036	\$ 564,857
Technical assistance contracts	79,074	-
Sales tax	<u>48,164</u>	<u>-</u>
	<u>\$ 1,855,274</u>	<u>\$ 564,857</u>

6. Capital Assets

The following is a summary of capital asset activity for the year ended June 30, 2015:

	<u>Balance June 30, 2014</u>	<u>Balance June 30, Increases</u>	<u>Decreases</u>	<u>Balance, June 30, 2015</u>
Capital assets being depreciated				
Furniture, fixtures and equipment, and leasehold improvements	\$ 757,399	\$ 35,679	\$ 11,447	\$ 781,631
Less accumulated depreciation	<u>636,198</u>	<u>48,842</u>	<u>11,447</u>	<u>673,593</u>
Governmental activities capital assets, net	<u>\$ 121,201</u>	<u>\$ (13,163)</u>	<u>\$ -</u>	<u>\$ 108,038</u>

Depreciation expense was charged to indirect cost in the amount of \$48,842.

7. Accounts and Grants Payable

Accounts and grants payable at the government-wide level consisted of the following at June 30, 2015:

	<u>Vendors</u>	<u>Subrecipients</u>	<u>Other</u>	<u>Total</u>
Governmental activities:				
General	\$ 245,777	\$ -	\$ -	\$ 245,777
Special revenue	<u>-</u>	<u>1,268,797</u>	<u>-</u>	<u>1,268,797</u>
	<u>\$ 245,777</u>	<u>\$ 1,268,797</u>	<u>\$ -</u>	<u>\$ 1,514,574</u>
Workforce Development Consortium	<u>\$ -</u>	<u>\$ 732,293</u>	<u>\$ -</u>	<u>\$ 732,293</u>

The "other" accounts and grants payable in the Workforce Development Consortium consists of grant revenues in excess of expenditures.

8. Accrued Liabilities

The following is a summary of accrued liabilities for governmental activities and the General Fund at June 30, 2015:

Accrued salaries	\$ <u>139,097</u>
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9. Pension Plan Obligations

Local governmental employees' retirement system

Plan description. Centralina Council of Governments is a participating employer in the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the state of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members - nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The LGERS is included in the Comprehensive Annual Financial Report (CAFR) for the state of North Carolina. The state's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at www.osc.nc.gov.

Benefits provided. LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service. Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age (15 years of creditable service for firefighters and rescue squad members who are killed in the line of duty) or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Council employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. Centralina's contractually required contribution rate for the year ended June 30, 2015, was 7.07% for general employees, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from Centralina were \$181,071 for the year ended June 30, 2015.

Refunds of contributions - Council employees who have terminated service as a contributing member of LGERS, may file an application for a refund of their contributions. By state law, refunds to members with at least five years of service include 4% interest. State law requires a 60 day waiting period after service termination before the refund may be paid. The acceptance of a refund payment cancels the individual's right to employer contributions or any other benefit provided by LGERS.

**Centralina Council of Governments
Notes to Financial Statements**

Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions

At June 30, 2015, the Council reported an asset of \$240,911 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2014. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2013. The total pension liability was then rolled forward to the measurement date of June 30, 2014 utilizing update procedures incorporating the actuarial assumptions. The Council's proportion of the net pension asset was based on a projection of the Council's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2014, the Council's proportion was 0.041%, which did not change from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the Council recognized pension expense of \$1,306. At June 30, 2015, the Council reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 26,324
Net difference between projected and actual earnings on pension plan investments	-	542,424
Changes in proportion and differences between Council contributions and proportionate share of contributions	18,411	-
Town contributions subsequent to the measurement date	<u>181,071</u>	<u>-</u>
Total	<u>\$ 199,482</u>	<u>\$ 568,748</u>

\$199,482 reported as deferred outflows of resources related to pensions resulting from Council contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2016. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30:</u>	
2016	\$ (142,192)
2017	(142,192)
2018	(142,192)
2019	<u>(142,172)</u>
Total	<u>\$ (568,748)</u>

Actuarial assumptions. The total pension liability in the December 31, 2013 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	4.25 to 8.55 percent, including inflation and productivity factor
Investment rate of return	7.25 percent, net of pension plan investment expense, including inflation

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The plan currently uses mortality tables that vary by age, gender, employee group (i.e., general, law enforcement officer) and health status (i.e., disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2013 valuation were based on the results of an actuarial experience study for the period January 1, 2005 through December 31, 2009.

Future ad hoc COLA amounts are not considered to be substantively automatic and are therefore not included in the measurement.

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections 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. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2014 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed income	36.0%	2.5%
Global equity	40.5%	6.1%
Real estate	8.0%	5.7%
Alternatives	6.5%	10.5%
Credit	4.5%	6.8%
Inflation protection	4.5%	3.7%
Total	<u>100.0%</u>	

The information above is based on 30 year expectations developed with the consulting actuary for the 2013 asset liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.19%. All rates of return and inflation are annualized.

A new asset allocation policy was finalized during the fiscal year ended June 30, 2014 to be effective July 1, 2014. The new asset allocation policy utilizes different asset classes, changes in the structure of certain asset classes, and adopts new benchmarks. Using the asset class categories in the preceding table, the new long-term expected arithmetic real rates of return are: Fixed Income 2.2%, Global Equity 5.8%, Real Estate 5.2%, Alternatives 9.8%, Credit 6.8% and Inflation Protection 3.4%.

Discount rate. The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term

**Centralina Council of Governments
Notes to Financial Statements**

expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Council's proportionate share of the net pension asset to changes in the discount rate. The following presents the Council's proportionate share of the net pension asset calculated using the discount rate of 7.25 percent, as well as what the Council's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.25 percent) or one percentage point higher (8.25 percent) than the current rate:

	<u>1% Decrease (6.25%)</u>	<u>Discount Rate (7.25%)</u>	<u>1% Increase (8.25%)</u>
Council's proportionate share of the net pension liability (asset)	\$ <u>817,757</u>	\$ <u>(240,911)</u>	\$ <u>(1,132,276)</u>

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued Comprehensive Annual Financial Report (CAFR) for the State of North Carolina.

10. Supplemental Retirement Income Plan

Plan description. The Council contributes to the Supplemental Retirement Income Plan (SRI Plan), a defined contribution plan administered by the Department of the State Treasurer and a Board of Trustees. The SRI Plan provides retirement benefits to all permanent full-time Council employees. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

Funding policy. The Council contributes each month 3.0% of each employee's salary. All amounts contributed are vested immediately. Also, employees may make voluntary contributions to the SRI Plan. Contributions from employees and the Council for the years ended June 30, 2015 amounted to \$77,481 and \$61,138, respectively.

11. Deferred Compensation Plan

Plan description. The Council provides employees the opportunity to defer current compensation under a 457 plan administered by the Department of the State Treasurer and a Board of Trustees. The deferred compensation plan provides retirement benefits to full-time, part-time, and temporary employees. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

Funding policy. The Council does not contribute to the plan, but submits contributions on behalf of employees through payroll deductions. Contributions from employees for the year ended June 30, 2015 amounted to \$23,809.

12. Postemployment Healthcare Benefits

Plan Description. Under the terms of the Council's personnel policy manual, the Council administers a single-employer defined benefit Healthcare Benefits Plan (HCB Plan). The HCB Plan provides postemployment healthcare benefits to retirees of the Council, provided they participate in the North Carolina Local Governmental Employees' Retirement System (System) and have at least five years of creditable service with the Council.

**Centralina Council of Governments
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The Council will continue to make available group hospitalization insurance to those employees on the same basis as if they were still employed, provided retired employees are permitted by the insurance company to continue receiving coverage at the group rate.

The contribution by Centralina toward the retirees' cost for such group hospitalization coverage shall be determined by taking the premium which would be charged the retiree, adjusted from time to time, had he or she remained an active employee (hereinafter the "active employee premium amount") and multiplying the active employee premium amount by a percentage determined as follows:

1. If the retiree has fifteen (15) years of service, the applicable percentage is fifty (50%) percent.
2. If the retiree has completed more than fifteen (15) years, the percentage is increased by two (2%) percent for each full year of completed service in excess of fifteen (15) years.
3. If the employee has less than fifteen (15) years of service as his or her retirement date, no portion of the employee's health insurance premium will be paid by Centralina.
4. The retiring employee will be responsible for payment of the "retired employee premium amount," established by the North Carolina League of Municipalities.

Dependent coverage may also be added at the option and cost of the employee prior to retirement.

This group policy will be made available to the retirees until they are eligible for Medicare coverage. Upon termination of the Master Group Contract, retirees would not be eligible to convert to non-group, except as provided under the North Carolina continuation/conversion law.

The Council obtains healthcare coverage through the Municipal Insurance Trust administered by the North Carolina League of Municipalities. Currently, three retirees are eligible for postretirement healthcare benefits.

Membership of the HCB Plan consisted of the following at December 31, 2014, the date of the latest actuarial valuation:

	General Employees
Retirees and dependents receiving benefits	4
Active plan members	40
Total	44

Funding policy. The Council pays the cost of coverage for the healthcare benefits paid for qualified retirees (at the active employee rate) under a resolution that can be amended by the Board of Delegates. The Council has chosen to fund the healthcare benefits on a pay as you go basis.

The current ARC rate is 1.34% of annual covered payroll. The Council contributed \$22,028 to the HCB Plan for the year ended June 30, 2015. There were no contributions made by employees. The Council's obligation to contribute to the HCB Plan is established and may be amended by the Board of Delegates.

Summary of significant accounting policies. Postemployment expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting. No funds are set aside to pay benefits and administration costs. These expenditures are paid as they come due.

Centralina Council of Governments
Notes to Financial Statements

Annual OPEB cost and net OPEB obligation. The Council's annual OPEB cost (expense) is calculated based on the *annual required contribution of the employer (ARC)*, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the Council's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Council's net OPEB obligation for the healthcare benefits:

Annual required contribution	\$ 35,979
Interest on net OPEB obligation	1,814
Adjustment to annual required contribution	<u>(1,733)</u>
Annual OPEB cost (expense)	36,060
Contributions made	<u>(22,028)</u>
Increase in net OPEB obligation	14,032
Net OPEB obligation, beginning of year	<u>45,344</u>
Net OPEB obligation, end of year	<u>\$ 59,376</u>

The Council's annual OPEB cost, the percentage of annual OPEB cost contributed to the HCB Plan, and the net OPEB obligation for the years ended June 30, 2015, 2014 and 2013 were as follows:

<u>Year Ended June 30</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2015	\$ 36,060	61%	\$ 59,376
2014	38,753	61%	45,344
2013	38,798	88%	30,416

Funded status and funding progress. As of December 31, 2014, the most recent actuarial valuation date, the HCB Plan was not funded. The actuarial accrued liability for benefits and, thus, the unfunded actuarial accrued liability (UAAL) was \$409,693. The covered payroll (annual payroll of active employees covered by the plan) was \$2,532,892, and the ratio of the UAAL to the covered payroll was 16.2%. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare trends. Amounts determined regarding the funded status of the Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial methods and assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the HCB Plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members at that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value assets, consistent with the long-term perspective of the calculations.

**Centralina Council of Governments
Notes to Financial Statements**

In the December 31, 2014 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.00% investment rate of return (net of administrative expenses), which is the expected long-term investment returns on the employer's own investments calculated based on the funded level of the Plan at the valuation date. The investment rate included a 3.00% inflation assumption. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2014 was 30 years.

13. Deferred Outflows/Inflows of Resources

Deferred outflows of resources is comprised solely of contributions to the pension plan in the current fiscal year in the amount of \$199,482.

The following is a summary of deferred inflows of resources at June 30, 2015:

	<u>Governmental Activities</u>	<u>Workforce Development Consortium</u>
Grant receipts not yet earned:		
Economic development projects	\$ 2,761	\$ -
Planning	60,501	-
Aging program-related grants	81,208	-
Workforce Development	-	38,845
General government	53,404	-
Centralina Foundation	14,871	-
Pension deferrals	568,748	-
Other	<u>3,802</u>	<u>-</u>
	<u>\$ 785,295</u>	<u>\$ 38,845</u>

14. Risk Management

The Council 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 Council participates in three self-funded risk-financing pools administered by the North Carolina Association of County Commissioners. Through these pools, the Council obtains property coverage equal to replacement cost values of owned property subject to a limit as outlined in the contract for any one occurrence with an annual aggregate of \$5 million for flood and earthquake, with other sub-limits for other coverage per the Council's contract. The Council also purchases general, auto, public officials and employment practices liability coverage of \$2 million per occurrence, auto physical damage coverage for owned autos at actual cash value and crime coverage of \$250,000 per occurrence. The pools are audited annually by certified public accountants, and the audited financial statements are available to the Council upon request.

In July 2005, the Council entered into an agreement with the North Carolina Interlocal Risk Management Agency and has agreed to pool the risk of its workers' compensation liabilities and payment of claims for employers' liability coverage pursuant to the provisions of the North Carolina General Statutes 160A-460. The Council's liability coverage limits are \$500,000 per accident for bodily injury by accident and \$500,000 per employee for bodily injury by disease, which includes a \$500,000 policy limit.

**Centralina Council of Governments
Notes to Financial Statements**

The Council carries commercial coverage for all other risks of loss. There have been no significant reductions in insurance coverage from the previous year, and settled claims have not exceeded coverage in any of the past three fiscal years.

In accordance with G.S. 159-29, the Council's employees that have access to \$100 or more at any given time of the Council's funds are performance bonded through a commercial surety bond. The finance officer and the executive director are individually bonded for \$100,000. The remaining employees who have access to funds are bonded under a blanket bond for \$2,000,000.

15. Long-Term Obligations

Capital leases

The Council has entered into agreements to lease certain equipment. The lease agreements qualify as capital leases for accounting purposes; therefore, the leases have been recorded at the present value of the future minimum lease payments as of the date of their inception.

A copier lease was entered into on October 1, 2009 and requires 60 monthly payments of \$971 each. Another lease agreement for a copier began on October 21, 2013 and requires 60 monthly payments of \$617 each. A third lease agreement for a copier began on August 29, 2014 and requires 60 monthly payments of \$810 each.

The following is a summary of assets recorded under capital leases at June 30, 2015:

	<u>Accumulated Cost</u>	<u>Net Book Depreciation</u>	<u>Value</u>
Copier	\$ 46,244	\$ 46,244	\$ -
Copier	30,000	10,000	20,000
Copier	<u>35,679</u>	<u>7,136</u>	<u>28,543</u>
	<u>\$ 111,923</u>	<u>\$ 63,380</u>	<u>\$ 48,543</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2015 were as follows:

<u>Year Ending June 30,</u>	
2016	\$ 17,128
2017	17,128
2018	17,128
2019	11,571
2020	<u>1,620</u>
Total minimum lease payments	64,575
Less: amount representing interest	<u>(12,443)</u>
Present value of minimum lease payments	<u>\$ 52,132</u>

Interest expense amounting to \$5,727 is included in indirect cost for the year ended June 30, 2015.

**Centralina Council of Governments
Notes to Financial Statements**

Changes in long-term liabilities

	<u>Balance July 1, 2014</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2015</u>	<u>Current Portion of Balance</u>
Governmental activities:					
Capitalized leases	\$ 29,146	\$ 35,679	\$ 12,693	\$ 52,132	\$ 11,873
Accrued vacation And sick leave	305,171	301,713	281,966	324,918	281,966
Accrued rent	227,992	-	44,028	183,964	54,247
Other postemployment healthcare benefits	45,344	36,060	22,028	59,376	-
	<u>\$ 607,653</u>	<u>\$ 373,452</u>	<u>\$ 360,715</u>	<u>\$ 620,390</u>	<u>\$ 348,086</u>

16. Operating Leases

The Council leased a postage machine under an operating lease with a five-year term on October 1, 2012. This agreement provided for quarterly rent payments of \$1,287.

The Council leases approximately 16,000 square feet of office space under an operating lease with an eight-year term ending May 2018. This lease agreement provides for monthly rental payments of \$25,126 during the first year of the lease with an increase of 3% each year thereafter. The agreement includes twelve months of rent abatement that will occur at various times through the calendar year 2013. The Council has an option to renew the lease agreement for an additional five years.

The following is a schedule by year of future minimum payments required under operating leases that have initial or remaining noncancelable lease terms in excess of one year as of June 30, 2015:

<u>Year Ending June 30,</u>	<u>Office Space</u>
2016	\$ 355,995
2017	366,520
2018	<u>325,757</u>
Total	<u>\$ 1,048,272</u>

Total rental expenditures for all operating leases except those with terms of one month or less amounted to \$345,776 for the year ended June 30, 2015.

17. Interfund Balances and Activity

The following is a summary of balances due to/from primary government and component unit as of June 30, 2015:

<u>Fund</u>	<u>Receivable</u>	<u>Payable</u>
Primary government:		
General Fund	\$ -	\$ 206,281
Component unit:		
Workforce Development Consortium	<u>206,281</u>	<u>-</u>
	<u>\$ 206,281</u>	<u>\$ 206,281</u>

18. Transactions with Component Unit

The Consortium focuses on developing a strong, trained, and effective workforce in its seven-county area. The Council provides administrative functions to the Consortium under an agreement. The Consortium reported expenses of \$1,005,201 and the Council reported revenues in the General Fund of the same amount for the year ended June 30, 2015.

19. Summary Disclosure of Significant Contingencies

Federal and state-assisted programs

The Council has received proceeds from several federal and state grants. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant monies to the grantor agencies. Management believes that any required refunds will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant monies.

Subcontractors

For a majority of the expenditures in the Workforce Investment Act (WIA) and Aging Programs, the Council contracts with other governments or local agencies to perform the specific services set forth in the grant agreements. The Council disburses grant funds to the agencies based on monthly expenditure and performance reports received from each agency.

WIA and Aging subcontractors are required to have an annual independent audit. The Council requires each agency to submit a copy of the audit reports. If such audits disclose expenditures not in accordance with terms of the grants, the grantor agency could disallow the costs and require reimbursement of the disallowed costs either from the Council or the delegate agency. The Council generally has the right of recovery from the subcontractors.

For the year ended June 30, 2015, agency costs of various amounts were disbursed for which the audits have not been received. Based on prior experience, management believes that the Council will not incur significant losses from possible grant disallowances.

20. Change in Accounting Principles/Restatement

The Council implemented Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions (an amendment of GASB Statement No. 27)*, in the fiscal year ended June 30, 2015. The implementation of the statement required the Council to record beginning net pension liability and the effects of net position of contributions made by the Council during the measurement period (fiscal year ended June 30, 2014). As a result, net position for the governmental activities decreased \$308,119 as of June, 30, 2014.

Required Supplementary Information

This section contains additional information required by generally accepted accounting principles.

- Other Postemployment Benefits - Schedule of Funding Progress
- Other Postemployment Benefits - Schedule of Employer Contributions
- Other Postemployment Benefits - Notes to the Required Schedules
- Schedule of the Proportionate Share of the Net Pension Liability (Asset) - Local Government Employees' Retirement System
- Schedule of Contributions - Local Government Employees' Retirement System

**Centralina Council of Governments
Other Postemployment Benefits
Required Supplementary Information
June 30, 2015**

This section contains additional information required by generally accepted accounting principles.

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
12/30/2008	\$ -	\$ 472,813	\$ 472,813	0.00%	\$ 2,192,300	21.6%
12/31/2011	-	481,680	481,680	0.00%	2,215,893	21.7%
12/31/2014	-	409,693	409,693	0.00%	2,532,892	16.2%

Schedule of Employer Contributions

Year Ended June 30,	Annual Required Contribution	Percentage Contributed
2012	\$ 38,753	97.7%
2013	38,753	87.8%
2014	38,753	61.5%
2015	35,979	61.2%

Notes to the Required Schedules

The information presented in the required supplementary schedules was determined as part of the actuarial valuation at the date indicated. Additional information as of the latest actuarial valuation follows:

Valuation date	12/31/2014
Actuarial cost method	Projected unit credit
Amortization method	Level percentage of pay, open
Remaining amortization period	30 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return*	4.0%
Medical cost trend rate*	None
*Includes inflation at	3%
Cost-of-living adjustments	None

**Centralina Council of Governments
Schedule of Proportionate Share of the Net Pension Liability (Asset)
Required Supplementary Information
Last Two Fiscal Years***

Local Government Employees' Retirement System

	<u>2015</u>	<u>2014</u>
Centralina's proportion of the net pension liability (asset) (%)	0.0410%	0.0410%
Centralina's proportion of the net pension liability (asset) (\$)	\$ (240,911)	\$ 490,591
Centralina's covered-employee payroll	\$ 2,532,892	\$ 2,580,938
Centralina's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	-9.51%	19.01%
Plan fiduciary net position as a percentage of the total pension liability	102.64%	94.35%

* The amounts presented for each fiscal year were determined as of the prior fiscal year ending June 30.

**Centralina Council of Governments
Schedule of Contributions
Required Supplementary Information
Last Two Fiscal Years**

Local Government Employees' Retirement System

	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 181,071	\$ 182,472
Contributions in relation to the contractually required contribution	<u>181,071</u>	<u>182,472</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Centralina's covered employee payroll	\$ 2,532,892	\$ 2,580,938
Contributions as a percentage of covered employee payroll	7.15%	7.07%

Individual Fund Statements and Schedules

General Fund

Centralina Council of Governments
General Fund
Indirect Cost Center - Computation of Indirect Cost Allocation Rate
Year Ended June 30, 2015

Schedule 2

Personal expenditures:		
Salaries	\$	537,779
Fringe benefits		281,450
		<u>819,229</u>
Operating expenditures:		
Audit		57,500
Auto expenditures		27,017
Bank service charges		2,674
Consultants		2,012
Contracted services		168,533
Events support		43,774
Fleet maintenance		11,742
Insurance		38,535
Interest		1,721
Legal		65,830
Memberships and dues		28,395
Miscellaneous		17,709
Postage		10,215
Printing and publications		10,554
Repairs and maintenance		6,278
Rent		404,388
Retiree health costs		20,539
Supplies		21,652
Telephone		18,128
Training		8,667
Travel		21,164
		<u>987,027</u>
Total indirect costs - unadjusted		1,806,256
Adjustment for depreciation expense		<u>48,843</u>
Total indirect costs - adjusted for depreciation expense	\$	<u>1,855,099</u>
Total personnel expenditures	\$	3,496,262
Less personnel expenditures in indirect cost pool		<u>819,229</u>
Total personnel expenditures earning indirect costs	\$	<u>2,677,033</u>

Centralina Council of Governments
General Fund
Indirect Cost Center - Computation of Indirect Cost Allocation Rate
Year Ended June 30, 2015

Schedule 2

(Continued)

	<u>Adjusted</u>
Allocation rate computation:	
Indirect costs	\$ 1,855,099
Divided by personnel expenditures earning indirect costs	<u>2,677,033</u>
Allocation rate - as computed	<u>69%</u>
Indirect costs compared to provisional indirect amount:	
Personnel expenditures earning indirect costs	\$ 2,677,033
Provisional rate	<u>64%</u>
Provisional indirect amount	1,713,301
Total indirect costs	<u>1,855,099</u>
Provisional indirect costs over (under) adjusted indirect costs	<u>\$ (141,798)</u>

Special Revenue Fund

**Centralina Council of Governments
Special Revenue Fund
Comparative Balance Sheets
June 30, 2015
With Comparative Totals for June 30, 2014**

Schedule 3

	<u>2015</u>	<u>2014</u>
ASSETS		
Cash	\$ 2,841	\$ 1,158,004
Due from primary government		
Due from other governments	<u>1,267,877</u>	<u>738,645</u>
Total assets	<u><u>\$ 1,270,718</u></u>	<u><u>\$ 1,896,649</u></u>
LIABILITIES		
Accounts and grants payable	\$ 1,268,797	\$ 1,895,528
DEFERRED INFLOWS OF RESOURCES		
Unearned revenue	<u>1,921</u>	<u>1,121</u>
Total liabilities and deferred inflows of resources	<u><u>\$ 1,270,718</u></u>	<u><u>\$ 1,896,649</u></u>

**Centralina Council of Governments
Special Revenue Fund
Grant Project Fund - Statement of Revenues, Expenditures
and Changes in Fund Balance - Budget and Actual
Year Ended June 30, 2015**

Schedule 4

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>
Revenues:				
Restricted intergovernmental revenues:				
Aging grants:				
HCC block grant	\$ 8,425,417	\$ -	\$ 8,363,608	\$ 8,363,608
USDA supplement	452,916	-	452,916	452,916
Title III-B legal	67,580	-	89,963	89,963
Family caregiver	614,140	-	506,052	506,052
Disease prevention/health promotion	33,340	-	33,340	33,340
State senior center general purpose	120,691	-	148,773	148,773
Title V	962,979	-	428,793	428,793
Heat fan relief	14,363	-	13,563	13,563
Total aging grants	<u>10,691,426</u>	<u>-</u>	<u>10,037,008</u>	<u>10,037,008</u>
Total revenues	<u>10,691,426</u>	<u>-</u>	<u>10,037,008</u>	<u>10,037,008</u>
Expenditures:				
Grant-related expenditures:				
Aging grants				
HCC block grant	8,425,417	-	8,363,608	8,363,608
USDA supplement	452,916	-	452,916	452,916
Title III-B legal	67,580	-	89,963	89,963
Family caregiver	614,140	-	506,052	506,052
Disease prevention/health promotion	33,340	-	33,340	33,340
Senior center general purpose	120,691	-	148,773	148,773
Title V	962,979	-	428,793	428,793
Heat fan relief	14,363	-	13,563	13,563
Total expenditures	<u>10,691,426</u>	<u>-</u>	<u>10,037,008</u>	<u>10,037,008</u>
Revenues over expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund balance - July 1			<u>-</u>	
Fund balance - June 30			<u>\$ -</u>	

Component Unit

Centralina Council of Governments
Component Unit
Centralina Workforce Development Consortium - Statement of Revenues,
Expenditures and Changes in Fund Balance -Budget and Actual
Year Ended June 30, 2015

Schedule 5

	<u>Grant Award</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>
Revenues:				
WIA / WTW Grants:				
WIA 10% Administrative Cost Pool - 2013	\$ 590,694	\$ 59,630	\$ 531,064	\$ 590,694
WIA 13-2020 Adult services - 2013	1,810,406	1,224,982	585,424	1,810,406
WIA 13-2030 Dislocated worker - 2013	1,772,068	1,028,587	743,481	1,772,068
WIA 13-2031 Special Grants Collaboration - 2013	110,599	4,500	91,954	96,454
WIA 13-2040 Youth services - 2013	1,733,777	1,606,402	127,374	1,733,776
WIA 10% Administrative Cost Pool - 2014	621,526	-	287,177	287,177
WIA 14-2020 Adult services - 2014	1,841,747	-	1,533,779	1,533,779
WIA 14-2030 Dislocated worker - 2014	1,974,039	-	877,131	877,131
WIA 14-2031 Special Grants Collaboration - 2014	45,895	-	15,617	15,617
WIA 14-2040 Youth services - 2014	<u>1,777,943</u>	<u>-</u>	<u>1,691,986</u>	<u>1,691,986</u>
Total revenues	<u>12,278,694</u>	<u>3,924,101</u>	<u>6,484,987</u>	<u>10,409,088</u>

Centralina Council of Governments
Component Unit
Centralina Workforce Development Consortium - Statement of Revenues,
Expenditures and Changes in Fund Balance - Budget and Actual
Year Ended June 30, 2015

Schedule 5

(Continued)

	<u>Grant Award</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>
Expenditures:				
WIA / WTW Grants				
WIA 10%	\$ 590,694	\$ 59,630	\$ 531,064	\$ 590,694
WIA 13-2020	1,810,406	1,224,982	585,424	1,810,406
WIA 13-2030	1,772,068	1,028,587	743,481	1,772,068
WIA 13-2031	110,599	4,500	91,954	96,454
WIA 13-2040	1,733,777	1,606,402	127,374	1,733,776
WIA 10%	621,526	-	287,177	287,177
WIA 14-2020	1,841,747	-	1,533,779	1,533,779
WIA 14-2030	1,974,039	-	877,131	877,131
WIA 14-2031	45,895	-	15,617	15,617
WIA 14-2040	<u>1,777,943</u>	<u>-</u>	<u>1,691,986</u>	<u>1,691,986</u>
Total expenditures	<u>12,278,694</u>	<u>3,924,101</u>	<u>6,484,987</u>	<u>10,409,088</u>
Revenues over expenditures	-	-	-	-
Fund balance - July 1	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance - June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Compliance Section

Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Governmental Auditing Standards*

Board of Delegates
Centralina Council of Governments
Charlotte, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Centralina Council of Governments (Council) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Centralina Council of Governments' basic financial statements, and have issued our report thereon dated April 13, 2016.

Internal Control over Financial Reporting

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

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a material weakness: 2015-1.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be a significant deficiency: 2015-2 and 2015-3.



Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Council'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*.

Centralina Council of Government's Response to Finding

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

Purpose of this Report

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

Dixon Hughes Goodman LLP

**Winston-Salem, North Carolina
April 13, 2016**

Independent Auditors' Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance in Accordance with OMB Circular A-133 and the State Single Audit Implementation Act

Board of Delegates
Centralina Council of Governments
Charlotte, North Carolina

Report on Compliance for Each Major Federal Program

We have audited the Centralina Council of Governments' (Council) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the Council's major federal programs for the year ended June 30, 2015. The Council's major federal programs are identified in the summary of auditors' 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.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Council's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State Single Audit Implementation Act. Those standards, OMB Circular A-133 and the State Single Audit Implementation Act 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 Council'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 Council's compliance.

Opinion on Each Major Federal Program

In our opinion, the Council complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control over Compliance

Management of the Council 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 Council'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 OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Council'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 significant deficiencies or material weaknesses. 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Dixon Hughes Goodman LLP

Winston-Salem, North Carolina
April 13, 2016

Independent Auditors' Report on Compliance for Each Major State Program and Report on Internal Control over Compliance in Accordance with OMB Circular A-133 and the State Single Audit Implementation Act

Board of Delegates
Centralina Council of Governments
Charlotte, North Carolina

Report on Compliance for Each Major State Program

We have audited the Centralina Council of Governments' (the Council) compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, which could have a direct and material effect on each of the Council's major state programs for the year ended June 30, 2015. The Council's major state programs are identified in the summary of auditors' 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 state program.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Council's major state 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 applicable sections of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, OMB Circular A-133 and the State Single Audit Implementation Act 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 state programs occurred. An audit includes examining, on a test basis, evidence about the Council'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 state program. However, our audit does not provide a legal determination of the Council's compliance.

Opinion on Each Major State Program

In our opinion, the Council complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2015.

Report on Internal Control over Compliance

Management of the Council 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 Council's internal control over compliance with the types of requirements that could have a direct and material effect on a major state program in order to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with applicable sections of OMB Circular A-133 and the State Single Audit Implementation Act, 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 Council'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 state 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 state 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 state 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 significant deficiencies or material weaknesses. 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 OMB Circular A-133 and the State Single Audit Implementation Act. Accordingly, this report is not suitable for any other purpose.

Dixon Hughes Goodman LLP

**Winston-Salem, North Carolina
April 13, 2016**

1. Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

- Material weaknesses identified? X Yes No
- Significant deficiencies identified that are not considered to be material weaknesses? X Yes None reported

Noncompliance material to financial statements noted? Yes X No

Federal Awards

Internal control over major federal programs:

- Material weaknesses identified? Yes X No
- Significant deficiencies identified that are not considered to be material weaknesses? Yes X None reported

Noncompliance material to federal awards? Yes X No

Type of auditors' report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? Yes X No

Identification of major federal programs:

CFDA Number

93.044
 93.045
 93.053

17.258
 17.259
 17.278

Names of Federal Program or Cluster

Aging Cluster:
 Special Programs for the Aging - Title III B
 Special Programs for the Aging - Title III C
 Nutrition Services Incentive Program

Workforce Investment Act Cluster:
 WIA - Adult Programs
 WIA - Youth Activities
 WIA - Dislocated Workers

Dollar threshold used to distinguish between Type A and Type B programs: \$447,043

Auditee qualified as low-risk auditee? X Yes No

State Awards

Internal control over major state programs:

- Material weaknesses identified? _____ Yes X No
- Significant deficiencies identified that are not considered to be material weaknesses? _____ Yes X None reported

Noncompliance material to federal awards? _____ Yes X No

Type of auditors' report issued on compliance for major state programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with the State Single Audit Implementation Act? _____ Yes X No

Identification of major state programs:

- Name of Program
- 90% State Funds - Access
- 90% State Funds - In-Home Services
- 90% State Funds - Home-Delivered Meals

2. Financial Statement Findings

Finding 2015-01

Material Weakness

Criteria: Proper account reconciliation and recognition of revenues and expenditures in the appropriate periods is imperative to accurate financial reporting.

Cause: The Council's financial accounting system and system of internal control was not effective in reconciling accounts and properly recording revenues, expenditures and changes in fund balance in the appropriate periods.

Effect: The Council had numerous financial findings which resulted in adjusting journal entries.

Recommendation: We recommend that management take a more active role in financial reporting and implement a system where accounts in the general ledger are reconciled on a monthly basis to the underlying accounting records.

View of Responsible Official and Planned Corrective Action: Management acknowledges and is in the process of correcting this finding:

The existing accounting software purchased in 2013 was not entirely utilized and other areas not installed which resulted in critical financial processes and reports either not functioning or not being generated. Therefore inadequate monitoring of financial operations, reconciliations and budget control features including year-end budget adjustments occurred. Additionally, the Council lacked a full-time Finance Director for an extended period (April 2015 - October 2015). The incumbent Finance Director began work in October of 2015 and has initiated steps to remedy these findings including tighter internal controls, reporting features, expenditure control features, as well as, adequate and timely general ledger account reconciliations. Also, management of the software company has agreed to assist (at no cost to the Council) with technical support.

The Executive Director will identify an independent qualified external resource to monitor compliance with these findings. These reports will be shared with the Executive Board Financial Committee (Treasurer, Chair and Vice Chair).

Finding 2015-02

Significant Deficiency

Criteria: The Council's system of internal control is predicated on checks and balances within the software system.

Condition: The Centralina Foundation and Centralina Connection were accounted for outside of the software system using excel spreadsheets.

Effect: The revenues and expenditures are not recorded inside of the accounting system and ending balances were recorded through journal entries at year end.

Recommendation: We recommend that the Council set up general ledger accounts for these component units and record their activity within the accounting system.

View of Responsible Official and Planned Corrective Action: Management acknowledges and is in the process of correcting this finding:

The existing accounting software purchased in 2013 was not entirely utilized and other areas not installed which resulted in critical financial processes and reports either not functioning or not being generated. Therefore inadequate monitoring of financial operations, reconciliations and budget control features including year-end budget adjustments occurred. Additionally, the Council lacked a full-time Finance Director for an extended period (April 2015 - October 2015). The incumbent Finance Director began work in October of 2015 and has initiated steps to remedy these findings including tighter internal controls, reporting features, expenditure control features, as well as, adequate and timely general ledger account reconciliations. Also, management of the software company has agreed to assist (at no cost to the Council) with technical support.

The Executive Director will identify an independent qualified external resource to monitor compliance with these findings. These reports will be shared with the Executive Board Financial Committee (Treasurer, Chair and Vice Chair).

Finding 2015-03

Significant Deficiency

Criteria: G.S. 115C-441 states that all monies expended should be included in the budget resolution.

Condition: Centralina Council of Governments expenditure exceeded appropriations as follows:

General Fund

Effect: For the fiscal year ended June 30, 2015 the expenditures made in the Council's general fund exceeded the authorized appropriations made by the governing board for general government activities by \$206,566, transportation activities by \$20,729 and environmental activities by \$15,024.

Recommendation: We recommend that management implement a system of budgetary review that allows them to forecast budget shortfalls and adjust by decreasing planned expenditures and adopt budget amendments as needed.

View of Responsible Official and Planned Corrective Action: Management acknowledges and is in the process of correcting this finding:

The existing accounting software purchased in 2013 was not entirely utilized and other areas not installed which resulted in critical financial processes and reports either not functioning or not being generated. Therefore inadequate monitoring of financial operations, reconciliations and budget control features including year-end budget adjustments occurred. Additionally, the Council lacked a full-time Finance Director for an extended period (April 2015 - October 2015). The incumbent Finance Director began work in October of 2015 and has initiated steps to remedy these findings including tighter internal controls, reporting features, expenditure control features, as well as, adequate and timely general ledger account reconciliations. Also, management of the software company has agreed to assist (at no cost to the Council) with technical support.

The Executive Director will identify an independent qualified external resource to monitor compliance with these findings. These reports will be shared with the Executive Board Financial Committee (Treasurer, Chair and Vice Chair).

3. Federal Award Findings and Questioned Costs

None reported.

4. State Award Findings and Questioned Costs

None reported.

No prior-year findings were reported.

Centralina Council of Governments
Schedule of Expenditures of Federal and State Awards
Year Ended June 30, 2015

Schedule 8

<u>Grantor/Pass-through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Pass-Through Grantor Number</u>	<u>Federal (Pass-Through) Expenditures</u>	<u>State Expenditures</u>
Federal Awards				
Cash programs:				
U.S. Department of Commerce:				
Economic Development Administration:				
Direct program:				
Strategic Planning Grant	11.303		\$ 73,599	\$ -
Partnership Planning Grant	11.302		110,150	-
			<u>183,749</u>	<u>-</u>
Total U.S. Department of Commerce				
U.S. Department of Labor:				
Employment and training administration:				
Passed through North Carolina Department of Health and Human Services:				
Division of Aging and Adult Services:				
Senior community service employment program	17.235		786,475	-
Senior Services of America Incorporated:				
Senior community service employment program	17.235		275,914	-
			<u>1,062,389</u>	<u>-</u>
Total senior community service employment program				

Centralina Council of Governments
Schedule of Expenditures of Federal and State Awards
Year Ended June 30, 2015

Schedule 8
(Continued)

<u>Grantor/Pass-through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Pass-Through Grantor Number</u>	<u>Federal (Pass-Through) Expenditures</u>	<u>State Expenditures</u>
Passed through North Carolina Department of Commerce:				
Division of employment and training:				
Workforce Investment Act Cluster:				
WIA - adult programs	17.258		\$ 2,104,115	\$ -
WIA - youth activities	17.259		1,795,181	-
WIA - dislocated workers	17.278		1,580,491	-
WIA - administrative cost pool/incentives/capital and special grants	17.258-17.260		<u>1,005,201</u>	<u>-</u>
Total workforce investment act cluster			<u>6,484,988</u>	<u>-</u>
Total U.S. Department of Labor			<u>7,547,377</u>	<u>-</u>
U.S. Department of Energy:				
NC PEV readiness initiative: Plugging in from mountains to sea		11EE0077389	28,843	-
Passed through North Carolina State University:				
Alternative fuel implementation team for North Carolina	81.086	DE-EE0006083	20,436	-
Passed through North Carolina Department of Energy and Natural Resources:				
State energy program	81.041	5,836	<u>71,060</u>	<u>-</u>
Total U.S. Department of Energy			<u>120,339</u>	<u>-</u>

Centralina Council of Governments
Schedule of Expenditures of Federal and State Awards
Year Ended June 30, 2015

Schedule 8
(Continued)

<u>Grantor/Pass-through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Pass-Through Grantor Number</u>	<u>Federal (Pass-Through) Expenditures</u>	<u>State Expenditures</u>
U.S. Department of Health and Human Services:				
Administration on aging:				
Passed through North Carolina Department of Health and Human Services:				
Division of Aging and Adult Services:				
Special programs for the aging, Title VII, Chapter 3 Programs for the Prevention of Elder Abuse, Neglect, and Exploitation	93.041		\$ 20,759	\$ 1,219
Special Programs for the Aging, Title VII, Chapter 2 Programs for Long-term Ombudsman Services for Older Individuals	93.042		188,178	11,069
Special Programs for the Aging, Title III F Disease prevention and health promotion services	93.043		91,344	5,372
Aging cluster:				
Special programs for the aging - Title III B:				
Grants for supportive services and senior centers:				
Legal services	93.044		84,965	5,000
Ombudsman	93.044		176,846	10,403
Access	93.044		690,351	40,609
In home services	93.044		1,424,370	83,786

Centralina Council of Governments
Schedule of Expenditures of Federal and State Awards
Year Ended June 30, 2015

Schedule 8
(Continued)

<u>Grantor/Pass-through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Pass-Through Grantor Number</u>	<u>Federal (Pass-Through) Expenditures</u>	<u>State Expenditures</u>
Special programs for the aging - Title III C: Nutrition services:				
Planning and administration	93.045		\$ 405,021	\$ 22,196
Congregate nutrition	93.045		1,340,133	78,831
Home delivered meals	93.045		<u>577,261</u>	<u>33,956</u>
Total aging cluster			<u>4,698,947</u>	<u>274,781</u>
Special programs for the aging - Title III E: National family caregiver support program	93.052		<u>585,045</u>	<u>39,003</u>
			<u>585,045</u>	<u>39,003</u>
Nutrition services incentive program	10.570	NC-06	<u>452,916</u>	<u>-</u>
Total U.S. Department of Health and Human Services			<u>6,037,189</u>	<u>331,444</u>
U.S. Department of Transportation:				
Passed through North Carolina Department of Transportation:				
Nonurbanized Area Public Transportation Grant	20.513	5310	182,642	45,661
Passed through North Carolina State University:				
Clean Fuel Advanced Technology 2013-2015	20.205	2010-0499-05	<u>54,568</u>	<u>-</u>
Total U.S. Department of Transportation			<u>237,210</u>	<u>45,661</u>

Centralina Council of Governments
Schedule of Expenditures of Federal and State Awards
Year Ended June 30, 2015

Schedule 8
(Continued)

<u>Grantor/Pass-through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Pass-Through Grantor Number</u>	<u>Federal (Pass-Through) Expenditures</u>	<u>State Expenditures</u>
U.S. Department of Housing and Urban Development: Sustainable Communities Regional Planning Grant Program	14.703	NCRIP0058-11	\$ 775,169	\$ -
Total federal awards			<u>14,901,033</u>	<u>377,105</u>
State Grants				
Cash awards:				
N.C. Department of Health and Human Services:				
Division of Aging:				
90% State Funds - Ombudsman			-	151,644
90% State Funds - Access			-	377,963
90% State Funds/Caregiver Match - In Home Services			-	141,268
90% State Funds - In Home Services			-	3,156,651
90% State Funds - Home Delivered Meals			-	418,469
AAA Administration			-	48,261
Fans programs			-	13,563
Senior center development			-	120,615
Total N.C. Department of Health and Human Services			<u>-</u>	<u>4,428,434</u>
Total state awards			<u>-</u>	<u>4,428,434</u>
Total federal and state awards			<u>\$ 14,901,033</u>	<u>\$ 4,805,539</u>

**Centralina Council of Governments
Schedule of Expenditures of Federal and State Awards
Year Ended June 30, 2015**

**Schedule 8
(Continued)**

Grantor/Pass-through Grantor/Program Title	CFDA Number	Pass-Through Grantor Number	Federal (Pass-Through) Expenditures	State Expenditures
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Notes to the Schedule of Expenditures of Federal and State Financial Awards

Basis of presentation

The accompanying schedule of expenditures of federal and state awards includes federal and state grant activity for Centralina Council of Governments and is presented on the modified accrual basis of accounting. The information in this schedule is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of State, Local Governments and Non-Profit Organizations and the State Single Audit Implementation Act. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Subrecipients

Of the federal and state expenditures presented in the schedule, Centralina Council of Governments provided federal and state awards to subrecipients as follows:

Nutrition services incentive program	93.053	NC-06	\$ 452,916	\$ -
National family caregiver support program	93.052		506,052	-
Senior community service employment program	17.235	40	428,793	-
Disease prevention and health promotion	93.043		33,340	-
Workforce Investment Act:				
WIA - adult programs	17.258		2,104,115	-
WIA - youth activities	17.259		1,795,181	-
WIA - dislocated workers	17.260		1,580,491	-

Centralina Council of Governments
Schedule of Expenditures of Federal and State Awards
Year Ended June 30, 2015

Schedule 8
(Continued)

Grantor/Pass-through Grantor/Program Title	CFDA Number	Pass-Through Grantor Number	Federal (Pass-Through) Expenditures	State Expenditures
Special programs for the aging - Title III B: Grants for supportive services and senior centers	93.044	NC-06	\$ 2,199,684	\$ 129,395
Special programs for the aging - Title III C: Nutrition services	93.045	NC-06	1,917,394	112,787
90% State funds - access			-	377,963
90% State funds/caregiver match - in home services			-	141,268
90% State funds - in home services			-	3,156,651
90% State funds - home delivered meals			-	418,469
Senior center development			-	148,773
Heat fan relief			-	13,563