



**CENTRALINA COUNCIL OF
GOVERNMENTS**

**FINANCIAL STATEMENTS AND COMPLIANCE
REPORTS**

As of and for the Year Ended June 30, 2017

And Report of Independent Auditor



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CENTRALINA COUNCIL OF GOVERNMENTS

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JUNE 30, 2017

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Financial Section



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Report of Independent Auditor

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 (the "Council") as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Council's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Council'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 Council'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 Council as of June 30, 2017, and the respective changes in financial position and the respective budgetary comparison for the General and Special Revenue Funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary information, as listed in the table of contents to 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 opinions on the financial statements that collectively comprise the basic financial statement of the Council. The Individual Fund Schedules as listed in the table of contents as well as the Schedule of Expenditures of Federal and State Awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 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, the information is fairly stated in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 23, 2017, on our consideration of the Council's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Council's internal control over financial reporting and compliance.



Charlotte, North Carolina
September 23, 2017



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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, 2017. 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 Agency on Aging, Community and Economic Development, Sustainable Communities, Planning and Local Technical Assistance.

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 Centralina WDB has within the past 2 years opened new, modern NCWorks Career Centers in Cabarrus (Concord), Iredell (Mooresville), Anson (Wadesboro), and Stanly (Albemarle) counties to better serve career seekers and employers looking for the best talent.

The eight NCWorks Career Centers in the region collectively served 65,001 career seekers (of which 5,335 Veterans received priority services) looking for the right talent match for their skills with 339,066 services. The centers provided 2,143 employers and businesses in the region with 31,829 services during the past fiscal year. Text-based survey results for first time visitors of the Centralina NCWorks Career Centers averaged a 4.71 customer satisfaction rating out of a possible 5. For more information on the NCWorks Career Centers, 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, Mitchell Community College, City of Mooresville, Statesville Regional Development, Mooresville-South Iredell Economic Development, Greater Statesville Chamber of Commerce, the Mooresville-South Iredell 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 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:

- Over 800 attendees of Discovery Sessions held since May 2015 have been directly exposed to the importance of manufacturing and the availability of good, well-paying jobs in that sector.
- A total of 16 eight-week training classes have been held from May 2015 to May 2017 with 5 more scheduled for the remainder of 2017 in Cabarrus, Rowan, and Iredell counties.
- A total of 138 individuals have been enrolled in NCMI with 127 Certified Production Technicians graduating from the eight-week training program (92% graduation rate) with 120 fully certified by MSSC
- A total of 93 out of 127 graduates (73%) accepted employment in their related training field (as of June 2017) and 14 additional recent graduates are currently interviewing with NCMI employers.
- NCMI partner businesses have employed 70% of the graduates

Centralina Council of Governments Management's Discussion and Analysis

- Employer partners total 36 in all 3 counties and growing
- Each of the 16 interview fairs held have provided NCMI graduates with a minimum of 6 and up to 12 company interviews in one day.

The NC Manufacturing Institute initiative has been expanded to Iredell County in 2016. Key partners include Mitchell Community College, City of Mooresville, Iredell County, Mooresville-South Iredell Economic Development, Statesville Regional Development, Greater Statesville Chamber of Commerce, and the Mooresville-South Iredell Chamber of Commerce. For more information, please visit www.ncmanufacturinginstitute.com.

Area agency on aging highlights

The Centralina Area Agency on Aging (CAAA) expanded to 18 staff members this past year as we partnered with Charlotte-Mecklenburg Arthritis Services, a small, independent non-profit organization which has operated for over 35 years in Mecklenburg County. Hoping to help provide them with more financial and organizational stability, the partnership has been a success and one of the first goals is to begin to expand into other counties in the Centralina region. As in previous years, CAAA continues to see federal and state funds remain flat or decrease and yet service needs increase and wait lists for services continue to grow. Our goal is to diversify our funding sources and expand our business acumen.

This year's program highlights include:

Annual Aging Conference - In its 18th year, the CAAA Conference continues to provide education and training to hundreds of professionals and caregivers in the field of aging, healthcare, long-term care, social services, home health, and other direct services. The Annual Aging Conference is the largest conference on aging anywhere in the state. It featured over 40 exhibitors and sponsors, multiple nationally recognized speakers, 21 breakout sessions, and over 450 attendees. This year's keynote speaker was Ashton Applewhite, author of "This Chair Rocks: A Manifesto Against Ageism".

Volunteer Transportation Services (VTS) - The Volunteer Transportation Services program continues to expand as it provides transportation to older adults, people with disabilities and veterans in the Centralina Region through a network of certified volunteers. The program reached a huge milestone this year as there are over 80 certified volunteers, and the program has reached over 1,800 trips.

Mobility Management and Transportation Grants - Through local NCDOT grants and partners, CAAA and Centralina Planning staff have conducted regional walkability audits and have reviewed bus stops and public areas for walkability. Four ADA trainings were also conducted for transportation staff including bus drivers and administrative staff.

Senior Community Services Employment Program (SCSEP) - Despite jeopardized funding and funding reductions, SCSEP continues to thrive. Providing on-the-job training opportunities for low-income, unemployed seniors over age 55 at host agency locations in the community. Over 135 participants were served this year and all programmatic goals but unsubsidized job placement were met. SCSEP serves Anson, Cabarrus, Stanly, Mecklenburg and Union Counties.

University of NC – Asheville continued the second year of subcontracting with CAAA to serve as the Evidence-based training hub in the state as well as increase program sustainability. The grant pays for part of a staff person to organize training and other activities to ensure that evidence-based training programs are sustainable and expand across the state. CAAA met all goals required by the grant including holding multiple master trainings for leaders throughout the Southeast states.

Centralina Council of Governments Management's Discussion and Analysis

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, medication management, 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 at minimal cost to CAAA. CAAA also added two new Stanford University Self-Management workshops this year which included Chronic Pain Self-Management and Building Better Caregivers.

Medicare and Diabetes Self-Management Training - CAAA continues to expand the Diabetes Self-Management Program through Medicare and the American Association of Diabetes Educators.

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 ADA issues, Alzheimer's disease and dementia, and elder abuse awareness. The Ombudsman holds a Resident's Rights Celebration and awareness campaign each October during National Resident's Rights Week. This includes events for almost 2,000 residents throughout the region.

Nutrition Summit - The second annual Nutrition Summit was held with over 80 people in attendance. Focusing on senior nutrition issues such as diabetes, osteoporosis, malnutrition and senior hunger, the summit was well-received and reached a wide audience of long-term care staff, healthcare partners, dieticians, and nutrition providers.

MIPPA Grant - The Medicare Improvements for Patients and Providers Act grant allowed the staff to roll out a significant marketing outreach campaign in the Centralina nine counties. Billboards, bus boards, vehicle/car magnets, and radio spots have helped to get the word out about additional help for medications available to those who qualify.

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 Administrative Services - The department provided administration services for the HUD Community Development Block Grant (CDBG) Entitlement grant funding for Mecklenburg County and Union County for the July 1 2016 to June 30 2017 fiscal year. These HUD CDBG programs focus on low and moderate-income population housing and community development needs designated by activities and projects within each county's five-year consolidated plans.

Code Enforcement and Drug-Alcohol Testing Program (DATP) - Multiple jurisdictions engaged CED to provide approximately 17 code enforcement and minimum housing standards operations as well as DATP testing for city and county workforce regulatory requirements.

Grants - CCOG and CEDC completed 18-month program design work for the **Lumina Foundation Community Postsecondary Attainment grant** for the Greater Charlotte Region. Approximately 75 major metropolitan locations from across the country were invited to participate with a goal of the Lumina Foundation 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)** has provided a pilot project and system, **PEOPLE/SKILLS/PROSPERITY** focused on working with existing internal industry workforce attainment and related college access and alignment for employees and employers of the region.

Centralina Council of Governments Management's Discussion and Analysis

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 the local U.S. Commerce EDA Designated Economic Development District (EDD). 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 continued for the 2012-2017 Centralina Economic Development Strategy (CEDS), "Prosperity for Greater Charlotte Report" and groundbreaking Jobs, Workforce, and Education Alignment Strategy with priorities that promoted alignment of regional infrastructure, talent and assets for economic growth. In January, the CEDC Board with added CEDS Advisory members initiated the required 5-year update process for a new CEDS 2017-2022 Plan that will be completed and submitted to US Commerce EDA by September 2017.

Global Competitiveness Summit Series Support to Global Vision Leaders Taskforce - "Prosperity for Greater Charlotte" and CEDC initiatives supported the 6th Charlotte Global Competitiveness Summit in March 2017 that continues building a "Hub of Global Commerce" strategic brand by business, education and community leaders engaging on Greater Charlotte Region's role in the global marketplace.

Centralina Manufacturing Ecosystem Development Strategy (CMEDS) by the CEDC and CED staff supported the integration of economic strategies and analysis within the **Centralina Freight Mobility Plan** completed for the region in December 2017. The US Commerce EDA provided a participating grant for strategic alignment of the Freight Mobility Plan outcomes and recommendations with the regional economic priorities of the regional CEDS.

Regional 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, transportation, bike and pedestrian planning, small area and corridor plans; building healthy, life-long communities; public engagement; board training and retreats; park, streetscape, and landscaping design. 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 FY17 activities include:

Greater Charlotte Regional Freight Mobility Plan - An outgrowth of the CONNECT Our Future project, this bi-state 14 county project brings together public and private sector stakeholders, four Metropolitan Planning Organizations and two rural planning organizations to develop this region's first comprehensive freight plan. The plan integrates truck and rail transportation with land use and economic development and will be coordinated with the NC and SC State Freight Plans. The regional freight plan technical analysis was completed in December 2016. Outreach, education, and early implementation steps were conducted January – July 2017. Efforts included a regional freight film to highlight the importance of freight to local communities and coordination between transportation, land use, and economic development officials.

Metrolina Region CommunityViz Project - Another outgrowth of the CONNECT Our Future scenario planning effort, this project brings together three of the region's four Metropolitan Planning Organizations and two rural planning organizations to develop consistent, documented, and replicable processes for allocating population projections within the applicable counties. This project uses current and future land use data to more accurately identify where growth will locate. This information is ultimately used in the region's travel demand model, which determines areas of future congestion, and therefore, transportation projects that are needed. Coordination has continued in FY17 through data sharing with member communities.

Centralina Council of Governments Management's Discussion and Analysis

Healthy Communities - The Centralina Health Solutions Center was created to encourage healthy, life-long communities. A joint effort of the planning and aging departments, this center has created training and technical assistance for local governments. The Centralina Health Solutions Center hosted the fourth annual Planning for Healthy Communities conference in September 2016, 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.

Plan4Health - As the recipient of the American Planning Association's Plan4Health grant, Centralina worked with a local coalition of transportation, land use, bike/pedestrian planners, and park and public health officials to increase opportunities for physical activity in areas with poor health outcomes. While this project is focused on Health Priority Areas within Mecklenburg County, one of the primary project goals is replication within the region and the State. This project has drawn national attention to the Centralina Health Solutions Coalition.

Mobility Management Agency - The Centralina Mobility Management Agency was developed to create efficiencies in transportation options for seniors, people with disabilities, and veterans. Through quarterly gatherings, transportation barrier studies, presentations, an on-call on-click website, and training, the Mobility Management Agency works to improve coordination between transit and paratransit agencies in the region and offer a one-stop resource for residents.

Community Engagement - An outgrowth of the CONNECT Our Future project public engagement effort, communities of all sizes are using Centralina's expertise to engage their own public around issues such as housing, transportation, general land use, downtown streetscape projects, or general government services. Centralina is helping communities achieve good results by providing a venue for community conversations. FY17 engagement projects were held in Stallings, Salisbury, Huntersville and regional engagement took place in all counties.

Regional Collaboration and Training - The Regional Conference of Mayors, city and county managers, solid waste professionals, 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. Planner training offered throughout the year provides value to planners and offers required continuing education credits to planners certified through the American Institute of Certified Planners (AICP).

Water Resources Planning - This work is focused on our region's capability to provide reliable and adequate water in the future. Through regional elected and staff leaders, this project seeks to establish a cross-basin collaborative network, building 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".

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.

Technical Assistance - The Planning Department provided direct assistance to multiple communities during FY17. A few examples include: serving as the on-call planner for Bessemer City, assisting Waxhaw with planning board procedures, developing a comprehensive land use plan for Stallings, developing a financial strategy for McAdenville, assisting Bessemer City with downtown redevelopment efforts, and facilitating board retreats in several communities.

Centralina Council of Governments Management's Discussion and Analysis

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 \$160,575 (*net position*).
- Centralina's total net position increased by \$378,984.
- As of the close of the current fiscal year, Centralina's governmental funds reported a combined ending fund balances of \$402,765, an increase of \$221,246 from the prior year. Of which, \$620,690 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 \$406,019.

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 Schedules that present comparative balance sheets for the General Fund and Special Revenue Fund, budgetary schedules for the Special Revenue Fund and Component Unit, and computation of the indirect cost allocation rate

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.

Centralina Council of Governments Management's Discussion and Analysis

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.

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, E, F, G and H of this report.

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

Government-Wide Financial Analysis

**Table 1
Condensed Statement of Net Position for Governmental Activities
as of June 30, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
Current and other assets	\$ 2,596,389	\$1,609,832
Capital assets	<u>113,621</u>	<u>80,682</u>
Total assets	<u>2,710,010</u>	<u>1,690,514</u>
Deferred outflows of resources	<u>693,694</u>	<u>183,489</u>
Current liabilities	2,062,380	1,271,748
Noncurrent liabilities	<u>1,397,070</u>	<u>1,014,553</u>
Total liabilities	<u>3,459,450</u>	<u>2,286,301</u>
Unearned revenue	74,569	54,370
Pension deferrals	<u>30,260</u>	<u>72,891</u>
Total deferred inflows of resources	<u>104,829</u>	<u>127,261</u>
Net investment in capital assets	64,049	40,423
Restricted	620,690	662,587
Unrestricted net position	<u>(845,314)</u>	<u>(1,242,569)</u>
Total net position	<u>\$ (160,575)</u>	<u>\$ (539,559)</u>

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The liabilities and deferred inflows of Centralina exceeded assets and deferred outflows by \$160,575 as of June 30, 2017. The liabilities and deferred inflows of Centralina exceeded assets and deferred outflows by \$539,559 as of June 30, 2016. Centralina's net position increased by \$378,984 and decreased \$29,313 for the fiscal years ended June 30, 2017 and 2016 respectively. The investment in Board identified initiatives influenced the total unrestricted governmental net position. Also, Centralina implemented GASB Statement 68 during the 2015 fiscal 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. 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 Position for Governmental Activities
for the Years Ended June 30, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
General Revenues:		
Charges for services	\$ 112,018	\$ 448,488
Operating grants and contributions	15,194,872	14,678,035
Member dues and contributions	767,272	745,274
Unrestricted investment earnings	429	392
Miscellaneous, unrestricted	<u>681</u>	<u>5,267</u>
Total general revenues	<u>16,075,272</u>	<u>15,877,456</u>
Expenses:		
General government	(26,361)	200,715
Transportation	780,177	856,701
Environmental protection	90,420	203,760
Economic and physical development	1,370,223	1,317,996
Human services	12,550,372	12,270,726
Workforce development	<u>931,457</u>	<u>1,056,871</u>
Total expenses	<u>15,696,288</u>	<u>15,906,769</u>
Increase (Decrease) in net position	378,984	(29,313)
Beginning net position	<u>(539,559)</u>	<u>(510,246)</u>
Ending net position	<u>\$ (160,575)</u>	<u>\$ (539,559)</u>

Governmental activities accounted for Centralina's increase in net position. The change in ending net position is due in most part to changes made by management in operations. Please see the changes shown on page B-10 under Budget Highlights.

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.

The General Fund is the chief operating fund of Centralina. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$(306,649), while total fund balance amounted to \$402,765. 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 6.9% 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.

Centralina Council of Governments Management's Discussion and Analysis

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.

Capital Assets

Centralina's investment in capital assets for its governmental activities as of June 30, 2017 totals \$113,621 (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, 2018

A specific plan was developed to guide budget development and address the significant financial challenges facing Centralina beginning in FYE 2016. Those actions have proven effective and will continue including increased revenues, expense control and rigorous pre-audit monitoring to assure budget targets are met. That specific 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 (approximately \$250,000).
- Increasing revenue by basing dues payment on updated (2015) population estimates (approximately \$70,000 increase over using the 2010 census data) and addition of Cabarrus County as a member government (approximately \$40,000).
- Increased efforts to secure contracts earlier in the fiscal year to support revenue targets.
- 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.
- Alternate office space now occupied will reduce occupancy costs by approximately \$125,000 annually. While this saving was not fully appreciated in FYE 2017, steps taken now will provide the foundation for cost reduction in current and future years.
- 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.

The result of these actions provides a net improvement of approximately \$485,000 in budget projections for the FYE 2018 over FYE 2016.

Other efforts to balance budget have been systematically reviewed. One primary option is a 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, 2018 (FY18) 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 FY18, 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:

Focus on Career Seeker services at NCWorks Career Centers

- Increase registrations to Centralina WDB sponsored NCWorks Career Centers by 25%
- NCWorks - full implementation, usage by all partners, updates and training for staff and partners
- Full implementation of text-based customer service surveying with customers at all Centralina WDB NCWorks Career Centers with a minimum overall rate of 4.5 (out of 5) for customer satisfaction
- NCWorks Career Center certification by NC Department of Commerce for centers in all seven counties.

Focus on Business services

- Increase by 40% the number of area employers utilizing Centralina WDB business services
- Fully implement B2B Client Relation Management software system for WDB Business Services and for all area workforce system partners
- Establishment and continued development of county-based Employer Services Teams – led by Centralina WDB staff

Focus on NEXTGEN Youth services

- Work with new NEXTGEN contractor for provision of youth services at all 8 Centralina WDB sponsored NCWorks Career Centers
- Ensure 85% of NEXTGEN youth services completers are ready for work and are hired by local employers
- Establish outreach and recruitment of young people for NEXTGEN services in all parties of seven county region, not just in concentrated population centers

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, 2018
- Increase registrations to Centralina WDB sponsored NCWorks Career Centers by 25%
- Increase social media outreach by 30% via Twitter and Facebook posts from WDB events and live video feeds and YouTube uploads
- Fully develop and populate Facebook pages for each local NCWorks Career Center

During FY18 Centralina Area Agency on Aging (CAAA) will work on the following initiatives:

- Continue development of Medicare benefit for participants who enroll in Diabetes Self-Management Training (DSMT). CAAA will bill for at least 5 workshops this year along with required accompanying Nutrition Therapy Counseling and ensure that at least 8 AADE certified leaders are eligible to teach the DSMT.
- Expand Stanford University suite of Chronic Disease Self-Management Education (CDSME) by adding Building Better Caregivers (BBC). Two CAAA Master Trainers will hold one leader certification training and train 12-15 leaders who will conduct 4 BBC workshops in the community.

Centralina Council of Governments Management's Discussion and Analysis

- CAAA will continue to increase our offering of Spanish Language Chronic Disease Self-Management Programs by expanding the number of programs in those counties with the highest concentration of Hispanic population.
- CAAA will continue to grow the Centralina Volunteer Transportation Service (VTS). VTS will continue to recruit and train volunteers, riders, and partnerships.
- VTS and Mobility Management will continue to conduct community Walk Audits of bus stops and will conduct at least 4 ADA Training events for transportation providers.
- Hold the 2017 Annual CAA Aging Conference "Aging Better Together" on September 28, 2017.
- Conduct at least 6 other education events in the community including the Third Nutrition Summit in March 2018.
- Expand opportunities to diversify funding and increase revenue such as applying for additional grants, seeking private pay opportunities for services, and partnerships and sponsors to assist in costs for conferences and evidenced-based health programs. This will expand into searching for a role in the newly proposed NC Medicaid Managed Care system.
- Develop and expand offerings to agencies, business, and governmental entities for training on services such as the Aging Communications and Sensitivity Training, Aging Business Certification, and Senior Friendly Certification.
- Meet goals for both Senior Community Services Employment Programs funded through Senior Service America, Inc. and NC Division of Aging and Adult Services.
- Serve as lead support for both the Metrolina Falls Prevention Coalition, in its 6th year, and the newly developed Charlotte-Mecklenburg Dementia Capable Initiative.
- Continue work with University of NC Asheville during a third year grant no cost extension.
- Ombudsman will work with new regulations and guidelines for Community Advisory Committee members. They will also hold a Resident's Rights Awareness event in each of the nine counties.

The Community and Economic Development Department (CED) will continue to implement its local and regional activities in FY18 and provide integral economic analysis and strategies support to Centralina departments on comprehensive regional projects during the coming year in collaboration with Centralina Economic Development Commission.

Anticipated focus and activities include the following:

- Promote and expand access for additional NC DEQ CDBG infrastructure grants and funding for qualifying member jurisdictions and provide economic impact analysis and redevelopment project administration capacity to cities and towns as requested.
- Facilitate increase of federal and state economic funding of grants and investments for the region in our Economic Development District (EDD).
- Operationalize the new 2017-2022 "Prosperity for Greater Charlotte" regional Comprehensive Economic Development Strategy (CEDS) Plan and administer the Centralina EDD under US Commerce Economic Development Administration guidelines.
- 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 new "CONNECT Our Future" related initiatives.
- Maintain and support our regional advanced manufacturing initiative, "Minds That Manufacture," and the Centralina Manufacturing Ecosystem Development Strategy (CMEDS).
- Build strong relationships with federal and state officials through events, meetings, and fact-finding trips and collaborate on projects with neighboring EDDs where regional issues are relevant to economic growth of our region.

Centralina Council of Governments Management's Discussion and Analysis

The Planning Department will continue to implement and expand its local and regional planning activities in FY18 and will be heavily involved in a number of regional initiatives during the coming year. Primary activities include the following:

- Continue implementation of the region's first Regional Freight Plan, by facilitating meetings of the Freight Advisory Committee and through coordination with transportation planning organizations, land use planners, and economic development organizations.
- Administer the Centralina Mobility Management Agency and a volunteer transportation program for the region and implement the expansion of services into the Charlotte and Concord urbanized areas, and incorporate public health into mobility efforts.
- Manage the American Planning Association's Planners4Health (NC) initiative, including a state-wide task force aimed at building cross-sector collaboration around planning and public health.
- Continue the Regional Transit Engagement Series to gather input and gain support for regional transit planning. Develop a plan scope and secure funding for a regional plan.
- Assist the Charlotte Area Transit System with its efforts to analyze future light rail corridors to the north and west of uptown Charlotte, and develop plans for transit integration in uptown. Centralina is on a consultant team to focus on the healthy community aspects of transit planning.
- Provide public engagement services for local governments to support initiatives and planning efforts on the local level.
- Continue to staff and coordinate the Regional Conference of Mayors and Regional Planner meetings and programs.
- Provide professional development, networking, and training opportunities for local government staff based on identified needs.
- 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 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, and multi-jurisdictional collaboration.
- Provide local government technical assistance for facilitation, board retreats, process analysis, and LEAN continuous improvement.
- Continue to serve as staff to the Lake Wylie Marine Commission.
- Develop, market, and implement technical services aligned with the CONNECT strategies.
- Seek funding to continue CONNECT implementation and align the CONNECT 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
9815 David Taylor Drive, Suite 100
Charlotte, NC 28262

Basic Financial Statements



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Government-Wide Financial Statements

CENTRALINA COUNCIL OF GOVERNMENTS
STATEMENT OF NET POSITION
June 30, 2017

	<u>Primary Government</u>	<u>Component Unit</u>
	<u>Governmental Activities</u>	<u>Workforce Development Consortium</u>
ASSETS		
Current assets		
Cash and investments	\$ 1,302,952	\$ -
Receivables	20,907	-
Due from primary government	-	3,504
Due from other governments	1,183,806	311,213
Prepayments	88,724	-
Total current assets	<u>2,596,389</u>	<u>314,717</u>
Noncurrent assets:		
Capital assets:		
Equipment, net of depreciation	<u>113,621</u>	<u>-</u>
Total assets	<u>2,710,010</u>	<u>314,717</u>
DEFERRED OUTFLOWS OF RESOURCES		
Contributions to pension plan in current fiscal year	192,329	-
Pension deferrals	<u>501,365</u>	<u>-</u>
Total deferred outflows of resources	<u>693,694</u>	<u>-</u>

The notes to the financial statements are an integral part of this statement.

EXHIBIT A

	<u>Primary Government</u>	<u>Component Unit</u>
	<u>Governmental Activities</u>	<u>Workforce Development Consortium</u>
LIABILITIES		
Current liabilities		
Accounts and grants payable	\$ 1,716,038	\$ 314,246
Accrued liabilities	152,288	-
Due to component unit	3,504	-
Unearned revenue	190,550	471
Total current liabilities	<u>2,062,380</u>	<u>314,717</u>
Noncurrent liabilities		
Net pension liability	763,616	-
Current portion of long-term obligations	239,205	-
Noncurrent portion of long term obligations	394,249	-
	<u>1,397,070</u>	<u>-</u>
Total liabilities	<u>3,459,450</u>	<u>314,717</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred membership dues	74,569	-
Pension deferrals	30,260	-
	<u>104,829</u>	<u>-</u>
NET POSITION		
Net investment in capital assets	64,049	-
Restricted		
Stabilization by State Statute	620,690	-
Unrestricted	<u>(845,314)</u>	<u>-</u>
Total net position	<u>\$ (160,575)</u>	<u>\$ -</u>

The notes to the financial statements are an integral part of this statement.

CENTRALINA COUNCIL OF GOVERNMENTS
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2017

<u>Functions / Programs</u>	<u>Expenses</u>	<u>Indirect Expenses Allocation</u>
PRIMARY GOVERNMENT		
Governmental activities		
General government	\$ 1,730,595	\$ (1,756,956)
Transportation	535,369	244,808
Environmental protection	53,808	36,612
Economic and physical development	935,270	434,953
Human services	11,830,655	719,717
Workforce development	<u>610,591</u>	<u>320,866</u>
Total primary government	<u>\$ 15,696,288</u>	<u>\$ -</u>
COMPONENT UNIT		
Workforce Development Consortium	<u>\$ 4,889,175</u>	<u>\$ -</u>
Total component unit	<u>\$ 4,889,175</u>	<u>\$ -</u>

The notes to the financial statements are an integral part of this statement.

Program Revenues		Net (Expense) Revenue and Changes in Net Position	
		Primary Government	Component Unit
Charges for Services	Operating Grants and Contributions	Governmental Activities	Workforce Development Consortium
\$ 112,018	\$ -	\$ 138,379	\$ -
-	662,482	(117,695)	-
-	64,259	(26,161)	-
-	971,478	(398,745)	-
-	12,564,849	14,477	-
-	931,804	347	-
<u>\$ 112,018</u>	<u>\$ 15,194,872</u>	<u>(389,398)</u>	<u>-</u>
<u>\$ -</u>	<u>\$ 4,889,175</u>	<u>-</u>	<u>-</u>
<u>\$ -</u>	<u>\$ 4,889,175</u>	<u>-</u>	<u>\$ -</u>
General revenues			
Member dues and contributions		767,272	-
Unrestricted investment earnings		429	-
Miscellaneous, unrestricted		681	-
Total general revenues		<u>768,382</u>	<u>-</u>
Change in net position		378,984	-
Net position - beginning		<u>(539,559)</u>	<u>-</u>
Net position- ending		<u>\$ (160,575)</u>	<u>\$ -</u>

The notes to the financial statements are an integral part of this statement.

Fund Financial Statements

CENTRALINA COUNCIL OF GOVERNMENTS
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2017

EXHIBIT C

	<u>Major Funds</u>		<u>Total Governmental Funds</u>
	<u>General</u>	<u>Special Revenue Fund</u>	
ASSETS			
Cash and investments	\$ 1,302,566	\$ 386	\$ 1,302,952
Receivables	20,907	-	20,907
Due from other governments	599,783	584,023	1,183,806
Due from general fund	-	1,028,388	1,028,388
Prepayments	88,724	-	88,724
	<u>88,724</u>	<u>-</u>	<u>88,724</u>
Total assets	<u><u>\$ 2,011,980</u></u>	<u><u>\$ 1,612,797</u></u>	<u><u>\$ 3,624,777</u></u>
LIABILITIES			
Accounts and grants payable	\$ 103,627	\$ 1,612,411	\$ 1,716,038
Accrued liabilities	152,288	-	152,288
Due to special revenue fund	1,028,388	-	1,028,388
Due to component unit	3,504	-	3,504
Unearned revenue	190,164	386	190,550
	<u>1,477,971</u>	<u>1,612,797</u>	<u>3,090,768</u>
Total liabilities	<u><u>1,477,971</u></u>	<u><u>1,612,797</u></u>	<u><u>3,090,768</u></u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable resources	56,675	-	56,675
Deferred membership dues	74,569	-	74,569
	<u>131,244</u>	<u>-</u>	<u>131,244</u>
Total Deferred Inflows of resources	<u><u>131,244</u></u>	<u><u>-</u></u>	<u><u>131,244</u></u>
FUND BALANCES			
Nonspendable:			
Prepayments	88,724	-	88,724
Restricted:			
Stabilization by State Statute	620,690	-	620,690
Unassigned	(306,649)	-	(306,649)
	<u>402,765</u>	<u>-</u>	<u>402,765</u>
Total fund balances	<u><u>402,765</u></u>	<u><u>-</u></u>	<u><u>402,765</u></u>
Total liabilities, deferred inflows of resources, and fund balances	<u><u>\$ 2,011,980</u></u>	<u><u>\$ 1,612,797</u></u>	<u><u>\$ 3,624,777</u></u>

The notes to the financial statements are an integral part of this statement.

CENTRALINA COUNCIL OF GOVERNMENTS **EXHIBIT D**
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
June 30, 2017

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

Ending fund balance - governmental funds	\$ 402,765
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	113,621
Contributions to pension plans in the current fiscal year are deferred outflows of resources on the Statement of Net Position	192,329
Pension related deferrals	471,105
Net pension liability	(763,616)
Unavailable resources	56,675
Some liabilities are not due and payable in the current period and therefore are not reported in the funds	
Obligations under capital lease	(49,572)
Net OPEB obligation	(85,421)
Accrued vacation and sick leave	(406,019)
Other long-term liability	<u>(92,442)</u>
Net position of governmental activities	<u><u>\$ (160,575)</u></u>

The notes to the financial statements are an integral part of this statement.

CENTRALINA COUNCIL OF GOVERNMENTS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
For the Year Ended June 30, 2017

EXHIBIT E

	<u>Major Funds</u>		<u>Total Governmental Funds</u>
	<u>General</u>	<u>Special Revenue Fund</u>	
REVENUES			
Restricted intergovernmental revenues	\$ 3,734,840	\$ 9,930,031	\$ 13,664,871
Technical assistance contracts	669,296	-	669,296
Contracts and fees	18,000	-	18,000
Other program revenue	779,570	-	779,570
Interest and other	101,195	-	101,195
Member dues and contributions	767,272	-	767,272
Transfers In/(Out)	18,393	-	18,393
Total revenues	<u>6,088,566</u>	<u>9,930,031</u>	<u>16,018,597</u>
EXPENDITURES			
General government	74,701	-	74,701
Transportation	780,177	-	780,177
Environmental protection	90,420	-	90,420
Economic and physical development	1,370,223	-	1,370,223
Human services	2,620,342	9,930,031	12,550,373
Workforce development	931,457	-	931,457
Total expenditures	<u>5,867,320</u>	<u>9,930,031</u>	<u>15,797,351</u>
Revenues over expenditures and net change in fund balance	<u>221,246</u>	<u>-</u>	<u>221,246</u>
FUND BALANCES - JULY 1	<u>181,519</u>	<u>-</u>	<u>181,519</u>
FUND BALANCES - JUNE 30	<u>\$ 402,765</u>	<u>\$ -</u>	<u>\$ 402,765</u>

The notes to the financial statements are an integral part of this statement.

CENTRALINA COUNCIL OF GOVERNMENTS **EXHIBIT F**
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2017

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

Net change in fund balances - total governmental funds	\$ 221,246
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 and disposals in the current period.	32,939
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	192,329
Pension expense reported in the Statement of Activities does not require the use of current financial resources and, therefore is not reported as an expenditure in the governmental funds.	(227,586)
The recording of the annual required contribution for Other Post-Employment Benefits.	(12,083)
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 expense exceeds rent expenditures.	129,872
The recording of the net adjustment to the obligation for compensated absences	(10,095)
Payment on accrued litigation	5,000
Unavailable resources	56,675
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 position. This is the amount by which capital lease obligations incurred exceed total principal payments made under capital lease obligations.	(9,313)
Change in net position of governmental activities	<u>\$ 378,984</u>

The notes to the financial statements are an integral part of this statement.

CENTRALINA COUNCIL OF GOVERNMENTS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - ANNUAL BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended June 30, 2017

EXHIBIT G

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Restricted intergovernmental revenues	\$ 3,589,535	\$ 4,126,391	\$ 3,734,840	\$ (391,551)
Technical assistance contracts	421,943	844,352	669,296	(175,056)
Contracts and fees	19,947	18,000	18,000	-
Other program revenue	252,224	756,112	779,570	23,458
Transfers In/(Out)	-	10,000	18,393	8,393
Fund Balance Appropriated	-	58,229	-	(58,229)
Interest and other	53,000	325,682	101,195	(224,487)
Member dues and contributions	726,252	767,272	767,272	-
Total revenues	<u>5,062,901</u>	<u>6,906,038</u>	<u>6,088,566</u>	<u>(817,472)</u>
EXPENDITURES				
Current				
General government				
Board, executive committee and committees	232,123	115,100	104,768	10,332
Management and business operations	1,477,238	1,959,260	1,646,713	312,547
Information technology and data service	219,456	100,050	80,176	19,874
Indirect costs representation	(1,791,258)	(1,895,668)	(1,756,956)	(138,712)
Total general government	<u>137,559</u>	<u>278,742</u>	<u>74,701</u>	<u>204,041</u>
Transportation				
Planning assistance and administration	433,260	1,090,748	780,177	310,571
Total transportation	<u>433,260</u>	<u>1,090,748</u>	<u>780,177</u>	<u>310,571</u>
Environmental protection				
Planning assistance and administration	107,226	100,953	90,420	10,533
Total environmental protection	<u>107,226</u>	<u>100,953</u>	<u>90,420</u>	<u>10,533</u>
Economic and physical development				
Planning assistance and administration	370,855	872,632	725,241	147,391
Economic program initiative	590,349	798,825	644,982	153,843
Total economic and physical development	<u>961,204</u>	<u>1,671,457</u>	<u>1,370,223</u>	<u>301,234</u>
Human services				
Area agency on aging	1,968,303	2,717,167	2,620,342	96,825
Workforce development				
	<u>1,455,349</u>	<u>1,046,971</u>	<u>931,457</u>	<u>115,514</u>
Total expenditures	<u>5,062,901</u>	<u>6,906,038</u>	<u>5,867,320</u>	<u>1,038,718</u>
Revenues over expenditures	<u>\$ -</u>	<u>\$ -</u>	221,246	<u>\$ 221,246</u>
FUND BALANCES - JULY 1			<u>181,519</u>	
FUND BALANCES - JUNE 30			<u>\$ 402,765</u>	

The notes to the financial statements are an integral part of this statement.

CENTRALINA COUNCIL OF GOVERNMENTS

EXHIBIT H

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN

FUND BALANCE - ANNUAL BUDGET AND ACTUAL - SPECIAL REVENUE FUND

For the Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		Positive (Negative)
REVENUES				
Restricted intergovernmental revenues				
Aging Pass through funds				
HCC Block Grant	8,556,735	8,731,733	8,714,426	(17,307)
USDA/NSIP Supplement	700,000	465,000	488,569	23,569
Title III-B legal	76,730	67,580	84,836	17,256
Family Caregiver	550,968	465,000	464,097	(903)
Disease Prevention/Health Promotion	45,000	42,900	36,854	(6,046)
State Senior Center General Purpose	50,000	126,905	126,846	(59)
Title V	938,223	-	-	-
Heat Fan Relief	20,000	14,460	14,403	(57)
Total Aging Revenue	<u>10,937,656</u>	<u>9,913,578</u>	<u>9,930,031</u>	<u>16,453</u>
EXPENDITURES				
Grant-related expenditures				
Aging Pass through funds				
HCC Block Grant	8,556,735	8,731,733	8,714,426	17,307
USDA/NSIP Supplement	700,000	465,000	488,569	(23,569)
Title III-B legal	76,730	67,580	84,836	(17,256)
Family Caregiver	550,968	465,000	464,097	903
Disease Prevention/Health Promotion	45,000	42,900	36,854	6,046
State Senior Center General Purpose	50,000	126,905	126,846	59
Title V	938,223	-	-	-
Heat Fan Relief	20,000	14,460	14,403	57
Total Aging Expenditures	<u>10,937,656</u>	<u>9,913,578</u>	<u>9,930,031</u>	<u>(16,453)</u>
Revenues over expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
FUND BALANCES - JULY 1			<u>-</u>	
FUND BALANCES - JUNE 30			<u>\$ -</u>	

The notes to the financial statements are an integral part of this statement.



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CENTRALINA COUNCIL OF GOVERNMENTS
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

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 Board of Delegates composed of over 60 elected officials. 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., Centralina Economic Development Commission, Inc., and Centralina Connection, 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. If the Consortium were to dissolve all assets and liabilities of the Consortium they would revert back to 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.

Centralina Foundation, Inc. (the "Foundation") Foundation is a North Carolina nonprofit corporation that promotes improved health and welfare through innovative, collaborative, and inclusive community-based programs directly impacting people and communities in the southern piedmont region of North Carolina. The governing board of the Foundation includes nine Trustees, five of which are the officers and Executive Director of CCOG. The other four are elected by the Board of Trustees and include civic leaders from many walks of life. The Foundation contracts with CCOG for provision of its administrative support and fiscal management, and 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.

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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.

CENTRALINA COUNCIL OF GOVERNMENTS
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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.

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.

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 and Special Revenue Fund. All annual appropriations lapse at the fiscal year-end. A project ordinance is adopted for 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.

For the fiscal year ended June 30, 2017, the expenditures made in the Council's Special Revenue Fund exceeded the authorized appropriations made by the governing board for the USDA / NSIP Supplement by \$23,569 and the Title III-B legal by 17,256. Implementations of expenditure controls along with additional monitoring processes have been implemented to prevent this from occurring in the future.

Allocation of indirect costs

Indirect costs are allocated to all cost centers, including grants, based upon actual expenditures and depreciation, in accordance with Uniform Grant Guidance. 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.

CENTRALINA COUNCIL OF GOVERNMENTS
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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.

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 are reported at amortized cost or at fair value as determined by either quoted market prices or a matrix pricing model. Bank deposits and the NCCMT are measured at amortized cost, which is the NCCMT's share price. The securities of the NCCMT Government Portfolio, a SEC-registered (2a-7) external investment pool, is measured at amortized cost, which is the NCCMT's share price. The NCCMT Term Portfolio's securities are valued at fair value.

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 received prior to June 15, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. 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 - 5 years
Vehicles	5 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.

CENTRALINA COUNCIL OF GOVERNMENTS
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Compensated absences

The vacation policy of the Council provides for the accumulation of earned vacation leave up to maximum amount as indicated below:

Years of Employment	Accrual Rate	Days Earned Per Year	Limit of Accrued Max Days	Max Hours
Less than 3	3.69	12	24	192.0
3-8	4.62	15	45	360.0
9-15	5.54	18	54	432.0
More than 15	6.46	21	63	504.0

New staff members that have been granted advanced leave rates, the maximum accumulations will be based on days earned per year. (pg. 27)

Employees have until the end of the fiscal year (June 30) to use vacation leave that is above the maximum number of days allowed per years of employment. Any excess vacation not used by the end of each fiscal year, shall be converted to sick leave.

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 2017 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 membership dues which represent revenue that will be available for use during the next fiscal year and pension deferrals.

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 three 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.

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

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

The General Fund's fund balance was \$402,765 at June 30, 2017, all of which was restricted leaving nothing available for appropriation.

The Council has a revenue spending policy that provides policy for programs with multiple revenue sources. The Finance Director 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 Director 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, 2017, the Council had a deficit in net position of \$160,575 due to full accrual adjustments to record non-current liabilities in excess of non-current assets. 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.

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

CENTRALINA COUNCIL OF GOVERNMENTS
NOTES TO THE FINACIAL STATEMENTS

June 30, 2017

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, 2017, the Council's deposits had a carrying amount of \$172,631 and a bank balance of \$344,123. 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, 2017, the Council had \$1,130,321 invested with the North Carolina Capital Management Trust's Government Portfolio, which carried a credit rating of AAAM by Standard and Poor's.

Interest Rate Risk – The Council does not have a formal policy to limit interest rate risk.

Credit Risk – The Council limits investments to the provisions of G.S. 159-30 and restricts the purchase of securities to the highest possible ratings whenever particular types of securities are rated. State law limits investments in commercial paper to the top rating issued by nationally recognized statistical rating organizations (NRSROs); however, the Council has no formal policy on credit risk.

Custodial Credit Risk – For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the Council will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Council has no policy on custodial risk.

Concentration of Credit Risk – The Council places no limit on the amount that the Council may invest in any one issuer.

5. Receivables

Receivables at the government-wide level consisted of the following at June 30, 2017:

	Due from Other Governments	Other
	<u> </u>	<u> </u>
Governmental activities:		
General	\$ 599,783	\$ 20,907
Special revenue	584,023	-
	<u>\$ 1,183,806</u>	<u>\$ 20,907</u>
Workforce Development Consortium	<u>\$ 311,213</u>	<u>\$ 3,504</u>

CENTRALINA COUNCIL OF GOVERNMENTS
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June 30, 2017

Due from other governments consisted of the following at June 30, 2017:

	<u>Governmental Activities</u>	<u>Workforce Development Consortium</u>
Receivables under expenditure-driven grants	\$ 1,156,722	\$ 314,717
Technical assistance contracts	<u>27,084</u>	<u>-</u>
	<u>\$ 1,183,806</u>	<u>\$ 314,717</u>

6. Capital Assets

The following is a summary of capital asset activity for the year ended June 30, 2017:

	<u>Balance June 30, 2016</u>	<u>Balance June 30, Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2017</u>
Capital assets being depreciated				
Furniture, fixtures and equipment, and leasehold improvements	\$ 797,346	\$ 85,112	\$ 41,446	\$ 841,012
Less accumulated depreciation	<u>716,664</u>	<u>41,674</u>	<u>30,947</u>	<u>727,391</u>
Governmental activities capital assets, net	<u>\$ 80,682</u>	<u>\$ 43,438</u>	<u>\$ 10,499</u>	<u>\$ 113,621</u>

Depreciation expense was charged to indirect cost in the amount of \$41,674.

7. Accounts and Grants Payable

Accounts and grants payable at the government-wide level consisted of the following at June 30, 2017:

	<u>Vendors</u>	<u>Subrecipients</u>	<u>Total</u>
Governmental activities:			
General	\$ 103,627	\$ -	\$ 103,627
Special revenue	<u>-</u>	<u>1,612,411</u>	<u>1,612,411</u>
	<u>\$ 103,627</u>	<u>\$ 1,612,411</u>	<u>\$ 1,716,038</u>
Workforce Development Consortium	<u>\$ -</u>	<u>\$ 314,246</u>	<u>\$ 314,246</u>

8. Accrued Liabilities

Accrued liabilities for governmental activities and the General Fund at June 30, 2017 consisted of accrued salaries and salary related accounts in the amount of \$152,288.

CENTRALINA COUNCIL OF GOVERNMENTS
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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 (age 55 for firefighters). 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, 2017, was 7.25% 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 \$192,329 for the year ended June 30, 2017.

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

At June 30, 2017, the Council reported a liability of \$763,616 for its proportionate share of the net pension asset. The net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2015. The total pension liability was then rolled forward to the measurement date of June 30, 2016 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, 2016, the Council's proportion was 0.036%, which was a decrease of 0.003% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the Council recognized pension expense of \$208,999. At June 30, 2017, 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	\$ 14,347	\$ 26,758
Changes of assumptions	52,301	-
Net difference between projected and actual earnings on pension plan investments	422,183	-
Changes in proportion and differences between Council contributions and proportionate share of contributions	12,534	3,502
Total contributions subsequent to the measurement date	<u>192,329</u>	<u>-</u>
Total	<u>\$ 693,694</u>	<u>\$ 30,260</u>

\$192,329 reported as deferred outflows of resources related to pensions resulting from Council contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2018. 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>	
2018	\$ 75,044
2019	75,056
2020	200,490
2021	<u>120,515</u>
Total	<u>\$ 471,105</u>

Actuarial assumptions. The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.50 to 7.75 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, 2015 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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, 2016 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	29.0%	1.4%
Global equity	42.0%	5.3%
Real estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation protection	<u>6.0%</u>	4.0%
Total	<u>100.0%</u>	

The information above is based on 30 year expectations developed with the consulting actuary for the 2016 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 3.00%. All rates of return and inflation are annualized.

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

CENTRALINA COUNCIL OF GOVERNMENTS
NOTES TO THE FINACIAL STATEMENTS

June 30, 2017

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)	\$ 1,812,417	\$ 763,616	\$ (112,421)

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, 2016 and 2017 amounted to \$159,169 and \$192,329, 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, 2017 amounted to \$60,810.

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.

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.

CENTRALINA COUNCIL OF GOVERNMENTS
NOTES TO THE FINACIAL STATEMENTS

June 30, 2017

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 United Healthcare and Aetna. Dental and vision coverage are covered 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 \$25,107 to the HCB Plan for the year ended June 30, 2017. 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 THE FINACIAL STATEMENTS

June 30, 2017

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 contributed to the plan, and changes in the Council's net OPEB obligation for the healthcare benefits:

Annual required contribution	\$ 37,058
Interest on net OPEB obligation	2,934
Adjustment to annual required contribution	<u>2,802</u>
Annual OPEB cost (expense)	37,190
Contributions made	<u>(25,107)</u>
Increase in net OPEB obligation	12,083
Net OPEB obligation, beginning of year	<u>73,338</u>
Net OPEB obligation, end of year	<u>\$ 85,421</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, 2017, 2016 and 2015 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>
2017	\$ 37,190	67.5%	\$ 85,421
2016	36,085	61.0%	73,338
2015	36,060	61.0%	59,376

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 THE FINACIAL STATEMENTS

June 30, 2017

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 are comprised of contributions to the pension plan and other pension deferrals in the current fiscal year in the amount of \$192,329 and \$501,365, respectively.

The following is a summary of deferred inflows of resources at June 30, 2017:

	<u>Governmental Activities</u>	<u>Workforce Development Consortium</u>
Deferred membership dues	\$ 74,569	\$ -
Pension deferrals	<u>30,260</u>	<u>-</u>
	<u>\$ 104,829</u>	<u>\$ -</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 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.

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.

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.

CENTRALINA COUNCIL OF GOVERNMENTS
NOTES TO THE FINACIAL STATEMENTS

June 30, 2017

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 21, 2013 and requires 60 monthly payments of \$810 each. Another lease agreement for a copier began on January 27, 2017 and requires 60 monthly payments of \$652 each.

The following is a summary of assets recorded under capital leases at June 30, 2017:

	<u>Accumulated Cost</u>	<u>Net Book Depreciation</u>	<u>Value</u>
Copier	\$ 35,679	\$ 21,407	\$ 14,272
Copier	<u>33,725</u>	<u>2,810</u>	<u>30,915</u>
	<u>\$ 69,404</u>	<u>\$ 24,217</u>	<u>\$ 45,187</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2017 were as follows:

<u>Year Ending June 30,</u>	
2018	\$ 17,544
2019	17,544
2020	9,444
2021	7,824
2022	<u>4,564</u>
Total minimum lease payments	56,920
Less: amount representing interest	<u>(7,348)</u>
Present value of minimum lease payments	<u>\$ 49,572</u>

Changes in long-term liabilities

	<u>Balance July 1, 2016</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2017</u>	<u>Current Portion of Balance</u>
Governmental activities:					
Capitalized leases	\$ 40,259	\$ 33,725	\$ 24,412	\$ 49,572	\$ 15,555
Accrued vacation And sick leave	395,924	228,745	218,650	406,019	218,650
Accrued rent	129,872	-	129,872	-	-
Other postemployment healthcare benefits	73,338	37,190	25,107	85,421	-
Other liabilities	<u>97,442</u>	<u>-</u>	<u>5,000</u>	<u>92,442</u>	<u>5,000</u>
	<u>\$ 736,835</u>	<u>\$ 299,660</u>	<u>\$ 403,041</u>	<u>\$ 633,454</u>	<u>\$ 239,205</u>

CENTRALINA COUNCIL OF GOVERNMENTS
NOTES TO THE FINACIAL STATEMENTS

June 30, 2017

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 16,700 square feet of office space under an operating lease with a 62-month term ending March 2022. This lease agreement provides for monthly rental payments of \$23,648 during the first year of the lease with an increase of 3% each year thereafter. The agreement includes rent abatement for the first two months of the agreement. 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, 2017:

<u>Year Ending</u> <u>June 30,</u>	<u>Office Space</u>
2018	\$ 285,909
2019	294,487
2020	303,321
2021	312,421
2022	<u>239,549</u>
Total	<u>\$ 1,435,687</u>

Total rental expenditures for all operating leases except those with terms of one month or less amounted to \$286,964 for the year ended June 30, 2017.

17. 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 \$931,457 and the Council reported revenues in the General Fund of the same amount for the year ended June 30, 2017.

18. 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.

CENTRALINA COUNCIL OF GOVERNMENTS
NOTES TO THE FINACIAL STATEMENTS

June 30, 2017

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, 2017, 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.



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Required Supplementary Information

This section contains additional information required by Accounting Principles Generally Accepted in the United States of America:

- Schedule of Funding Progress for other post-employment benefits
- Schedule of Employer Required Contributions for other post-employment benefits
- Local Governmental Employees' Retirement System – Schedule of the City's Proportionate Share of the Net Position
- Local Governmental Employees' Retirement System – Schedule of the City's Contributions

**Centralina Council of Governments
Other Postemployment Benefits
Required Supplementary Information**

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
2013	\$ 38,753	87.8%
2014	38,753	61.5%
2015	35,979	61.2%
2016	35,979	61.5%
2017	37,058	67.8%

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	3.0%
Cost-of-living adjustments	None

Centralina Council of Governments
Schedule of Proportionate Share of the Net Pension Liability (Asset)
Local Government Employee's Retirement System
Required Supplementary Information
Last Four Fiscal Years*

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Centralina's proportion of the net pension liability (asset) (%)	0.0360%	0.0390%	0.0410%	0.0410%
Centralina's proportion of the net pension liability (asset) (\$)	\$ 763,616	\$ 175,523	\$ (240,911)	\$ 490,591
Centralina's covered-employee payroll	2,476,046	2,532,892	2,580,938	2,486,778
Centralina's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	30.84%	6.93%	-9.33%	19.73%
Plan fiduciary net position as a percentage of the total pension liability	91.47%	98.09%	102.64%	94.35%

*The amounts presented for each fiscal year were determined as of the prior fiscal year ending June 30 and will build to a ten year schedule as more information becomes available.

**Centralina Council of Governments
Schedule of Contributions
Local Government Employee's Retirement System
Required Supplementary Information
Last Four Fiscal Years***

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 192,329	\$ 165,153	\$ 181,071	\$ 182,472
Contributions in relation to the contractually required contribution	<u>192,329</u>	<u>165,153</u>	<u>181,071</u>	<u>182,472</u>
Contribution deficiency (excess)	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>
Centralina's covered employee payroll	\$ 2,652,802	\$ 2,476,046	\$ 2,532,892	\$ 2,580,938
Contributions as a percentage of covered employee payroll	7.25%	6.67%	7.15%	7.07%

*The amounts presented for each fiscal year were determined as of the prior fiscal year ending June 30 and will build to a ten year schedule as more information becomes available.

Individual Fund Schedules



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General Fund

**CENTRALINA COUNCIL OF GOVERNMENTS
GENERAL FUND
COMPARATIVE BALANCE SHEETS
June 30, 2017
With Comparative Totals for June 30, 2016**

SCHEDULE 1

	<u>2017</u>	<u>2016</u>
ASSETS		
Cash and investments	\$ 1,302,566	\$ 389,884
Receivables	20,907	97,959
Due from other governments	599,783	564,628
Prepayments	<u>88,724</u>	<u>33,101</u>
Total assets	<u>\$ 2,011,980</u>	<u>\$ 1,085,572</u>
LIABILITIES		
Liabilities		
Accounts and grants payable	\$ 103,627	\$ 615,301
Accrued liabilities	152,288	124,620
Due to special revenue fund	1,028,388	-
Due to component unit	3,504	7,993
Unearned revenue	<u>190,164</u>	<u>101,769</u>
Total Liabilities	<u>1,477,971</u>	<u>849,683</u>
Deferred Inflows of Resources		
Unavailable resources	56,675	-
Deferred membership dues	<u>74,569</u>	<u>54,370</u>
Total deferred inflows of resources	<u>131,244</u>	<u>54,370</u>
Fund balances		
Nonspendable		
Prepayments	88,724	33,101
Restricted		
Stabilization by State Statute	620,690	662,587
Assigned		
Unassigned		
	<u>(306,649)</u>	<u>(514,169)</u>
Total fund balances	<u>402,765</u>	<u>181,519</u>
Total liabilities and fund balances	<u>\$ 2,011,980</u>	<u>\$ 1,085,572</u>

CENTRALINA COUNCIL OF GOVERNMENTS
GENERAL FUND
INDIRECT COST CENTER - COMPUTATION OF INDIRECT
COST ALLOCATION RATE
For the Year Ended June 30, 2017

SCHEDULE 2

PERSONNEL EXPENDITURES	
Salaries	\$ 590,837
Fringe benefits	324,066
	<u>914,903</u>
OPERATING EXPENDITURES	
Audit	57,500
Auto expenditures	5,384
Consultants	950
Contracted services	178,631
Equipment Leases	34,443
Fleet Maintenance	6,615
Insurance	63,933
Computers & Software	3,040
Legal	8,712
Meeting related Expenditures	10,365
Memberships and dues	13,025
Miscellaneous	1,800
Postage	6,104
Printing and publications	2,232
Repairs and maintenance	8,895
Rent	285,023
Retiree health costs	20,640
Supplies	10,832
Telephone	23,465
Training	4,237
Transportation & Parking	704
Travel	14,489
	<u>761,019</u>
Total indirect costs - unadjusted	1,675,922
Adjustment for depreciation expense	41,674
	<u>\$ 1,717,596</u>
Total personnel expenditures	\$ 3,584,106
Less personnel expenditures in indirect cost pool	<u>914,903</u>
Total personnel expenditures earning indirect costs	<u>\$ 2,669,203</u>

CENTRALINA COUNCIL OF GOVERNMENTS
GENERAL FUND
INDIRECT COST CENTER - COMPUTATION OF INDIRECT
COST ALLOCATION RATE
For the Year Ended June 30, 2017

SCHEDULE 2
(Continued)

	<u>Adjusted</u>
ALLOCATION RATE COMPUTATION	
Indirect costs	\$ 1,717,596
Carry Forward Adjustment FY16	<u>266,436</u>
Total Adjusted Indirect Cost	<u>\$ 1,984,032</u>
Divided by personnel expenditures earning indirect costs	<u>\$ 2,669,203</u>
Allocation rate - as computed	<u><u>74%</u></u>
INDIRECT COSTS COMPARED TO CALCULATED INDIRECT AMOUNT	
Personnel expenditures earning indirect costs	\$ 2,669,203
Personnel expenditures earning indirect costs	2,361,745
Federally approved rate	<u>68.37%</u>
Federally approved indirect amount	1,614,725
Personnel expenditures earning indirect costs - Annual	24,812
State University Grant Cap	<u>10.00%</u>
State University Grant Cap indirect amount - Annual	2,481
Personnel expenditures earning indirect costs - Annual	83,141
Private Foundation Grant Cap	<u>20.00%</u>
Private Foundation Grant Cap indirect amount - Annual	16,628
Personnel expenditures earning indirect costs - Annual	13,414
Private Professional Membership Organization	<u>30.00%</u>
Private Professional Membership Organization Cap indirect amount - Annual	4,024
Personnel expenditures earning indirect costs - Annual	186,091
Transportation Grants Cap	<u>64.00%</u>
Transportation Grants Cap indirect amount - Annual	119,098
Total indirect costs calculated	1,756,956
Total indirect actual expense costs	<u>1,717,596</u>
Calculated indirect costs over (under) adjusted indirect costs	<u><u>\$ 39,360</u></u>

Special Revenue Fund

CENTRALINA COUNCIL OF GOVERNMENTS
SPECIAL REVENUE FUND
COMPARATIVE BALANCE SHEETS
June 30, 2017
With Comparative Totals for June 30, 2016

SCHEDULE 3

	<u>2017</u>	<u>2016</u>
ASSETS		
Cash	\$ 386	\$ 426
Due from other governments	584,023	523,834
Due from general fund	<u>1,028,388</u>	<u>-</u>
Total assets	<u><u>\$ 1,612,797</u></u>	<u><u>\$ 524,260</u></u>
LIABILITIES		
Accounts and grants payable	\$ 1,612,411	\$ 523,834
Unearned revenue	<u>386</u>	<u>426</u>
Total liabilities	<u><u>\$ 1,612,797</u></u>	<u><u>\$ 524,260</u></u>

Component Unit

CENTRALINA COUNCIL OF GOVERNMENTS
COMPONENT UNIT
CENTRALINA WORKFORCE DEVELOPMENT CONSORTIUM
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
From Inception and for the Year Ended June 30, 2017

SCHEDULE 4

	Grant Award	Actual		Total to Date
		Prior Years	Current Year	
REVENUES				
WIA /WIOA GRANTS				
WIA 14-2031 DW Rapid Response	\$ 51,250	\$ -	\$ 50,915	\$ 50,915
WIA 15-3130 7013-Sector Partnership NEG	30,000	-	30,000	30,000
WIA 15-3130 7044-SPCP Implementation-Centralina Adv Mfg	157,000	-	21,833	21,833
WIOA 15-4010 Administrative Cost Pool-10% - 2015	511,729	250,901	260,828	511,729
WIOA 15-4020 Adult Services- 2015	2,378,948	2,367,762	11,186	2,378,948
WIOA 15-4030 Dislocated Worker- 2015	701,478	405,344	296,134	701,478
WIOA 15-4031 Special Grants Collaboration- 2015	103,583	17,850	81,173	99,023
WIOA 15-4040 Youth Services- 2015	1,525,137	1,325,465	199,672	1,525,137
WIOA 16-4010 Administrative Cost Pool- 10% - 2016	428,231	-	356,809	356,809
WIOA 16-4020 Adult Services- 2016	1,978,968	-	1,893,879	1,893,879
WIOA 16-4030 Dislocated Worker- 2016	601,266	-	551,745	551,745
WIOA 16-4040 Youth Services- 2016	1,273,842	-	1,135,001	1,135,001
Total revenues	9,741,432	4,367,322	4,889,175	9,256,497
EXPENDITURES				
WIA /WIOA GRANTS				
WIA 14-2031 DW Rapid Response	51,250	-	50,915	50,915
WIA 15-3130 7013-Sector Partnership NEG	30,000	-	30,000	30,000
WIOA 15-4010 Administrative Cost Pool-10% - 2015	157,000	-	21,833	21,833
WIOA 15-4010 Administrative Cost Pool-10% - 2015	511,729	250,901	260,828	511,729
WIOA 15-4020 Adult Services- 2015	2,378,948	2,367,762	11,186	2,378,948
WIOA 15-4030 Dislocated Worker- 2015	701,478	405,344	296,134	701,478
WIOA 15-4031 Special Grants Collaboration- 2015	103,583	17,850	81,173	99,023
WIOA 15-4040 Youth Services- 2015	1,525,137	1,325,465	199,672	1,525,137
WIOA 16-4010 Administrative Cost Pool- 10% - 2016	428,231	-	356,809	356,809
WIOA 16-4020 Adult Services- 2016	1,978,968	-	1,893,879	1,893,879
WIOA 16-4030 Dislocated Worker- 2016	601,266	-	551,745	551,745
WIOA 16-4040 Youth Services- 2016	1,273,842	-	1,135,001	1,135,001
Total expenditures	9,741,432	4,367,322	4,889,175	9,256,497
Revenues over expenditures	-	-	-	-
FUND BALANCE - JULY 1	-	-	-	-
FUND BALANCE - JUNE 30	\$ -	\$ -	\$ -	\$ -

Compliance Section



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

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 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 (the "Council"), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Council's basic financial statements and have issued our report thereon dated September 23, 2017.

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.

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 Council's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified.

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 grants agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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 Council'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 Council's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Cherry Rickett LLP

Charlotte, North Carolina
September 23, 2017

**Report of Independent Auditor on Compliance with Requirements Applicable to
Each Major Federal Program and Internal Control over Compliance in
Accordance with the OMB Uniform Guidance 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 (the "Council"), compliance with the types of compliance requirements described in the *OMB 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, 2017. The Council's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the State Single Audit Implementation Act. Those standards, the Uniform Guidance, 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, 2017.

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, we considered the Council's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the 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 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Handwritten signature of Cherry Roubert LLP in cursive script.

Charlotte, North Carolina
September 23, 2017

**Report of Independent Auditor on Compliance with Requirements
Applicable to Each Major State Program and Internal Control Over
Compliance in Accordance with the OMB Uniform Guidance 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, that could have a direct and material effect on each of the Council's major State programs for the year ended June 30, 2017. The Council's major State programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's 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 Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, Uniform Guidance 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 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 State program. However, our audit does not provide a legal determination of the Council's compliance.

Opinion on Each Major State Programs

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 identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2017.

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, 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 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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the 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 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 the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Handwritten signature of Cherry Roubert LLP in cursive script.

Charlotte, North Carolina
September 23, 2017

CENTRALINA COUNCIL OF GOVERNMENTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2017

Section I. Summary of Auditor's Results (continued)

Identification of major federal programs:

<u>CFDA#</u>	<u>Program Name</u>
	Aging Cluster
93.044	Special Programs for the Aging - Title III B
93.045	Special Programs for the Aging - Title III C
93.053	Nutrition Services Incentive Program
	Workforce Investment Act Cluster
17.258	WIA/WIOA - Adult Program
17.259	WIA/WIOA - Youth Activities
17.278	WIA/WIOA - Dislocated Worker Formula Grants

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

Auditee qualified as low-risk auditee? ___ yes X no

State Awards

Internal control over major State programs:

- Material weakness identified? ___ yes X no
- Significant deficiency identified that
 is not considered to be material weakness ___ yes X none reported

Noncompliance material to State awards ___ yes X no

Type of auditor's 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

CENTRALINA COUNCIL OF GOVERNMENTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2017

Section I. Summary of Auditor's Results (continued)

Identification of major State programs:

Program Name

- 90% State Funds - Access
- 90% State Funds - In-Home Services
- 90% State Funds - Home-Delivered Meals
- 90% State Funds - Ombudsman

CENTRALINA COUNCIL OF GOVERNMENTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2017

Section II. Findings and Questioned Cost related to the Audit of Federal and State Awards

Section II. Financial Statement Findings

None reported.

Section III. Federal Awards Findings and Questioned Costs

None reported.

Section IV. State Awards Findings and Questioned Costs

None reported.

**CENTRALINA COUNCIL OF GOVERNMENTS
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2017**

Grantor/Pass-Through Grantor/ Program Title	CFDA Number	State/ Pass-through Grantor's Number	Federal Expenditures	State Expenditures	Passed through to Subrecipients
FEDERAL AWARDS					
<u>U.S. DEPARTMENT OF COMMERCE</u>					
Economic Development Administration					
Direct program					
Strategic Planning Grant	11.303	ED16ATL3020014	\$ 62,061	\$ -	\$ -
EDA Regional Freight Study	11.302	01-88-07065	35,370	-	-
Total U.S. Department of Commerce			<u>97,431</u>	<u>-</u>	<u>-</u>
<u>U.S. DEPARTMENT OF LABOR</u>					
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	34177	352,286	-	-
Total Senior Community Service Employment Program			<u>352,286</u>	<u>-</u>	<u>-</u>
Passed through Senior Service America, Inc.					
Senior Community Service Employment Program	17.235	331	360,731	-	-
Total Senior Service America, Inc.			<u>360,731</u>	<u>-</u>	<u>-</u>
Passed through North Carolina Department of Commerce					
Division of Employment and Training					
Workforce Innovation and Opportunity Act Cluster					
WIOA - Adult Programs	17.258	AA-26791-15-55-A-37	11,186	-	-
WIOA - Adult Programs	17.258	AA-28327-16-55-A-37	1,893,879	-	1,893,879
WIOA - Youth Activities	17.259	AA-26791-15-55-A-37	199,672	-	-
WIOA - Youth Activities	17.259	AA-28327-16-55-A-37	1,135,001	-	1,135,001
WIOA - Dislocated Workers	17.278	AA-25365-14-55-A-37	49,665	-	49,665
WIOA - Dislocated Workers	17.278	AA-26791-15-55-A-37	378,557	-	283,405
WIOA - Dislocated Workers	17.278	AA-28327-16-55-A-37	551,745	-	551,745
WIA - 7013 Sector Partnership NEG	17.277	EM-27361-15-60-37	30,000	-	30,000
WIA - 3130 WIA Program	17.277	EM-27361-15-60-37	21,833	-	14,025
WIOA - Administrative Cost Pool/Incentives/Capital and Special Grants	17.258 17.259 17.278	AA-26791-15-55-A-37 / AA-28327-16-55-A-37	617,637	-	-
Total Workforce Innovation and Opportunity Act Cluster			<u>4,889,175</u>	<u>-</u>	<u>3,957,720</u>
Total U.S. Department of Labor			<u>5,602,192</u>	<u>-</u>	<u>3,957,720</u>
<u>U.S. DEPARTMENT OF ENERGY</u>					
Clean Cities Coalition Programmatic Support Program	81.086	LGJ-4-23274-04	14,511	-	-
NC PEV Readiness Initiative: Plugging in from Mountains to Sea	81.086	11EE007389	49,314	-	-
Southeast Alternative Fuels	81.086	DE-EE0007018	3,100	-	-
Total U.S. Department of Energy			<u>66,925</u>	<u>-</u>	<u>-</u>

**CENTRALINA COUNCIL OF GOVERNMENTS
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2017**

(continued)

Grantor/Pass-Through Grantor/ Program Title	CFDA Number	State/ Pass-through Grantor's Number	Federal Expenditures	State Expenditures	Passed through to Subrecipients
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>					
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	NC-06	\$ 21,119	\$ 1,242	\$ -
Special Programs for the Aging, Title VII, Chapter 2					
Programs for Long-term Ombudsman Services for Older Individuals	93.042	NC-06	35,417	2,083	-
Social Service Block Grant					
In Home/Support SVC	93.667	NC-06	454,746	12,993	467,739
Special Programs for the Aging, Title III F					
Disease Prevention and Health Promotion Services	93.043	NC-06	116,391	6,847	36,857
Aging Cluster					
Special Programs for the Aging - Title III B					
Grants for Supportive Services and Senior Centers					
Legal services	93.044	NC-06	80,124	4,713	84,837
Ombudsman	93.044	NC-06	306,821	18,048	-
Access	93.044	NC-06	927,226	54,543	981,769
In Home Services	93.044	NC-06	426,045	25,061	451,106
Special Programs for the Aging - Title III C					
Nutrition Services-Planning and Administration					
Congregate Nutrition	93.045	NC-06	1,529,212	88,799	1,188,370
In Home Support	93.045	NC-06	120,404	6,598	127,002
Home Delivered Meals	93.045	NC-06	738,127	43,419	781,546
Special Programs for the Aging - Title III E					
Nutrition Services Incentive Program	93.053	NC-06	488,569	-	488,569
Total Aging Cluster					
Special Programs for the Aging - Title III E					
National Family Caregiver Support Program	93.052	NC-06	569,089	37,939	464,096
MIPPA					
	93.071	14AANCMAAA / 14AANCMADR	55,515		-
Senior Medicare Patrol					
	93.048	90MP0210-02-01	5,500	-	-
Local Contact Agency					
	93.791	34507	90,000	-	-
Total U.S. Department of Health and Human Services			5,964,305	302,285	5,071,891

**CENTRALINA COUNCIL OF GOVERNMENTS
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2017**

(continued)

Grantor/Pass-Through Grantor/ Program Title	CFDA Number	State/ Pass-through Grantor's Number	Federal Expenditures	State Expenditures	Passed through to Subrecipients
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>					
Passed through North Carolina Department of Transportation					
Charlotte UZA Grant	20.513	2017000648	\$ 73,455	\$ -	\$ -
Charlotte FHWA Freight Study	20.205	2016000668	222,993	-	-
Nonurbanized Area Public Transportation Grant	20.513	17-ED-912	146,184	67,132	-
Passed through North Carolina State University					
Clean Fuels Advanced Technology 2014-2018	20.205	2010-0499-05	26,648	-	-
Total U.S. Department of Transportation			<u>469,280</u>	<u>67,132</u>	<u>-</u>
Total Federal Awards Expended			<u>12,200,133</u>	<u>369,417</u>	<u>9,029,611</u>
STATE AWARDS					
<u>N. C. Department of Environment and Natural Resources</u>					
Land Monitoring Services		6499	-	25,235	-
Total N. C. Department of Environment and Natural Resources			<u>-</u>	<u>25,235</u>	<u>-</u>
<u>N. C. Department of Health and Human Services</u>					
Division of Aging					
90% State Funds - Ombudsman		NC-06	-	178,079	-
90% State Funds - Access		NC-06	-	640,530	640,530
90% State Funds - In Home Services		NC-06	-	3,798,212	3,798,212
90% State Funds - Home Delivered Meals		NC-06	-	278,194	278,194
AAA Plan & Administration		NC-06	-	48,261	-
Fans Programs		NC-06	-	14,363	13,977
Senior Center General Purpose		NC-06	-	126,849	126,849
Total N.C. Department of Health and Human Services			<u>-</u>	<u>5,084,488</u>	<u>4,857,762</u>
Total State Awards Expended			<u>-</u>	<u>5,109,723</u>	<u>4,857,762</u>
Total Federal and State Awards Expended			<u>\$ 12,200,133</u>	<u>\$ 5,479,140</u>	<u>\$ 13,887,373</u>

CENTRALINA COUNCIL OF GOVERNMENTS
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2017

(continued)

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE FINANCIAL AWARDS

1. **Basis of Presentation**

The accompanying schedule of expenditures of federal and State awards (SEFSA) includes the federal and state grant activity of Centralina Council of Governments under the programs of the federal government and the State of North Carolina for the year ended June 30, 2017. The information in this SEFSA is presented in accordance with the requirements of Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the State Single Audit Implementation Act. Because the schedule presents only a selected portion of the operations of Council, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Council.

2. **Summary of Significant Accounting Policies**

Expenditures reported in the SEFSA are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

3. **Indirect Cost Rate**

The Centralina Council of Governments has elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.