

**Centralina Council of
Governments**

Comprehensive Annual
Financial Statements

For the Year Ended June 30, 2012



DIXON HUGHES GOODMAN^{LLP}
Certified Public Accountants and Advisors

CENTRALINA COUNCIL OF GOVERNMENTS

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FINANCIAL SECTION



DIXON HUGHES GOODMAN LLP
Certified Public Accountants and Advisors

INDEPENDENT AUDITORS' REPORT

Board of Delegates
Centralina Council of Governments
Charlotte, North Carolina

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund and budget to actual comparison for the General Fund of **Centralina Council of Governments** as of and for the year ended June 30, 2012, which collectively comprise the Council's basic financial statements as listed in the table of contents. These financial statements are the responsibility of **Centralina Council of Governments'** management. 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 basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of the other auditor provide a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the discretely presented component unit and each major fund of **Centralina Council of Governments** as of June 30, 2012, and the respective changes in financial position thereof and the respective budgetary comparison for the General Fund for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have issued our report dated November 15, 2012 on our consideration of **Centralina Council of Governments'** internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis and the Other Postemployment Benefits' Schedules of Funding Progress and Schedules of Employer Contributions on pages 3-16 and 40 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Centralina's basic financial statements. The individual fund statements, budgetary schedules and other schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The accompanying schedule of expenditures of federal and state awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and the State Single Audit Implementation Act, and is also not a required part of the basic financial statements. The individual fund financial statements, budgetary schedules, other schedules and the schedule of expenditures of federal and state awards have 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 individual fund financial statements, budgetary schedules, other schedules and the schedule of expenditures of federal and state awards are stated in all material respects in relation to the basic financial statements as a whole.

Dixon Hughes Goodman LLP

November 15, 2012

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, 2012. This information should be read in conjunction with the audited financial statements included in this report.

Financial Highlights

The activities of Centralina fall in the following broad categories: Workforce Development, Area Aging Agency, Community and Economic Development, Sustainable Communities, Planning and Local Technical Assistance. In fiscal year 2011-2012, Centralina had numerous accomplishments in all of these areas.

The Centralina Workforce Development Board (WDB) provided outstanding leadership in a variety of workforce development and related areas during fiscal year 2011-2012. Through its private sector leaders, the WDB has been effective in meeting the needs of our current and emerging workforce. The Centralina WDB continuing to be a leader in North Carolina. The WDB administive the Incumbent Workforce Development Program which helped upgrade the skills of over 527 employees within 7 local businesses and resulted in the provision of over \$154,777 in economic investment in our region.

Workforce Investment Act (WIA) services funded through the Centralina WDB enrolled a total of 1,278 in training and education and employment development activities. This included services to 739 dislocated workers, 357 adults, and 182 youth. The average hourly wage at job placement for adult and dislocated worker completers was \$16.25.

The Board served in the key leadership role with the Competitive Workforce Alliance, a partnership with other area workforce boards. The Alliance's focus on assisting health care employers was accomplished through the Allied Health Regional Skills Partnership (RSP). The RSP has produced a Model Career Pathway Tool Kit that provides employers with the framework for establishing successful career pathways programs to move incumbent lower-skilled workers into needed higher-skilled, higher-paying positions. It is an example of how collaborations between trainers, educators and employers can benefit both the employer and the worker and is available at www.agreatworkforce.com/alliedhealth.

The RSP also provided the seed money to develop a career pathways program for the occupation of Anesthesia Technician. Faced with a 50% turnover rate in this entry-level position, Carolinas College of Health Sciences approached the Partnership with a proposal to develop a career pathways project that would provide standardized training and create opportunities for workers to increase their skills, responsibility and wages. The Partnership approved the request, and now 11 months later, the first class of 16 has graduated and the curriculum is now being made available to any community college.

The Centralina WDB and Rowan-Cabarrus Community College sponsored the second annual Bridging Business and Workforce Development Conference at the Embassy Suites in Concord, NC. The college's [Re-Employment Bridge Institute](#) handled much of the preparation as well as the execution of activities.

Management's Discussion and Analysis (Continued)

The conference had over 250 participants from all over the nation that included many different professionals from varied backgrounds, including business leaders, workforce development, economic development, community colleges, workforce partner agencies, as well as local government employees. The first event was so successful in June 2011 that the US Department of Labor (USDOL) - Employment & Training Administration used it as a model for its "Taking Care of Business – Tools for Success" conference in November 2011. The Centralina WDB staff served on the planning committee for this USDOL event.

The Centralina WDB partnered with NC State University - Industrial Extension Service, Monroe Economic Development, along with representatives from South Piedmont CC, the Small Business Technology Development Center (STDC), NC Department of Commerce, and Duke Energy for the local launch of the E3: North Carolina program for manufacturers. E3 is short for Economy, Energy, and Environment. Sustainability is the primary theme that serves as the foundation of commitment between E3 partners. The goal of E3 is to foster the concept of the triple bottom line with North Carolina manufacturers. This means helping companies move focus equally between their economic growth, environmental stewardship, and social equity (i.e. profit, planet, and people). The effort has already paid big dividends for local manufacturer Beasam in Monroe.

Centralina WDB staff served as the project lead for the development of the 2012 Skills Survey of North Carolina Employers. The survey is the most extensive research ever undertaken to determine what skills gaps exist among the state's workers. Twenty-three workforce development boards across the state collected 1,152 surveys from all 100 counties in North Carolina. The research will help workforce partners, economic developers and educators determine where there are gaps in the training and skills needed by workers to meet the demands of local employers.

On Thursday, May 10, 2012, the Centralina Workforce Development Board and four other workforce boards won the prestigious 2012 Public - Sector Jerry Award from the Charlotte Regional Partnership (CRP), the regional economic development agency. The award presentation was held at the CRP's annual banquet with well over 1,000 attendees. David Hollars, Executive Director of the Centralina WDB, accepted the honor for the Centralina WDB and spoke on behalf of all of the boards. The Jerry Awards recognize individuals or organizations that have made significant, ongoing contributions to economic development in Charlotte USA, a 16-county region.

Centralina Area Agency on Aging (CAAA) is working with communities in the region to ensure lifelong communities where people have a good quality of life, regardless of age or disability. During fiscal year 2011-2012 CAAA accomplished the following tasks.

- Centralina Area Agency on Aging successfully completed year two of the American Recovery and Reinvestment Act funds to continue the evidence based health promotion programs. Evidenced Based Health Promotion programs provide training to individuals to take charge of their own health through self-awareness and self-empowerment. CAAA provided oversight and trainers for Chronic Disease Self-Management (CDSM), the Diabetes Management Program (DSMP), Matter of Balance, and the addition of Tomando, the Spanish version of Chronic Disease Self-Management. CAAA conducted 50 CDSM and DSMP classes and completed training for two Tomando Master Trainers.
- Through the CAAA Wellness Program, Centralina completed 52 Matter of Balance classes.
- CAAA offered not only regular monitoring of the Older American Act funds but extensive tools, templates, training, and other modes of technical assistance to county staff to ensure that Older American Act dollars are used to their maximum potential. The Older

Management's Discussion and Analysis (Continued)

Americans Act is the basis for services for persons over the age of sixty. Legislatively, the Act must be reauthorized every five years. The Area Agency on Aging actively advocated for passage through the ACT network Centralina established.

- A Local Contact Agency is a new federal requirement to assist residents of long term care facilities to relocate back into the community. This program expanded to cover all nine counties and established the Facilities Based Options Counseling program.
- The Family Caregiver Support Program administered through the Area Agency on Aging provided evidence based training to individuals and services to families to keep their loved ones at home. Two Powerful Tools for Caregivers Leader Certification training courses were held during the past year. In addition, one on one caregiver information was provided to individuals.
- Despite funding cuts, the Senior Community Service Employment program successfully completed and exceeded the majority of program goals established by the Department of Labor.
- In cooperation with the Planning department, Centralina successfully completed the first year of the Mobility Management project to put in place a regional approach to human service transportation.
- Centralina took a leadership role in planning and implementation of the 2012 Southeastern Association of Area Agencies on Aging Annual Conference which covered eight states with approximately 700 participants.

Growing the economy was vitally important to the health of the region. Services provided by Centralina's Community and Economic Development (CED) program support economic growth and related community development activities of the local government members. The CED provided various technical and support services for assisting our members to shape municipal plans, allocate resources, resolve conflicts and improve neighborhoods; and prepared and managed grants for projects.

The CED completed the following activities during fiscal year 2011-12.

- The Urgent Repair Program, funded by the North Carolina Housing Finance Agency in annual competitive cycles, awarded \$125,000 to CED in 2011 to assist 25 elderly and low income homeowners in Lincoln and Union Counties. A 2012 award of \$84,000 will assist 14 homeowners in Iredell and Lincoln counties.
- The CEDC provided Community Development Block Grant Administration to several communities in the region, and helped them take advantage of the full spectrum of resources and services available in the region.
- Technical assistance was provided to several non-profit housing agencies for participating in the federal HOME Investment Partnership Program.
- Drug and Alcohol Program Testing serving seven municipalities ensured compliance with USDOT for local government employees.
- Code Enforcement services administered in nine communities assisted in improving and maintaining housing stock under local jurisdiction's ordinances.

Central to region-wide economic growth was the Centralina Economic Development Commission (CEDC). Established in 2005 by Centralina, CEDC is a diverse non-profit partnership of the public and private sectors to promote development, expansion and retention of business and industry, retention and growth of jobs, and a diversified, sustainable, and innovative economic base within the region. Designated by the U.S. Economic Development Administration (EDA) as the regional Economic Development District, CEDC is charged with implementing the Comprehensive Economic

Management's Discussion and Analysis (Continued)

Development Strategy (CEDS) Five-Year Plan by conducting research, providing technical assistance and facilitating member government's access to program funding. Following are some accomplishments by the CEDC during fiscal year 2011-2012.

- CEDC hosted the 2nd Annual Advanced Manufacturing awards banquet, which reinforced the growing strength and enthusiasm within the regional advanced manufacturing sector and recognized five award winning companies.
- CEDC initiated the five-year CEDS Update in collaboration with key regional stakeholders that will be strategically integrated with the economic planning activities under the HUD CONNECT regional efforts.
- CEDC collaborated to align the CEDS plan with "NC Tomorrow"- NC Strategy for Comprehensive Economic Development for NC, built on the foundation of strategic planning efforts of the 16 NC councils of governments.
- The CEDC administered the Centralina Regional Revolving Loan Fund, funded in part by the NC Tobacco Trust Fund and the U.S. EDA, to provide gap financing to small businesses and value added agricultural enterprises, to create jobs and grow our economy in the region.
- CEDC provided technical assistance for EDA applications for two entities:
 - a) Newly formed energy cluster non-profit, E4Carolinas, for the 2012 Advanced Manufacturing and Jobs Accelerator competition.
 - b) UNC-Charlotte for an application under the EDA University Center competition.

Centralina addressed a variety of issues including water quality, regional and local land use planning, transportation, and energy. Activities ranged from local watershed and solid waste management plan development to administration of several alternative fuel and clean vehicle technology implementation and/or planning grant programs.

Staff wrapped up a multi-year Section 319 Water Quality Grant, funded by the NC Division of Water Quality, allowing for enhanced water quality modeling efforts in the quickly urbanizing Goose and Crooked Creek Watersheds of Mecklenburg and Union Counties, in partnership with the NC Ecosystem Enhancement Program and Tetra Tech. Phases II & III of the Goose and Crooked Creek Local Watershed Plan, funded by the NC Ecosystem Enhancement Program also were concluded, leading to implementation activities that will engage several local, state, and federal stakeholders in these sensitive Yadkin River Basin watersheds located on the Mecklenburg and Union County line.

The Regional Stormwater Partnership implemented an EPA funded grant to print posters with storm water related messages in Spanish. It also used funds from a Clean Water Management Trust Fund grant to upgrade a detention pond in Concord. Both of these projects were completed during fiscal year 2011-2012. The Partnership also hosted two training sessions on storm water related matters.

Centralina continued to staff and provide leadership for two long-standing agencies, the Mountain Island Lake and Lake Wylie Marine Commissions. Centralina facilitated a four-month long process to lead a stakeholder group to determine short and long term goals for the Mountain Island Lake Marine Commission. Centralina received a 205J grant from the NC Department of Natural Resources to implement phase IV of the Goose and Crooked Creek Watershed Plan related to water quality efforts.

Management's Discussion and Analysis (Continued)

In November 2011, Centralina received a \$4.9 million HUD Sustainable Communities Regional Planning Grant for the CONNECT Our Future project. During 2012, organizational, communication, and outreach activities occurred, including the creation of several working groups and technical teams, preparation of contracts for external partners, and communication of the project to elected officials throughout the region as the primary champions of this project. Staff served on the project management team, and developed and began implementing work programs for technical workgroups.

Local government technical assistance included serving as the staff planner for the town of Marshville and providing planning and mapping services to the towns of Unionville and Wingate. In other communities, assistance ranged from writing future land use plans (Cherryville) to crafting ordinance amendments (Pineville) and assisting with annexations (Belmont). Staff also reviewed watershed policies and regulations for inclusion in a local watershed plan.

Regarding transportation services, Centralina staff played a key role in regional coordination as well as introduced and implemented new initiatives and plans to promote transportation access, choice, and efficiency throughout the region.

- Recommended as a result of the 2010 regional transportation governance study, staff worked with business leaders to develop a scope of work for a Regional Freight Mobility Plan, which will identify collective opportunities and challenges for truck, rail and air freight modes in the bi-state (NC/SC) region.
- Centralina facilitated the project development and prioritization process for nearly \$20 million in Federal transportation funds available in Mecklenburg and Union Counties to help reduce congestion and air pollution (Congestion Mitigation for Air Quality program).
- Through a grant award from the NCDOT, the Regional Mobility Management Project identified more efficient, effective and affordable ways to provide human service transit for veterans, the elderly, and disabled.
- Centralina served as staff to the Lake Norman Rural Planning Organization, the state-designated transportation planning organization for Cleveland, Gaston, Iredell, and Lincoln counties.
- Centralina also completed bike and pedestrian planning and design for Waxhaw, Bessemer City, and the Lake Norman Bicycle Route, the first multi-county route in the state.

The NCDOT installed signage for the Lake Norman Bicycle Route in Iredell and Mecklenburg Counties, consistent with guidance provided by Centralina staff. Centralina staff held a ribbon-cutting event for the installation of the signage and led rides on portions of the route in Troutman in October 2011. Centralina held several meetings of the task force for continuing implementation of the route recommendations and distributed route brochures and safety devices to area bicycle shops and tourist attractions.

Staff provided legislative updates to planning directors, keeping them abreast of growth and development issues that may impact their communities as well as formalizing the Regional Conference of Mayors. This group met bi-monthly to discuss regional issues and develop capacity for influencing legislation critical to municipalities.

Turning to energy issues, Centralina continued to administer the Union County Energy Efficiency and Conservation Block grant, resulting in projects like lighting retrofits in the schools and solar hot water for the County jail. In addition, projects within the emerging HUD funded CONNECT project will further demonstrate and extend opportunities around energy within the region.

Management's Discussion and Analysis (Continued)

The Centralina Clean Fuels Coalition (CCFC) was active in a variety of areas during fiscal year 2011-2012. In early 2012, the CCFC conducted the Clean Cities Annual Survey that revealed continued growth in alternative fuel and vehicle use. A highlight of the year's activities was the receipt from the US Department of Energy an Honorable Mention for Greatest Increase in Propane Fuel Use by CCFC stakeholders in the region.

Another area of interest was fleet outreach, furthered by grant funding through the Clean Fuel Advance Technology (CFAT) program, sponsored by and in partnership with the NC Solar Center. The Centralina fleet was able to "walk the walk" with the purchase and operation of fuel-efficient hybrid vehicles funded in part through the CFAT program. Not only was this CCFC/Centralina grant partnership able to purchase two (2) Ford Fusion Hybrids, a Honda Insight hybrid, and a Honda Civic hybrid, it has also paid for the decaling of each vehicle. This information effectively gives our staff the ability to educate the public and our members on the air quality benefits of alternative fuels and clean transportation technologies as they go about their day-to-day activities across the region.

The Coalition continued its work on the largest project since its inception: The Carolina Blue Skies and Green Jobs Initiative (CBS). CBS is a 4-year, bi-state (NC/SC) effort to increase availability and use of alternative fuels, simultaneously deploying alternative fuel vehicles and advanced technology vehicles in North and South Carolina. Of the \$12.9 million bi-state grant, over \$2 million will come directly to the greater Charlotte region. Centralina's project partners include Duke Energy, GBUSA, Inc., Monroe Oil, Time Warner Cable, Charlotte Douglas International Airport, Charlotte Mecklenburg Utilities, City of Charlotte Solid Waste Services, and Frito Lay.

CCFC wrapped up its multi-year leadership of the Greater Charlotte Regional Biofuels Project partnership, which received \$185,000 in state grant funds to conduct research and develop an economic feasibility study around making biodiesel from municipal waste grease. Partners included Charlotte Mecklenburg Utilities, Central Piedmont Community College and UNC Charlotte. At a project de-briefing with NC Biofuels Center staff in Oxford, NC, the partnership was proud to introduce BlackGold Biofuels, a new company to the region that is now investing approximately \$15 million in North Carolina. Our collaboration and its combination of an advanced understanding of the issues alongside current data were cited as key factors in their decision to invest here.

CCFC staff continued to serve as one of five coalitions in the USA to provide mentoring services over the next two years, with a focus around organizational structure and partnership development. Following the CCFC's support of Rhode Island's Ocean State Clean Cities (OSCC), CCFC staff has assisted coalitions in the Albany, NY, Baton Rouge, LA, and Honolulu, HI areas with a variety of issues related to coalition growth and success.

In September 2011, Centralina and the CCFC officially received a \$500,000 grant award from the Department of Energy as one of 16 projects nationally included in DOE's \$8.5 million Clean Cities' Community Readiness and Planning for Plug-in Electric Vehicles (PEV) and Charging Infrastructure initiative. Centralina served as the lead applicant and grant administrator for the statewide NC PEV Readiness Initiative: Plugging in from Mountains to Sea. This project will support regional and statewide planning for PEV and charging infrastructure and focus on the four most populous regions of the state. Project partners include: Triangle J COG (greater Raleigh/Durham region), Land of Sky Regional Council (greater Asheville region), Piedmont Triad Regional Council (greater Winston-Salem/Greensboro region), North Carolina Solar Center, Advanced Energy, Duke Energy, and Progress Energy.

Management's Discussion and Analysis (Continued)

Other financial highlights are as follows:

- The assets of Centralina exceeded its liabilities at the close of the fiscal year by \$507,259 (*net assets*).
- Centralina's total net assets decreased by \$25,906, due to depreciation expense and annual contributions for other postemployment benefits.
- As of the close of the current fiscal year, Centralina's governmental funds reported combined ending fund balances of \$1,015,620, a decrease of \$11,436 from the prior year. Approximately \$1,027,000 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 \$287,126.

Overview of the Financial Statements

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

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

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 Assets and the Statement of Activities. The Statement of Net Assets includes all of Centralina's assets and liabilities. Assets and liabilities are classified in the order of relative liquidity for assets and due date for liabilities. 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.

Management's Discussion and Analysis (Continued)

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 Assets includes all of Centralina's assets and liabilities. 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 assets and how they have changed. Net assets (i.e., the difference between Centralina's assets and liabilities) is one way to measure the entity's financial health or position.

The government-wide statements are divided into two categories:

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

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

Fund Financial Statements

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

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

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

Management's Discussion and Analysis (Continued)

Government-wide Financial Analysis

Table 1
Condensed Statement of Net Assets
For Governmental Activities
as of June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Current assets	\$ 3,222,295	\$2,413,888
Capital assets	<u>111,748</u>	<u>102,448</u>
Total assets	<u>3,334,043</u>	<u>2,516,336</u>
Current liabilities	2,438,454	1,619,897
Noncurrent liabilities	<u>388,330</u>	<u>363,274</u>
Total liabilities	<u>2,826,784</u>	<u>1,983,171</u>
Invested in capital assets, net of related debt	74,364	43,135
Restricted	1,026,740	844,105
Unrestricted net assets	<u>(593,845)</u>	<u>(354,075)</u>
Total net assets	<u>\$ 507,259</u>	<u>\$ 533,165</u>

As noted earlier, net assets may serve over time as one useful indicator of a government's financial condition. The assets of Centralina exceeded liabilities by \$507,259 and \$533,165 as of June 30, 2012 and 2011, respectively. Centralina's net assets decreased by \$25,906 and \$105,221 for the fiscal years ended June 30, 2012 and 2011 respectively. The careful management of expenses influenced the total unrestricted governmental net assets.

Management's Discussion and Analysis (Continued)

Table 2
Centralina Changes in Net Assets
For Governmental Activities
For the Years Ended June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Revenues		
Restricted intergovernmental revenues – state	\$10,949,154	\$11,196,165
Restricted intergovernmental revenues – federal	3,317,239	3,170,990
Technical assistance contracts	429,471	558,938
Contracts and fees	36,713	36,074
Other program revenue	578,924	641,471
Interest and other	159,632	122,940
Member dues and contributions	<u>747,762</u>	<u>745,894</u>
Total revenues	<u>16,218,895</u>	<u>16,472,472</u>
Expenses		
General government	166,233	511,235
Transportation	201,401	145,495
Environmental protection	597,950	640,521
Economic and physical development	1,518,448	1,081,851
Human services	12,722,509	12,954,017
Workforce development	1,033,520	1,237,780
Interest	<u>4,740</u>	<u>6,794</u>
Total expenses	<u>16,244,801</u>	<u>16,577,693</u>
Decrease in net assets	(25,906)	(105,221)
Beginning net assets	<u>533,165</u>	<u>638,386</u>
Ending net assets	<u>\$ 507,259</u>	<u>\$ 533,165</u>

Governmental activities accounted for Centralina's decrease in net assets. The key element of this decrease is the depreciation of fixed assets and the rent abatement for the office space.

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, unreserved fund balance of the General Fund was (\$355,752), while total fund balance reached

Management's Discussion and Analysis (Continued)

\$1,015,620. 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 18.0% of total General Fund expenditures.

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

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

Capital Assets

Centralina's investment in capital assets for its governmental activities as of June 30, 2012 totals \$111,748 (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, 2013

Centralina Council of Governments is uncertain about the opportunities and challenges that lie ahead in the upcoming fiscal year. With the indeterminate implications of legislation at the federal, state and local level, the organization is cautious 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.

The Centralina WDB will for fiscal year 2012-2013 focus its energies and resources on specific goals and strategies/actions that will drive the WDB's future work direction. These include:

- One-Stop Transition to the new vision
 - Technology platform for the One-Stop Centers
 - Functional organization
 - Enhanced business services design
 - Funding opportunities
 - Localized branding and marketing
- Collaboration and partnership development across the region to foster trust and a place at the table with other area workforce development boards
 - Board to board seat assignment
 - Share in strategies
 - Share in incumbent worker grant targets with economic development's retention and expansion priorities
- Sector and talent pipeline development in addition to Allied Health
 - Sector analysis – starting with Energy, Aerospace, and Logistics/Transportation
 - Enhance One-Stop business services delivery

Management's Discussion and Analysis (Continued)

During 2012-2013, CAAA will work on the following initiatives.

- Evidence Based Health Promotion programs to enhance quality of life for older adults is a major initiative for CAAA:
 - Expand Chronic Disease Self-Management Classes (CDSM), Diabetes Self-Management Classes (DSMP), Matter of Balance Classes and initiate Tomando classes (Spanish version)
 - Develop a business plan for Medicare reimbursement for Diabetes Self-Management
 - Retrain all CDSM and DSMP trainers on the latest version of the Training Manual
 - Expand partnership with other organizations within the nine-county region to conduct these classes
- The Ombudsman program will work with NC Department of Justice in identifying strategies to address solutions to transitioning residents of long term care facilities that have been tagged as Institutions of Mental Illness.
- During the next year, CAAA will focus on the development of the Regional Community Resource Connection.
- CAAA will continue to develop the model for Local Contact Agency as implemented in a local Area Agency on Aging.
- CAAA will work with the NC Division of Aging and Adult Services to develop a model for Options Counseling Services within the Area Agency on Aging.
- The Senior Community Service Program will address issues of job training for persons over age 55 struggling with finding employment.
- During the next year, CAAA will begin implementation of a plan to incorporate local Departments of Social Services into annual assessment of services.
- The Family Caregiver Support Program will continue work on implementing the statewide Lifespan Respite Program.

The Community and Economic Development Department (CED) will continue to implement and expand its local and regional activities in fiscal year 2012-2013 and also provide integral economic component support to Centralina departments on a number of comprehensive regional project efforts during the coming year. Leading activities of the upcoming year will include:

- Continued CED services to assist Centralina's member governments to: shape municipal plans, allocate resources, resolve conflicts and improve neighborhoods, write and manage CDBG grants for projects, and provide contract technical assistance for code enforcement drug and alcohol testing programs and grant construction administration. Awarded state project funding of \$ 2.25 million in CDBG infrastructure projects for the four local communities of East Spencer, Marshville, Belmont, and Dallas will begin in fiscal year 2012-2013. Additional communities' applications are planned for mid-year state CDBG program application rounds in other member jurisdictions.
- Completing close-out management of Urgent Repair Program funded by the North Carolina Housing Finance Agency of \$125,000 to CED in 2011 to assist 25 elderly and low income homeowners in Lincoln and Union Counties. Startup and implementation of fiscal year 2012-2013 award of \$84,000 to assist 14 homeowners in Iredell and Lincoln counties.
- Applying in November 2012 for an Environmental Protection Agency (EPA) Brownfield Community-wide Assessment grant that will allow CED to conduct Phase I environmental assessments throughout the region and support the CONNECT HUD project Sustainable Communities Assets Alignment Study.

Management's Discussion and Analysis (Continued)

- CED also continues the principal staff support and operation of the **Centralina Economic Development Commission** (CEDC). Authorized by US Commerce EDA as the local Economic Development District, the required five year update to the Comprehensive Economic Development Strategy (CEDS) will be completed by September 2012 and integrated into CONNECT activities during 2013.
- CED with CEDC will continue to assist Centralina's member governments in the application process for US Commerce EDA funding. Additional on-going actions in support of the regional CEDS plan will be:
 - Increase the amount of federal funds and economic investments through the region;
 - Market & implement the regional EDA Revolving Loan Fund for advanced manufacturing and small business throughout the region;
 - Continue to support the regional advanced manufacturing initiative - "Minds That Manufacture;"
 - Support the regional intermodal and freight mobility studies and projects and align with the Logistics Alliance of the Carolinas initiative and website;
 - Promote the regional entrepreneur programs;
 - Build stronger partnerships with regional Economic Development entities;
 - Implement, promote, and administer the Five Year Regional CEDS 2012-2017; and,
 - Host the 3rd Annual Advanced Manufacturing Awards event in partnership with Biz Journal in Spring 2013, a continued implementation action of strategic priorities.

The Planning Department will continue to implement and expand its local and regional planning activities in fiscal year 2012-2013 and will be heavily involved in a number of new regional initiatives during the coming year. Primary activities include the following:

- Identify funding for the Greater Charlotte Bi-State Freight Mobility Plan;
- Continue to administer the Lake Norman RPO; work with member governments and other adjoining regional planning transportation organizations in defining new RPO/MPO boundaries based on results from the 2010 Census;
- Complete the Mobility Management Project for the region;
- Assist the Mecklenburg-Union Metropolitan Planning Organization with reviewing proposals for the I-77 High Occupancy Toll (HOT) lanes project in northern Mecklenburg and southern Iredell Counties;
- Conduct a regional blueprinting program through the above-referenced HUD Regional Sustainability Planning Grant. This will include developing a regional scenario planning model; developing a series of regional databases and maps including existing conditions, development potential, and future projections of land use and development based on existing local policies; managing several work groups focused on land use and transportation (Blueprinting), Housing, Air Quality, Energy, and Food Systems; conducting outreach to citizens, elected officials, and others throughout the region to develop regional indicators and to determine how communities want to grow; and coordinating with external partners (including the Catawba Regional COG), consultants, and the private sector;
- Continue to staff and coordinate the Regional Conference of Mayors meetings and programs;
- Expand energy technical assistance services to local government and non-profit groups in helping find ways to reduce energy, including the hosting of a panel of experts as part of the National Association of Regional Council's Solar Tour in the region;
- Continue the agency's efforts to reduce dependence on petroleum through the US DOE's Clean Cities Program, which is locally represented by the Centralina Clean Fuels Coalition;

Management's Discussion and Analysis (Continued)

- Continue to provide outreach and critical information to member governments on air quality issues;
- Continue to provide solid waste planning services as required by NC General Statute and further seek opportunities to provide education and networking opportunities for regional solid waste officials as topics and needs emerge around recycling, composting, multi-jurisdictional collaboration, and related issues;
- Seek opportunities to address the most pressing water resource issues in our region through strategic partnerships and conversations with the multifarious organizations that have an interest in this topic;
- Continue to serve as staff to Mountain Island Lake and Lake Wylie Marine Commissions;
- Continue to administer the Centralina Regional Stormwater Partnership; add additional Phase I and II Stormwater communities to the Partnership; provide additional storm water administrative services to local governments, as requested;
- Expand outreach to local government staff and convene meetings on a regular basis with planners and with other local governmental officials, as appropriate; and,
- Work on a variety of technical assistance projects in areas such as land use code and plan updates and land use administration.

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 to proactively 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:

Tonya Frye, Finance Director
Centralina Council of Governments
525 North Tryon Street, 12th Floor
Charlotte, NC 28202

**BASIC
FINANCIAL STATEMENTS**

**CENTRALINA COUNCIL OF GOVERNMENTS
STATEMENT OF NET ASSETS
June 30, 2012**

EXHIBIT A

	<u>Primary Government</u>	<u>Component Unit</u>
	<u>Governmental Activities</u>	<u>Workforce Development Consortium</u>
ASSETS		
Current assets		
Cash and investments	\$ 1,189,444	\$ -
Designated assets		
Cash and investments	287,126	-
Receivables	3,925	-
Due from primary government	-	621,319
Due from other governments	1,734,294	621,989
Prepayments	7,506	-
Total current assets	<u>3,222,295</u>	<u>1,243,308</u>
Capital assets		
Equipment, net of depreciation	<u>111,748</u>	<u>-</u>
Total assets	<u>3,334,043</u>	<u>1,243,308</u>
LIABILITIES		
Current liabilities		
Accounts and grants payable	1,138,777	1,230,410
Accrued liabilities	102,219	-
Due to component unit	621,319	-
Unearned revenue	344,360	12,898
Current portion of long term obligations	231,779	-
Total current liabilities	<u>2,438,454</u>	<u>1,243,308</u>
Noncurrent liabilities		
Noncurrent portion of long term obligations	<u>388,330</u>	<u>-</u>
Total liabilities	<u>2,826,784</u>	<u>1,243,308</u>
NET ASSETS		
Invested in capital assets, net of related debt	74,364	-
Restricted		
Stabilization by State Statute	1,026,740	-
Unrestricted	<u>(593,845)</u>	<u>-</u>
Total net assets	<u>\$ 507,259</u>	<u>\$ -</u>

**CENTRALINA COUNCIL OF GOVERNMENTS
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2012**

<u>Functions / Programs</u>	<u>Expenses</u>	<u>Indirect Expenses Allocation</u>
PRIMARY GOVERNMENT		
Governmental activities		
General government	\$ 1,717,174	\$ (1,550,941)
Transportation	132,414	68,987
Environmental protection	496,551	101,399
Economic and physical development	1,027,293	491,155
Human services	12,096,669	625,840
Workforce development	769,960	263,560
Interest	4,740	-
	<u> </u>	<u> </u>
Total primary government	<u>\$ 16,244,801</u>	<u>\$ -</u>
COMPONENT UNIT		
Workforce Development Consortium	<u>\$ 5,972,281</u>	
	<u> </u>	
Total component unit	<u>\$ 5,972,281</u>	

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

EXHIBIT B

Program Revenues		Net (Expense) Revenue and Changes in Net Assets	
Charges for Services	Operating Grants and Contributions	Primary Government	Component Unit
		Governmental Activities	Workforce Development Consortium
\$ -	\$ -	\$ (166,233)	\$ -
23,985	151,927	(25,489)	-
38,406	547,797	(11,747)	-
430,355	507,371	(580,722)	-
41,887	12,661,614	(19,008)	-
100,124	933,396	-	-
-	-	(4,740.00)	-
<u>\$ 634,757</u>	<u>\$ 14,802,105</u>	<u>(807,939)</u>	<u>-</u>
<u>\$ -</u>	<u>\$ 5,972,281</u>	<u>-</u>	<u>-</u>
<u>\$ -</u>	<u>\$ 5,972,281</u>	<u>-</u>	<u>\$ -</u>
General revenues			
Member dues and contributions		747,762	
Grants and contributions not restricted to specific programs		17,533	
Unrestricted investment earnings		947	
Miscellaneous, unrestricted		15,791	
Total general revenues		<u>782,033</u>	
Change in net assets		(25,906)	
Net assets - beginning		<u>533,165</u>	
Net assets - ending		<u>\$ 507,259</u>	

**CENTRALINA COUNCIL OF GOVERNMENTS
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2012**

EXHIBIT C

	Major Funds		Total Governmental Funds
	General	Special Revenue Fund	
ASSETS			
Cash and investments	\$1,078,072	\$ 111,372	\$ 1,189,444
Designated assets			
Cash and investments	287,126	-	287,126
Receivables	3,925	-	3,925
Due from component unit	-	-	-
Due from other governments	1,022,815	711,479	1,734,294
Prepayments	7,506	-	7,506
	<u>\$2,399,444</u>	<u>\$ 822,851</u>	<u>\$ 3,222,295</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts and grants payable	\$ 316,800	\$ 821,977	\$ 1,138,777
Accrued liabilities	102,219	-	102,219
Due to component unit	621,319	-	621,319
Deferred revenue	343,486	874	344,360
Total liabilities	<u>1,383,824</u>	<u>822,851</u>	<u>2,206,675</u>
FUND BALANCES			
Nonspendable:			
Prepayments	7,506	-	7,506
Restricted:			
Stabilization by State Statute	1,026,740	-	1,026,740
Assigned:			
Accrued vacation and sick leave	287,126	-	287,126
Disability reserve	50,000	-	50,000
Unassigned	(355,752)	-	(355,752)
Total fund balances	<u>1,015,620</u>	<u>-</u>	<u>1,015,620</u>
Total liabilities and fund balances	<u>\$2,399,444</u>	<u>\$ 822,851</u>	<u>\$ 3,222,295</u>

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

Ending fund balance - governmental funds	\$ 1,015,620
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	111,748
Some liabilities are not due and payable in the current period and therefore are not reported in the funds	
Obligations under capital lease	(37,384)
Net OPEB obligation	(25,666)
Accrued vacation and sick leave	(287,126)
Accrued rent	(219,933)
Disability reserve	(50,000)
Net assets of governmental activities	<u>\$ 507,259</u>

CENTRALINA COUNCIL OF GOVERNMENTS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
For the Year Ended June 30, 2012

EXHIBIT D

	Major Funds		Total Governmental Funds
	General	Special Revenue Fund	
REVENUES			
Restricted intergovernmental revenues - state	\$ 392,933	\$ 10,556,221	\$ 10,949,154
Restricted intergovernmental revenues - federal	3,317,239	-	3,317,239
Technical assistance contracts	429,471	-	429,471
Contracts and fees	36,713	-	36,713
Other program revenue	578,924	-	578,924
Interest and other	144,511	-	144,511
Member dues and contributions	747,762	-	747,762
Total revenues	<u>5,647,553</u>	<u>10,556,221</u>	<u>16,203,774</u>
EXPENDITURES			
Current			
General government	141,382	-	141,382
Transportation	201,401	-	201,401
Environmental protection	597,950	-	597,950
Economic and physical development	1,518,448	-	1,518,448
Human services	2,166,288	10,556,221	12,722,509
Workforce development	1,033,520	-	1,033,520
Total expenditures	<u>5,658,989</u>	<u>10,556,221</u>	<u>16,215,210</u>
Revenues over (under) expenditures and net change in fund balance	(11,436)	-	(11,436)
FUND BALANCES - JULY 1	<u>1,027,056</u>	-	<u>1,027,056</u>
FUND BALANCES - JUNE 30	<u>\$ 1,015,620</u>	<u>\$ -</u>	<u>\$ 1,015,620</u>

**CENTRALINA COUNCIL OF GOVERNMENTS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
For the Year Ended June 30, 2012**

**EXHIBIT D
(CONTINUED)**

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

Net change in fund balances - total governmental funds \$ (11,436)

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 capital outlays exceed depreciation expense in the current period. 9,300

The recording of the annual required contribution for Other Post Employment Benefits. (928)

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. (88,397)

The recording of the net adjustment to the obligation for compensated absences 43,626

The incurrence of capital lease obligations provides current financial resources to governmental funds, while the repayment of the principal of capital lease obligations consumes the current financial resources of governmental funds. Neither transaction has any effect on net assets. This is the amount by which total principal payments made under capital lease obligations exceed capital lease obligations incurred. 21,929

Change in net assets of governmental activities \$ (25,906)

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, 2012

EXHIBIT E

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Restricted intergovernmental revenues - state	\$ 228,785	\$ 840,643	\$ 392,933	\$ (447,710)
Restricted intergovernmental revenues - federal	3,186,547	6,195,523	3,317,239	(2,878,284)
Technical assistance contracts	642,599	598,698	429,471	(169,227)
Contracts and fees	36,600	36,600	36,713	113
Other program revenue	285,394	279,635	578,924	299,289
Interest and other	69,126	78,014	144,511	66,497
Member dues and contributions	711,481	711,481	747,762	36,281
Total revenues	<u>5,160,532</u>	<u>8,740,594</u>	<u>5,647,553</u>	<u>(3,093,041)</u>
EXPENDITURES				
Current				
General government				
Board, executive committee and committees	225,084	225,364	210,176	15,188
Management and business operations	1,338,701	1,486,221	1,484,867	1,354
Indirect costs representation	(1,533,943)	(1,686,196)	(1,553,661)	(132,535)
Total general government	<u>29,842</u>	<u>25,389</u>	<u>141,382</u>	<u>(115,993)</u>
Transportation				
General government	-	-	-	-
Planning assistance and administration	139,385	226,895	201,401	25,494
Total transportation	<u>139,385</u>	<u>226,895</u>	<u>201,401</u>	<u>25,494</u>
Environmental protection				
Planning assistance and administration	341,886	618,806	597,950	20,856
Total environmental protection	<u>341,886</u>	<u>618,806</u>	<u>597,950</u>	<u>20,856</u>
Economic and physical development				
Planning assistance and administration	582,826	1,376,763	509,168	867,595
Economic program initiative	656,761	781,761	608,526	173,235
Sustainable Communities Initiative	-	875,000	297,971	577,029
Information technology and data service	104,679	104,679	102,783	1,896
Total economic and physical development	<u>1,344,266</u>	<u>3,138,203</u>	<u>1,518,448</u>	<u>1,619,755</u>
Human services				
Area agency on aging	2,420,891	2,204,125	2,166,288	37,837
Workforce development				
	884,262	2,527,176	1,033,520	1,493,656
Total expenditures	<u>5,160,532</u>	<u>8,740,594</u>	<u>5,658,989</u>	<u>3,081,605</u>
Revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	(11,436)	<u>\$ (11,436)</u>
FUND BALANCES - JULY 1			<u>1,027,056</u>	
FUND BALANCES - JUNE 30			<u>\$ 1,015,620</u>	

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

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

Centralina Workforce Development Consortium

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

Centralina Foundation, Inc.

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

Centralina Economic Development Commission, Inc.

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation

Government-wide Statements – The Statement of Net Assets 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 taxes, 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. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. 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.

Grant Project 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.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

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

Budgetary Data

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Allocation of Indirect Costs

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

Use of Estimates

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

Deposits and Investments

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

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

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

Designated Assets

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Allowances for Doubtful Accounts

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

Prepayments

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

Capital Assets

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

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

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

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 assets.

In fund financial statements, the face amount of debt issued is reported as other financing sources.

Compensated Absences

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred / Unearned Revenue

Deferred / unearned revenue represents grant receipts not yet earned (not expended) and prepayments of certain other revenues.

Net Assets / Fund Balances

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

In the governmental fund financial statements, fund balance is composed of five classifications designed to disclose the hierarchy of constraints placed on how fund balance can be spent.

The governmental fund types classify fund balances as follows:

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

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

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

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

Committed Fund Balance - This classification includes the portion of fund balance that can only be used for specific purposes pursuant to constraints imposed by formal action of the Council's Board of Delegates.

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

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

Disability Reserve - portion of fund balance that has been budgeted by the board for any liabilities associated with disability.

CENTRALINA COUNCIL OF GOVERNMENTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Total Fund Balance - General Fund	\$ 1,015,620
Less:	
Prepayments	(7,506)
Stabilization by State Statute	(1,026,740)
Assigned	<u>(337,126)</u>
Available for Appropriation	<u>\$ (355,752)</u>

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

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

NOTE B - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Excess of Expenditures Over Appropriations

During the fiscal year ended June 30, 2012, the Council reported expenditures that exceeded the amounts appropriated in the final budget ordinance in violation of state law [G.S. 115C-441], as follows:

Grant Project Fund	
Aging Grants:	
Title III-B Legal	\$11,167

CENTRALINA COUNCIL OF GOVERNMENTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

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

At June 30, 2012, the Council's deposits had a carrying amount of \$354,960 and a bank balance of \$1,486,464. 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.

NOTE D - INVESTMENTS

At June 30, 2012, the Council's investments consisted of \$1,121,610 in the North Carolina Capital Management Trust's Cash Portfolio, which carried a credit rating of AAAM by Standard and Poor's. The Council has no policy on credit risk.

NOTE E - RECEIVABLES

Receivables at the government-wide level consisted of the following at June 30, 2012:

	Due from Other <u>Governments</u>	<u>Other</u>	<u>Total</u>
Governmental activities:			
General	\$ 1,022,815	\$ 3,925	\$1,026,740
Special revenue	<u>711,479</u>	<u>-</u>	<u>711,479</u>
	<u>\$ 1,734,294</u>	<u>\$ 3,925</u>	<u>\$1,738,219</u>
Workforce Development Consortium	<u>\$ 621,989</u>	<u>\$ -</u>	<u>\$ 621,989</u>

CENTRALINA COUNCIL OF GOVERNMENTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

NOTE E - RECEIVABLES (CONTINUED)

Due from other governments consisted of the following at June 30, 2012:

	<u>Governmental Activities</u>	<u>Workforce Development Consortium</u>
Receivables under expenditure - driven grants	\$ 1,647,932	\$ 621,989
Technical assistance contracts	49,365	-
Sales tax	<u>36,997</u>	<u>-</u>
	<u>\$ 1,734,294</u>	<u>\$ 621,989</u>

NOTE F - CAPITAL ASSETS

The following is a summary of capital asset activity for the year ended June 30, 2012:

	<u>Balance June 30, 2011</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2012</u>
Capital assets being depreciated				
Furniture, fixtures and equipment, and leasehold improvements	\$ 601,743	\$ 53,000	\$ -	\$ 654,743
Less accumulated depreciation	<u>499,295</u>	<u>43,700</u>	<u>-</u>	<u>542,995</u>
Governmental activities capital assets, net	<u>\$ 102,448</u>	<u>\$ 9,300</u>	<u>\$ -</u>	<u>\$ 111,748</u>

Depreciation expense was charged to indirect cost in the amount of \$43,700.

NOTE G - ACCOUNTS AND GRANTS PAYABLE

Accounts and grants payable at the government-wide level consisted of the following at June 30, 2012:

	<u>Vendors</u>	<u>Subrecipients</u>	<u>Other</u>	<u>Total</u>
Governmental activities:				
General	\$ 316,800	\$ -	\$ -	\$ 316,800
Special revenue	<u>-</u>	<u>821,977</u>	<u>-</u>	<u>821,977</u>
	<u>\$ 316,800</u>	<u>\$ 821,977</u>	<u>\$ -</u>	<u>\$ 1,138,777</u>
Workforce Development Consortium	<u>\$ 6,246</u>	<u>\$ 1,113,021</u>	<u>\$ 111,143</u>	<u>\$ 1,230,410</u>

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

CENTRALINA COUNCIL OF GOVERNMENTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

NOTE H - ACCRUED LIABILITIES

The following is a summary of accrued liabilities for Governmental and the General Fund at June 30, 2012:

Accrued salaries	\$ 55,943
Payroll liabilities	<u>46,276</u>
	<u>\$ 102,219</u>

NOTE I - PENSION PLAN OBLIGATIONS

Local Governmental Employees' Retirement System

Plan Description. Centralina Council of Governments contributes to 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 provides retirement and disability benefits to plan members and beneficiaries. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. 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, or by calling (919) 981-5454.

Funding Policy. Plan members are required to contribute six percent of their annual covered salary. The Council is required to contribute at an actuarially determined rate. For the Council, the current rate for employees is 6.88% of annual covered payroll. The contribution requirements of members and of Centralina Council of Governments are established and may be amended by the North Carolina General Assembly. The Council's contributions to LGERS for the years ended June 30, 2012, 2011, and 2010 were \$159,810, \$142,787, and \$109,775, respectively. The contributions made by the Council equaled the required contribution for each year.

NOTE J - 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 year ended June 30, 2012 amounted to \$113,645 and \$69,684, respectively.

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

Membership of the HCB Plan consisted of the following at December 31, 2011, the date of the latest actuarial valuation:

	<u>General Employees</u>
Retirees and dependents receiving benefits	5
Active plan members	<u>40</u>
Total	<u><u>45</u></u>

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 1.75% of annual covered payroll. The Council made no contributions to the HCB Plan for the year ended June 30, 2012. 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.

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

CENTRALINA COUNCIL OF GOVERNMENTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

NOTE K - POSTEMPLOYMENT HEALTHCARE BENEFITS (CONTINUED)

Annual required contribution	\$ 38,753
Interest on net OPEB obligation	990
Adjustment to annual required contribution	<u>(945)</u>
Annual OPEB cost (expense)	38,798
Contributions made	<u>37,870</u>
Increase (decrease) in net OPEB obligation	928
Net OPEB obligation, beginning of year	<u>24,738</u>
 Net OPEB obligation, end of year	 <u>\$ 25,666</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, 2012 and June 30, 2011 were as follows:

For Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2012	\$ 38,798	98%	\$ 25,666
2011	\$ 36,330	78%	\$ 24,738

Funded Status and Funding Progress. As of December 31, 2011, 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 \$481,680. The covered payroll (annual payroll of active employees covered by the plan) was \$2,215,893, and the ratio of the UAAL to the covered payroll was 21.7%. 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 FINANCIAL STATEMENTS
June 30, 2012

NOTE K - POSTEMPLOYMENT HEALTHCARE BENEFITS (CONTINUED)

In the December 31, 2011 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, and an annual medical cost trend increase of 9.5% to 5.0% annually. 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, 2011 was 30 years.

NOTE L - DEFERRED / UNEARNED REVENUE

The following is a summary of deferred/unearned revenue at June 30, 2012:

	<u>Governmental Activities</u>	<u>Workforce Development Consortium</u>
Grant receipts not yet earned		
Aging Workshops	\$ 143,672	\$ -
Stormwater Partnership Grant	32,206	-
Economic Development Projects	8,976	-
Clean Cities Projects	9,231	-
NC Tobacco Trust Fund Grant	99,745	-
Aging Program Related Grants	12,812	-
Workforce Development	-	12,898
Centralina Foundation	33,348	-
Other	<u>4,370</u>	<u>-</u>
	<u>\$ 344,360</u>	<u>\$ 12,898</u>

NOTE M - RISK MANAGEMENT

The Council is exposed to various risks of losses related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Council participates in three self-funded risk-financing pools administered by the North Carolina Association of County Commissioners. Through these pools, the Council obtains property coverage equal to replacement cost values of owned property subject to a limit as outlined in the contract for any one occurrence with an annual aggregate of \$55 million for flood and earthquake, with other sub-limits for other coverage per the Council's contract. The Council also purchases general, auto, public officials and employment practices liability coverage of \$2 million per occurrence, auto physical damage coverage for owned autos at actual cash value and crime coverage of \$250,000 per occurrence. The pools are audited annually by certified public accountants, and the audited financial statements are available to the Council upon request. Two of the pools are reinsured through a multi-state public entity captive for single occurrence losses in excess of \$500,000 per occurrence, up to a \$2 million limit for liability coverage, \$600,000 of aggregate annual losses in excess of \$50,000 per occurrence for property, auto physical damage, and crime coverage.

CENTRALINA COUNCIL OF GOVERNMENTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

NOTE M - RISK MANAGEMENT (CONTINUED)

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 \$100,000 per accident for bodily injury by accident and \$100,000 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, the assistant director of operations, and the executive director are individually bonded for \$100,000. The remaining employees that have access to funds are bonded under a blanket bond for \$2,000,000.

NOTE N - 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 and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception.

A lease agreement for a copier began on March 31, 2006 and requires 60 monthly payments of \$675 each. Another copier lease was entered into on May 7, 2008 and requires 60 monthly payments of \$1,320 each. The March 2006 lease agreement was terminated, and the Council entered into another copier lease on October 1, 2009 for 60 monthly payments of \$971.

The following is a summary of assets recorded under capital leases at June 30, 2012:

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Copier	\$ 46,244	\$ 25,434	\$ 20,810
Copier	<u>62,869</u>	<u>52,391</u>	<u>10,478</u>
	<u>\$109,113</u>	<u>\$ 77,825</u>	<u>\$ 31,288</u>

CENTRALINA COUNCIL OF GOVERNMENTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

NOTE N - LONG-TERM OBLIGATIONS (CONTINUED)

Capital Leases (Continued)

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2012 were as follows:

Year ending June 30,	
2013	\$ 26,179
2014	11,655
2015	<u>2,913</u>
Total minimum lease payments	40,747
Less: amount representing interest	<u>3,363</u>
Present value of minimum lease payments	<u>\$ 37,384</u>

Interest expense amounting to \$4,740 is included in indirect cost for the year ended June 30, 2012.

Changes in Long-Term Liabilities

	Balance July 1, 2011	Increases	Decreases	Balance June 30, 2012	Current Portion of Balance
Governmental activities					
Capitalized leases	\$ 59,313	\$ -	\$ 21,929	\$ 37,384	\$ 23,698
Disability reserve	50,000	-	-	50,000	-
Accrued vacation and sick leave	330,752	164,455	208,081	287,126	208,081
Accrued rent	131,536	88,397	-	219,933	-
Other postemployment healthcare benefits	<u>24,738</u>	<u>38,798</u>	<u>37,870</u>	<u>25,666</u>	<u>-</u>
	<u>\$ 596,339</u>	<u>\$ 291,650</u>	<u>\$ 267,880</u>	<u>\$ 620,109</u>	<u>\$ 231,779</u>

NOTE O - OPERATING LEASES

The Council leases a postage machine under an operating lease with a five-year term ending July 30, 2012. This agreement provides for monthly rent payments of \$698.

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

CENTRALINA COUNCIL OF GOVERNMENTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

NOTE O - OPERATING LEASES (CONTINUED)

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, 2012:

	<u>Office Space</u>	<u>Postage Machine</u>	<u>Total</u>
Year ending June 30			
2013	\$ 254,834	\$ 698	\$ 255,532
2014	331,119	-	331,119
2015	341,052	-	341,052
2016	351,284	-	351,284
2017	361,372	-	361,372
Thereafter	<u>324,422</u>	<u>-</u>	<u>324,422</u>
	<u>\$ 1,964,083</u>	<u>\$ 698</u>	<u>\$ 1,964,781</u>

Total rental expenditures for all operating leases except those with terms of one month or less amounted to \$220,339 for the year ended June 30, 2012.

NOTE P - INTERFUND BALANCES AND ACTIVITY

The following is a summary of balances due to/from primary government and component unit as of June 30, 2012:

<u>Fund</u>	<u>Receivable</u>	<u>Payable</u>
Primary government		
General Fund	\$ -	\$ 621,319
Component unit		
Workforce Development Consortium	<u>621,319</u>	<u>-</u>
	<u>\$ 621,319</u>	<u>\$ 621,319</u>

NOTE Q - 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 \$933,079 and the Council reported revenues in the General Fund of the same amount for the year ended June 30, 2012.

NOTE R - SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES

Federal and State Assisted Programs

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

Subcontractors

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

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

For the year ended June 30, 2012, 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.

**REQUIRED SUPPLEMENTARY
INFORMATION**

**CENTRALINA COUNCIL OF GOVERNMENTS
 REQUIRED SUPPLEMENTARY INFORMATION
 OTHER POSTEMPLOYMENT BENEFITS
 June 30, 2012**

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

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Projected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b - a)/c)
12/31/08	\$ -	\$ 472,813	\$ 472,813	0%	\$ 2,192,300	21.6%
12/31/11	\$ -	\$ 481,680	\$ 481,680	0%	\$ 2,215,893	21.7%

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Year Ended June 30	Annual Required Contribution	Percentage Contributed
2010	\$ 36,330	73.8%
2011	\$ 36,330	77.6%
2012	\$ 38,753	97.7%

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	12/31/11
Actuarial cost method	Projected unit credit
Amortization method	Level percentage of pay, open
Remaining amortization period	30 years
Asset valuation method	Market value of Assets
Actuarial assumptions:	
Investment rate of return*	4.0%
Medical cost trend	9.5% - 5.0%
*Includes inflation at	3.00%
Cost-of-living adjustments	None

**INDIVIDUAL FUND
STATEMENTS AND SCHEDULES**

GENERAL FUND

**CENTRALINA COUNCIL OF GOVERNMENTS
GENERAL FUND
COMPARATIVE BALANCE SHEETS
June 30, 2012
With Comparative Totals for June 30, 2011**

SCHEDULE 1

	<u>2012</u>	<u>2011</u>
ASSETS		
Cash and investments	\$ 1,078,072	\$ 382,404
Designated assets		
Cash and investments	287,126	330,752
Receivables	3,925	52,926
Due from component unit	-	44,559
Due from other governments	1,022,815	746,620
Prepayments	<u>7,506</u>	<u>8,364</u>
Total assets	<u><u>\$ 2,399,444</u></u>	<u><u>\$ 1,565,625</u></u>
LIABILITIES AND FUND BALANCES		
Liabilities		
Accounts and grants payable	\$ 316,800	\$ 162,214
Accrued liabilities	102,219	106,532
Due to component unit	621,319	-
Deferred revenue	<u>343,486</u>	<u>269,823</u>
Total liabilities	<u><u>1,383,824</u></u>	<u><u>538,569</u></u>
Fund balances		
Nonspendable		
Prepayments	7,506	8,364
Restricted		
Stabilization by State Statute	1,026,740	844,105
Assigned		
Accrued vacation and sick leave	287,126	330,752
Disability Reserve	50,000	50,000
Unassigned	<u>(355,752)</u>	<u>(206,165)</u>
Total fund balances	<u><u>1,015,620</u></u>	<u><u>1,027,056</u></u>
Total liabilities and fund balances	<u><u>\$ 2,399,444</u></u>	<u><u>\$ 1,565,625</u></u>

**CENTRALINA COUNCIL OF GOVERNMENTS
GENERAL FUND
INDIRECT COST CENTER - COMPUTATION OF INDIRECT
COST ALLOCATION RATE
For the Year Ended June 30, 2012**

SCHEDULE 2

PERSONNEL EXPENDITURES	
Salaries	\$ 455,450
Fringe benefits	<u>246,675</u>
	<u>702,125</u>
OPERATING EXPENDITURES	
Audit	53,000
Auto expenditures	20,595
Bank service charges	1,106
Consultants	69,052
Contracted services	10,984
Events support	35,451
Fleet maintenance	14,626
Insurance	34,759
Interest	4,740
Legal	36,985
Memberships and dues	19,723
Miscellaneous	33,990
Postage	8,624
Printing and publications	16,908
Repairs and maintenance	12,800
Rent	248,809
Retiree health costs	37,870
Supplies	17,613
Telephone	18,522
Training	4,188
Travel	<u>28,662</u>
	<u>729,007</u>
Total indirect costs - unadjusted	1,431,132
Adjustment for depreciation expense	<u>43,701</u>
Total indirect costs - adjusted for depreciation expense	<u>\$ 1,474,833</u>
Total personnel expenditures	\$ 3,129,721
Less personnel expenditures in indirect cost pool	<u>702,125</u>
Total personnel expenditures earning indirect costs	<u>\$ 2,427,596</u>

**CENTRALINA COUNCIL OF GOVERNMENTS
GENERAL FUND
INDIRECT COST CENTER - COMPUTATION OF INDIRECT
COST ALLOCATION RATE
For the Year Ended June 30, 2012**

**SCHEDULE 2
(CONTINUED)**

	<u>Adjusted</u>
ALLOCATION RATE COMPUTATION	
Indirect costs	\$ 1,474,833
Divided by personnel expenditures earning indirect costs	<u>2,427,596</u>
Allocation rate - as computed	<u><u>60.75%</u></u>
INDIRECT COSTS COMPARED TO PROVISIONAL INDIRECT AMOUNT	
Personnel expenditures earning indirect costs	\$ 2,427,596
Provisional rate	<u>64%</u>
Provisional indirect amount	1,553,661
Total indirect costs	<u>1,474,833</u>
Provisional indirect costs over (under) adjusted indirect costs	<u><u>\$ 78,828</u></u>

SPECIAL REVENUE FUND

**CENTRALINA COUNCIL OF GOVERNMENTS
SPECIAL REVENUE FUND
COMPARATIVE BALANCE SHEETS
June 30, 2012
With Comparative Totals for June 30, 2011**

SCHEDULE 3

	<u>2012</u>	<u>2011</u>
ASSETS		
Cash	\$ 111,372	\$ 35,530
Due from other governments	<u>711,479</u>	<u>812,733</u>
Total assets	<u><u>\$ 822,851</u></u>	<u><u>\$ 848,263</u></u>
LIABILITIES		
Accounts and grants payable	\$ 821,977	\$ 811,481
Deferred revenue	<u>874</u>	<u>36,782</u>
Total liabilities	<u><u>\$ 822,851</u></u>	<u><u>\$ 848,263</u></u>

**CENTRALINA COUNCIL OF GOVERNMENTS
SPECIAL REVENUE FUND
GRANT PROJECT FUND - STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL
From Inception and for the Year Ended June 30, 2012**

SCHEDULE 4

	Project Authorization	Prior Years	Actual	
			Current Year	Total to Date
REVENUES				
Restricted intergovernmental revenues				
Aging grants				
HCC block grant	\$ 9,000,000	\$ -	\$ 8,496,213	\$ 8,496,213
USDA supplement	700,000	-	431,868	431,868
Title III-B legal	70,643	-	81,810	81,810
Family caregiver	644,516	-	546,240	546,240
Disease prevention/health promotion	110,000	-	76,270	76,270
State senior center general purpose	117,987	-	113,760	113,760
Title V	1,000,000	-	725,224	725,224
Project CARE	98,761	-	37,721	37,721
Heat fan relief	50,000	-	47,115	47,115
Total revenues	<u>11,791,907</u>	<u>-</u>	<u>10,556,221</u>	<u>10,556,221</u>
EXPENDITURES				
Grant-related expenditures				
Aging grants				
HCC block grant	9,000,000	-	8,496,213	8,496,213
USDA supplement	700,000	-	431,868	431,868
Title III-B legal	70,643	-	81,810	81,810
Family caregiver	644,516	-	546,240	546,240
Disease prevention/health promotion	110,000	-	76,270	76,270
Senior center general purpose	117,987	-	113,760	113,760
Title V	1,000,000	-	725,224	725,224
Project CARE	98,761	-	37,721	37,721
Heat fan relief	50,000	-	47,115	47,115
Total expenditures	<u>11,791,907</u>	<u>-</u>	<u>10,556,221</u>	<u>10,556,221</u>
Revenues over expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
FUND BALANCE - JULY 1			<u>-</u>	
FUND BALANCE - JUNE 30			<u>\$ -</u>	

COMPONENT UNIT

**CENTRALINA COUNCIL OF GOVERNMENTS
 COMPONENT UNIT
 CENTRALINA WORKFORCE DEVELOPMENT CONSORTIUM -
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCE - BUDGET AND ACTUAL
 From Inception and for the Year Ended June 30, 2012**

SCHEDULE 5

	Grant Award	Prior Years	Actual Current Year	Total to Date
REVENUES				
WIA / WTW Grants				
WIA 9-2031 Special Grants Collaboration - 2009	\$ 539,800	\$ 331,740	\$ 86,684	\$ 418,424
WIA 10% administrative cost pool - 2010	614,147	313,016	301,131	614,147
WIA 10-2020 Adult services - 2010	1,456,920	1,039,194	417,726	1,456,920
WIA 10-2030 Dislocated worker - 2010	2,577,815	1,759,035	818,780	2,577,815
WIA 10-2031 Special Grants Collaboration - 2010	281,200	85,423	185,329	270,752
WIA 10-2040 Youth services - 2010	1,494,231	1,195,974	298,257	1,494,231
WIA 10-2050 incumbent worker - admin - 2010	351,689	268,146	71,801	339,947
WIA 10% administrative cost pool - 2011	637,586	-	133,925	133,925
WIA 11-2020 Adult services - 2011	1,675,885	-	1,312,877	1,312,877
WIA 11-2030 Dislocated worker - 2011	2,360,190	-	1,690,413	1,690,413
WIA 11-2031 Special Grants Collaboration - 2011	28,394	-	25,454	25,454
WIA 11-2040 Youth services - 2011	1,702,196	-	1,562,985	1,562,985
Total revenues	<u>13,720,053</u>	<u>4,992,528</u>	<u>6,905,362</u>	<u>11,897,890</u>
EXPENDITURES				
WIA / WTW Grants				
WIA 9-2031 Special Grants Collaboration - 2009	539,800	331,740	86,684	418,424
WIA 10% administrative cost pool - 2010	614,147	313,016	301,131	614,147
WIA 10-2020 Adult services - 2010	1,456,920	1,039,194	417,726	1,456,920
WIA 10-2030 Dislocated worker - 2010	2,577,815	1,759,035	818,780	2,577,815
WIA 10-2031 Special Grants Collaboration - 2010	281,200	85,423	185,329	270,752
WIA 10-2040 Youth services - 2010	1,494,231	1,195,974	298,257	1,494,231
WIA 10-2050 incumbent worker - admin - 2010	351,689	268,146	71,801	339,947
WIA 10% administrative cost pool - 2011	637,586	-	133,925	133,925
WIA 11-2020 Adult services - 2011	1,675,885	-	1,312,877	1,312,877
WIA 11-2030 Dislocated worker - 2011	2,360,190	-	1,690,413	1,690,413
WIA 11-2031 Special Grants Collaboration - 2011	28,394	-	25,454	25,454
WIA 11-2040 Youth services - 2011	1,702,196	-	1,562,985	1,562,985
Total expenditures	<u>13,720,053</u>	<u>4,992,528</u>	<u>6,905,362</u>	<u>11,897,890</u>
Revenues over expenditures	-	-	-	-
FUND BALANCE - JULY 1	-	-	-	-
FUND BALANCE - JUNE 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

COMPLIANCE SECTION



**REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Delegates
Centralina Council of Governments
Charlotte, North Carolina

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregated remaining fund information of **Centralina Council of Governments** (Council) as of and for the year ended June 30, 2012, which collectively comprises the Council's basic financial statements as listed in the table of contents, and have issued our report thereon dated November 15, 2012. 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.

Internal Control Over Financial Reporting

Management of **Centralina Council of Governments** is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Council's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Council's internal control over financial reporting.

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 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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency over financial reporting. Such deficiency is described in the accompanying schedule of findings and questioned costs as item 12-01. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether **Centralina Council of Governments'** financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under Government Auditing Standards, and which is described in the accompanying schedule of findings and questioned costs as item 12-01.

The Council's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs.

This report is intended solely for the information and use of the audit committee, executive committee, board of delegates, management, others within the organization, and federal and state awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Dixon Hughes Goodman LLP

November 15, 2012



DIXON HUGHES GOODMAN LLP
Certified Public Accountants and Advisors

**REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133 AND THE STATE SINGLE AUDIT
IMPLEMENTATION ACT**

Board of Delegates
Centralina Council of Governments
Charlotte, North Carolina

Compliance

We have audited **Centralina Council of Governments** (Council), compliance with the types compliance requirements described in the *OMB Circular A-133 Compliance Supplement and the Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the Council's major federal programs for the year ended June 30, 2012. **Centralina Council of Governments'** major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Council's management. Our responsibility is to express an opinion on the Council's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, and the State Single Audit Implementation Act. Those standards, OMB Circular A-133 and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Council's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Council's compliance with those requirements.

In our opinion, **Centralina Council of Governments** complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

Management of **Centralina Council of Governments** is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Council's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order 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 OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Council's internal control over compliance.

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

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the audit committee, executive committee, board of delegates, management, others within the organization, and federal and state awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Dixon Hughes Goodman LLP

November 15, 2012



**REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR STATE PROGRAM AND
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133 AND THE STATE SINGLE AUDIT
IMPLEMENTATION ACT**

Board of Delegates
Centralina Council of Governments
Charlotte, North Carolina

Compliance

We have audited **Centralina Council of Governments** (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 its major state programs for the year ended June 30, 2012. **Centralina Council of Governments'** major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major state programs is the responsibility of the Council's management. Our responsibility is to express an opinion on the Council's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and applicable sections of OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, and the State Single Audit Implementation Act. Those standards, applicable sections of OMB Circular A-133 and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state 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. Our audit does not provide a legal determination on the Council's compliance with those requirements.

In our opinion, **Centralina Council of Governments** complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2012.

Internal Control Over Compliance

Management of **Centralina Council of Governments** is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to state programs. 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 state program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with applicable sections of OMB Circular A-133 and the State Single Audit Implementation Act, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Council's internal control over compliance.

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

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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the audit committee, executive committee, board of delegates, management, others within the organization, and federal and state awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Dixon Hughes Goodman LLP

November 15, 2012

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor’s report issued: Unqualified

Internal control over financial reporting:

- Material weaknesses identified? yes no
- Significant deficiencies identified that are not
 considered to be material weaknesses yes none reported

Noncompliance material to financial statements
noted yes no

Federal Awards

Internal control over major federal programs:

- Material weaknesses identified? yes no
- Significant deficiencies identified that are not
 considered to be material weaknesses yes none reported

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

Any audit findings disclosed that are required to be
reported in accordance with Section 510(a) of
Circular A-133 yes no

SECTION II – FINANCIAL STATEMENT FINDINGS

Finding 12-01

SIGNIFICANT DEFICIENCY

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

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

Grant Project Fund	
Aging Grants:	
Title III-B Legal	\$ 11,167

Effect: The Council incurred expenditures in excess of appropriations for that specific budget category.

Cause: The Council learned in July that more Aging funds had been allocated to units across the state for the fiscal year ended June 30, 2012, thereby allowing the Council to reimburse a larger share of the expenditures incurred by its subrecipients for that period of time. As a result, the Council's grant revenues and expenditures exceeded the amounts expected and appropriated. The Council made a conscious decision to accept these additional grant funds, knowing the additional amount had not been appropriated, in order to provide greater reimbursement to its subrecipients.

Recommendation: We recommend that budget amendments be prepared as needed.

Views of Responsible Officials: The Council agrees with this finding.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

SECTION IV – STATE AWARD FINDINGS AND QUESTIONED COSTS

None reported.

Finding 12-01

Name of Contact Person: Tonya Frye

Corrective Action: On a quarterly basis, staff will review the adopted budget with budget managers, reconcile the budget ordinance with grant awards and information in the accounting system, and then recommend budget amendments, as appropriate.

Proposed Completion Date: December 2012

Finding: 11-01

Status: See Finding 12-01

Finding: 11-02

Status: The Director has stressed the importance of becoming familiar with all compliance requirements for all programs and the Council's management has increased its efforts to do so. There were no program compliance findings noted in the current year.

CENTRALINA COUNCIL OF GOVERNMENTS
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2012

SCHEDULE 9

<u>Grantor/Pass-through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Pass-Through Grantor Number</u>	<u>Federal (Pass-Through) Expenditures</u>	<u>State Expenditures</u>
FEDERAL AWARDS				
CASH PROGRAMS				
U.S. DEPARTMENT OF COMMERCE				
Economic Development Administration				
Direct program				
Partnership Planning Grant	11.302		\$ 73,845	\$ -
Total U.S. Department of Commerce			<u>73,845</u>	<u>-</u>
U.S. DEPARTMENT OF LABOR				
Employment and Training Administration				
Passed through North Carolina Department of Health and Human Services				
Division of Aging and Adult Services				
Senior Community Service Employment Program	17.235		1,120,979	
Total Senior Community Service Employment Program			<u>1,120,979</u>	<u>-</u>
Passed through North Carolina Department of Commerce				
Division of Employment and Training				
Workforce Investment Act Cluster				
WIA - Adult Programs	17.258		1,730,603	-
WIA - Youth Activities	17.259		1,861,242	-
WIA - Dislocated Workers	17.260		2,509,193	-
WIA - Administrative Cost Pool/Incentives/Capital and Special Grants	17.258-17.260		804,323	-
Total Workforce Investment Act Cluster			<u>6,905,361</u>	<u>-</u>
Total U.S. Department of Labor			<u>8,026,340</u>	<u>-</u>
CENTER FOR MEDICARE/MEDICAID				
Passed through North Carolina Department of Insurance				
Division of Seniors' Health Insurance Information Program				
Medicare Lookout Program	90AM3058/01		7,000	-
U.S. DEPARTMENT OF ENERGY				
Clean Cities Coalition Programmatic Support Program	81.086		50,016	-
NC PEV Readiness Initiative: Plugging in from Mountains to Sea	81.086	11EE007389	259,002	
Passed through North Carolina Department of Commerce				
Center for the Environment at Catawba College				
Student Energy Internship and Fellowship Program	81.041	DE-EE0000157	2,025	-
Total U.S. Department of Energy			<u>311,043</u>	<u>-</u>
U.S. ENVIRONMENTAL PROTECTION AGENCY				
Direct program				
Environmental Education Grant Program	66.951		1,980	-
Total U.S. Environmental Protection Agency			<u>1,980</u>	<u>-</u>

**CENTRALINA COUNCIL OF GOVERNMENTS
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2012**

**SCHEDULE 9
(CONTINUED)**

<u>Grantor/Pass-through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Pass-Through Grantor Number</u>	<u>Federal (Pass-Through) Expenditures</u>	<u>State Expenditures</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Administration on Aging				
Passed through North Carolina Department of Health and Human Services				
Division of Aging and Adult Services				
Special Programs for the Aging, Title VII, Chapter 3				
Programs for the Prevention of Elder Abuse, Neglect, and Exploitation	93.041		22,998	1,353
Special Programs for the Aging, Title VII, Chapter 2				
Programs for Long-term Ombudsman Services for Older Individuals	93.042		103,583	6,093
Special Programs for the Aging, Title III F				
Disease Prevention and Health Promotion Services	93.043		93,644	5,977
Aging Cluster				
Special Programs for the Aging - Title III B				
Grants for Supportive Services and Senior Centers				
Legal services	93.044		77,266	4,545
Ombudsman	93.044		269,466	15,851
Planning and Administration	93.044		159,413	8,736
Access	93.044		503,142	29,597
In Home Services	93.044		601,787	35,399
Special Programs for the Aging - Title III C				
Nutrition Services				
Planning and Administration	93.045		215,198	11,793
Congregate Nutrition	93.045		1,296,896	76,288
Home Delivered Meals	93.045		600,028	35,296
Nutrition Services Incentive Program	93.053	NC-06	431,868	-
Total Aging Cluster			4,155,064	217,505
Special Programs for the Aging - Communities Putting Prevention to Work				
Chronic Disease Self Management Program	93.725		55,232	-
Special Programs for the Aging - Title III E				
Planning and Administration	93.052		45,781	2,509
National Family Caregiver Support Program	93.052		629,241	41,949
			675,022	44,458
Community Resource Connection Activities				
Person Centered Hospital Discharge	93.779		27,809	-
Medicare Enrollment Assistance Program	93.518		41,243	-
Local Contact Agency	93.779		59,479	-
Total U.S. Department of Health and Human Services			5,234,074	275,386

CENTRALINA COUNCIL OF GOVERNMENTS
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2012

SCHEDULE 9
(CONTINUED)

<u>Grantor/Pass-through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Pass-Through Grantor Number</u>	<u>Federal (Pass-Through) Expenditures</u>	<u>State Expenditures</u>
FEDERAL AWARDS (Continued)				
CASH PROGRAMS (Continued)				
U.S. DEPARTMENT OF TRANSPORTATION				
Passed through North Carolina Department of Transportation				
Nonurbanized Area Public Transportation Grant	20.513	5310	-	55,986
Passed through North Carolina State University				
Clean Fuels Advanced Technology Rebate Program (HEV)	20.205	2005-1181-32	-	28,935
Clean Fuels Advanced Technology Rebate Program II	20.205	2005-1181-31	-	9,193
Total U.S. Department of Transportation			-	94,114
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
Sustainable Communities Regional Planning Grant Program	14.703	NCRIP0058-11	206,360	-
Total Federal Awards			13,860,642	369,500
STATE GRANTS				
CASH AWARDS				
N. C. Department of Commerce				
State Technical Assistance Grant			-	17,047
Total N.C. Department of Commerce			-	17,047
N. C. Department of Environment and Natural Resources				
Passed through Ecosystem Enhancement Program				
Goose and Crooked Creek Local Watershed Plan Phases I & II		002884	-	15,558
North Carolina Sustainable Communities Initiative		4033	-	9,384
319 Rocky River Watershed Improvement Project	66.460	2856	-	35,346
Total N. C. Department of Environment and Natural Resources			-	60,288
N. C. Tobacco Trust Fund Commission				
Loan Fund: Partnership with Community Banks		2010-007-04	-	10,255
N. C. Housing Finance Agency				
Urgent Repair Program		URP1104	-	98,800

CENTRALINA COUNCIL OF GOVERNMENTS
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2012

SCHEDULE 9
(CONTINUED)

<u>Grantor/Pass-through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Pass-Through Grantor Number</u>	<u>Federal (Pass-Through) Expenditures</u>	<u>State Expenditures</u>
STATE GRANTS (Continued)				
CASH AWARDS (Continued)				
N. C. Department of Health and Human Services				
Division of Aging				
90% State Funds - Ombudsman			-	186,404
90% State Funds - Access			-	699,919
90% State Funds/Caregiver Match - In Home Services			-	249,022
90% State Funds - In Home Services			-	4,012,968
90% State Funds - Home Delivered Meals			-	355,871
100% State Funds - Project Care	93.051		-	37,721
AAA Administration			-	45,423
Fans Programs			-	47,115
Senior Center Development			-	113,760
Total N.C. Department of Health and Human Services			-	5,748,203
N. C. Department of Transportation				
Rural Planning Organization			-	95,941
Total N. C. Department of Transportation			-	95,941
Total state awards			-	6,030,534
Total federal and state awards			\$ 13,860,642	\$ 6,400,034

Notes to the Schedule of Expenditures of Federal and State Financial Awards

Basis of Presentation

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

**CENTRALINA COUNCIL OF GOVERNMENTS
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2012**

**SCHEDULE 9
(CONTINUED)**

Subrecipients

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

<u>Grantor/Pass-through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Pass-Through Grantor Number</u>	<u>Federal (Pass-Through) Expenditures</u>	<u>State Expenditures</u>
Nutrition Services Incentive Program	93.053	NC-06	\$ 431,868	\$ -
National Family Caregiver Support Program	93.052		510,173	34,011
Senior Community Service Employment Program	17.235	40	1,074,744	-
Senior Community Service Employment Program ARRA	17.235		-	-
Disease Prevention and Health Promotion	93.043		83,170	5,309
Workforce Investment Act				
WIA - Adult Programs	17.258		1,730,603	-
WIA - Youth Activities	17.259		1,861,242	-
WIA - Dislocated Workers	17.260		2,509,193	-
WIA - Incumbent Worker			396,329	-
Special Programs for the Aging - Title III B				
Grants for Supportive Services and Senior Centers	93.044	NC-06	1,182,195	69,541
Special Programs for the Aging - Title III C				
Nutrition Services	93.045	NC-06	1,896,924	111,584
Aging Home-Delivered Nutrition Services for States				
90% State Funds - Access			-	699,919
90% State Funds/Caregiver Match - In Home Services			-	249,022
90% State Funds - In Home Services			-	4,012,968
90% State Funds - Home Delivered Meals			-	355,871
90% State Funds - Project Care			-	37,721
Senior Center Development			-	113,760
Heat Fan Relief			-	47,115