

Centralina Council of Governments

Comprehensive Annual
Financial Statements

For the Year Ended June 30, 2013



DIXON HUGHES GOODMANLLP
Certified Public Accountants and Advisors

CENTRALINA COUNCIL OF GOVERNMENTS

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FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

Board of Delegates
Centralina Council of Governments
Charlotte, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the **Centralina Council of Governments** as of and for the year then ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the **Centralina Council of Governments'** basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the **Centralina Council of Governments** as of June 30, 2013, and the respective budgetary comparison for the General Fund, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 4 through 15 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

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

The combining and individual fund statements, budgetary schedules, other schedules, and the Schedule of Expenditures of federal and state awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying

accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit and the procedures performed as described above, the combining and individual fund statements, budgetary schedules, other schedules, and the Schedule of Expenditures of federal and state awards are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated December 6, 2013 on our consideration of **Centralina Council of Governments'** internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the **Centralina Council of Governments'** internal control over financial reporting and compliance.

Dixon Hughes Goodman LLP

*Winston-Salem, North Carolina
December 6, 2013*

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, 2013. 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 2012-2013, Centralina had numerous accomplishments in all of these areas.

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

Building Technical Talents Workforce Summit – Centralina WDB teamed with Mitchell Community College to sponsor the Summit to highlight the benefits of 21st Century manufacturing in the region and bring awareness of the gap between the high unemployment rate and the lack of qualified manufacturing applicants. The Summit was made possible through a \$400,000 grant awarded to Mitchell Community College by The Golden LEAF Foundation to address the skills gap.

I-Care, Inc. helps at-risk youth – The Workforce Investment Act program, funded by the Centralina WDB, serves youth ages 16-21 and helps with educational needs and gives participants practical experience in the workforce. Through the program, the young people are given the mentoring necessary to complete their education through the GED program and are provided with various job options to learn new skills. In 2012-2013, the program provided work experience opportunities during the summer to 30 youths in Iredell and Lincoln County.

Prosperity for Anson Project – A report commissioned for this project identified specific, targeted areas that Anson County could use to improve its economic development. For Anson, the target industries were: retail, health care, back office, professional services, transportation and logistics, and culture and entertainment. The data was important because it can help graduates to focus on jobs and industries that will be there. The program was part of a federally funded grant. Centralina WDB staff assisted on project planning and implementation.

Teaching for Jobs – Advanced manufacturing companies that are looking to move production back to the U.S. will gravitate to places where there is already a strong manufacturing infrastructure and a pipeline of skilled technical workers. This initiative helped to promote jobs in advanced manufacturing as an option for the “technically-inclined” and informed education professionals about the opportunities the field can offer. The initiative was a collaborative effort by the Centralina WDB, Statesville Regional Development, Greater Statesville Chamber of Commerce, Mitchell Community College and Iredell-Statesville Schools.

The need to create a community that meets the emerging population of all citizens, including seniors, was one with universal design aspects and a wide variety of job and educational opportunities. That means the creation of meaningful “retirement” activities including re-employment, volunteerism, and social engagement. In addition to our role as the fiscal monitor for the Older American's Act funds, the Centralina Area Agency on Aging (CAAA) was on the cutting

Management's Discussion and Analysis

edge in the development of senior friendly planning initiatives that improve quality of life and help control the cost of government. This year's program highlights include:

Mobility Management – Centralina's Planning and Aging departments have collaborated to develop Centralina's Mobility Management program, an information and referral service for all public transportation options in the nine-county region. A key component of the program was Volunteer Transportation Services (VTS), a 501(c)3 organization, developed to provide transportation to older and disabled adults and veterans. Through creating and managing a network of volunteer drivers, overburdened transportation systems in the county will have a new resource to refer clients to, and volunteers will be able to experience meaningful social engagement while providing access to key services for the clients.

Healthy Living Programs – More than 102 workshops were taught and a total of 1,280 participants across our region benefited from these evidence based programs that focus on strengthening independent living, health management, and self-advocacy skills for older and disabled adults. The new Spanish version of the Chronic Disease Self-Management (Tomando Control de su Salud) was the first of its kind in North Carolina. This Centralina program has been acknowledged this past year by the National Council on Aging as one of eight outstanding examples of a program leveraging volunteer leaders and collaborative partnerships to reduce the cost of the programs for the community and the participants.

Senior Community Employment Program – The program created re-employment opportunities for those displaced or entering the workforce for the first time. Despite dramatic cuts in the program funds, Centralina's effort saw more than 22 individuals re-enter paid employment.

Regional Long Term Care Ombudsman – More than 5,000 consumers were assisted with complex issue resolution in long term care settings through this program. These advocates help control the cost of government by offering local intervention and problem solving skills that avoid the more costly regulatory intervention by a team of state regulators.

The Community and Economic Development (CED) department helped your community by providing technical assistance to improve housing and public infrastructure and pursued grants on your behalf. Services provided by the CED helped promote local and regional economic growth and quality of life. Significant activities this year include:

Five-Year Consolidated Plan – The department provided technical services for the development of the five-year consolidated plan for Mecklenburg County that integrates planning for \$3 million in HUD Community Development Block Grant entitlement funds. It focused on low and moderate income population housing and community development needs.

Urgent Repair Program – The CED assisted 16 elderly and low income homeowners in Iredell and Lincoln County to stay in their homes rather than be displaced to nursing homes, saving the state on average \$37,000 per year per homeowner. The North Carolina Housing Finance Agency awarded \$84,000 to CED for this 2012 Urgent Repair Program and Centralina provided \$20,000 in matching funds for the project.

Grants – The CED facilitated the award and administration of NC Department of Commerce Division of Community Assistance grant programs that totaled more than \$2 million in funding to local communities for housing and infrastructure improvements.

Management's Discussion and Analysis

Essential to collaborative region-wide economic growth was the Centralina Economic Development Commission (CEDC), established by Centralina in 2005 as a 501(c)3 public-private partnership that promotes retention, expansion, and development of business and industry. Significant accomplishments for the Commission include:

Centralina Regional Economic Development District's CEDS Plan – The "Prosperity for Greater Charlotte" CEDS plan, was completed for the 2012-2017 period. It featured research that better aligns regional infrastructure, talent and assets for economic growth. The plan also included key strategies for boosting the job growth rate by linking the region's workforce skills and strengths, education assets, and infrastructure to the needs of high-growth and emerging industries.

Global Competitiveness Summit – Prosperity for Greater Charlotte supported Charlotte Global Competitiveness Summits in August 2012 and February 2013 that brought together more than 500 business, education and community leaders to engage the Greater Charlotte Region's role in the global marketplace.

Jobs, Workforce and Education Alignment Strategy - Produced within the Prosperity for Greater Charlotte project, the study identified future workforce skills and bridged gaps in the existing regional education and training pipeline to enhance industry alignment with a steady supply of qualified workers. The findings were used to launch a unique project called "Career Headlight," a web-based platform that will provide efficient matching of workers and students with local demand-based careers and training resources.

Centralina staff supported communities by coordinating, introducing and implementing new initiatives relating to all aspects of planning such as: land use, pedestrian, small area and corridor plans; public engagement; board training and retreats; park, streetscape, and landscaping design; and transportation. Centralina also convened and led energy and environment programs in conjunction with federal, state, and local agencies and other partners, and coordinated the Centralina Clean Fuels Coalition (CCFC) program. Significant activities in this year include:

Regional Scenario Planning Model – This year, planning efforts have focused on building and calibrating the regional scenario planning model. This model allowed communities to contemplate different growth options and see how different growth patterns impact the demand and cost for new roads, utilities, parks and schools.

Regional Collaboration – The Regional Conference of mayors and city and county managers met bi-monthly to receive updates from the North Carolina legislature and to create strategies for addressing those issues that impact city and county governments in the region. Through this collaborative effort, mayors and managers became active in building relationships with legislators through direct communication and through visits to Raleigh.

Carolina Blue Skies and Green Jobs Initiative – Grant funds of \$2.8 million provided for the purchase of 37 advanced technology vehicles across the Centralina region. Those vehicles were part of the overall project that displaced more than 325,000 gallons of petroleum in North and South Carolina since 2010.

NC's Plug-in Electric Vehicle Readiness – The initiative supported community and statewide planning for plug-in electric vehicles and charging infrastructure, and was supported in part by a US

Management's Discussion and Analysis

Department of Energy (DOE) Clean Cities Program \$500,000 grant. Administered by Centralina, this planning effort was in conjunction with partners at Advanced Energy, NC Solar Center, Triangle J Council of Governments, Land-of-Sky Regional Council, Piedmont-Triad Regional Council and utility partners including Duke Energy.

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

Engaging Communities – 54 local governments and 31 others (private sector, quasi-governmental and non-profits) signed the agreement and joined the CONNECT Consortium. The CONNECT Consortium, which was launched July 26, 2012, drew more 175 participants, representing 90-plus local governments and private/non-profits. Eight consortium meetings were held in 2013 to review CONNECT activities and provide guidance.

Engaging Residents – More than 2,200 diverse residents of CONNECT's 14 counties participated in the first phase of public engagement (November 2012 – February 2013). During the first phase of public engagement:

- More than 32 open houses and 63 small groups were conducted;
- More than 100 online surveys were completed;
- Community Conversations with Youth and Latino Groups were held; and,
- More than 2,000 responses were received.

Engaging Regional Leaders – More than 400 elected officials and community, environmental, housing and business leaders from the 14-county, two-state region surrounding Charlotte worked together at this hands-on event. RealityCheck2050 was a one-of-a-kind event in the region and allowed participants to envision how the region can be ready for another 1.8 million people and 860,000 jobs by 2050.

These are some of the many initiatives Centralina staff pursued to further the mission of controlling the cost of government, improving the quality of life and growing the economy and jobs. These will contribute to the mission of being recognized as an outstanding region in which to live, work, play and visit.

Other financial highlights are as follows:

- The assets of Centralina exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$416,696 (*net position*).
- Centralina's total net position decreased by \$90,563, due to unexpected legal fees, a significant increase to compensated absences, and annual contributions for other postemployment benefits.
- As of the close of the current fiscal year, Centralina's governmental funds reported a combined ending fund balances of \$926,753, a decrease of \$88,867 from the prior year.

Management's Discussion and Analysis

Approximately \$1,212,000 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 \$332,325.

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 Position and the Statement of Activities. The Statement of Net Position includes all of Centralina's assets and deferred outflows of resources as well as liabilities and deferred inflows of resources. Assets, deferred outflows of resources, liabilities, and deferred inflows of resources are classified in the order of relative liquidity for assets and deferred outflows and due date for liabilities and deferred inflows. This statement provides a summary of Centralina's investment in assets and obligations to creditors. Liquidity and financial flexibility can be evaluated using the information contained in this statement. The Statement of Activities summarizes Centralina's revenues and expenses for the current year. A net (expense) revenue format is used to indicate to what extent each function is self-sufficient.

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

Government-wide Statements

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

Management's Discussion and Analysis

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

The government-wide statements are divided into two categories:

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

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

Fund Financial Statements

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

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

Government-wide Financial Analysis

Table 1
Condensed Statement of Net Position
For Governmental Activities
as of June 30, 2013 and 2012

| | <u>2013</u> | <u>2012</u> |
|--|-------------------|-------------------|
| Current assets | \$ 2,553,990 | \$3,222,295 |
| Capital assets | <u>128,469</u> | <u>111,748</u> |
| Total assets | <u>2,682,459</u> | <u>3,334,043</u> |
| Current liabilities | 1,515,001 | 2,094,094 |
| Noncurrent liabilities | <u>405,757</u> | <u>388,330</u> |
| Total liabilities | <u>1,920,758</u> | <u>2,482,424</u> |
| Unearned revenue | <u>345,005</u> | <u>344,360</u> |
| Total deferred inflows of resources | <u>345,005</u> | <u>344,360</u> |
| Net investment in capital assets | 114,783 | 74,364 |
| Restricted | 1,212,312 | 1,026,740 |
| Unrestricted net position | <u>(910,399)</u> | <u>(593,845)</u> |
| Total net position | <u>\$ 416,696</u> | <u>\$ 507,259</u> |

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets of Centralina exceeded liabilities by \$416,696 and \$507,259 as of June 30, 2013 and 2012, respectively. Centralina's net position decreased by \$90,563 and \$25,906 for the fiscal years ended June 30, 2013 and 2012 respectively. The careful management of expenses influenced the total unrestricted governmental net position.

Management's Discussion and Analysis

Table 2
Centralina Changes in Net Assets
For Governmental Activities
For the Years Ended June 30, 2013 and 2012

| | <u>2013</u> | <u>2012</u> |
|---|-------------------|-------------------|
| Revenues | | |
| Restricted intergovernmental revenues – state | \$10,619,049 | \$10,949,154 |
| Restricted intergovernmental revenues – federal | 4,723,324 | 3,317,239 |
| Technical assistance contracts | 304,762 | 429,471 |
| Contracts and fees | 31,923 | 36,713 |
| Other program revenue | 185,138 | 578,924 |
| Interest and other | 121,197 | 159,632 |
| Member dues and contributions | <u>747,874</u> | <u>747,762</u> |
| Total revenues | <u>16,733,267</u> | <u>16,218,895</u> |
| Expenses | | |
| General government | (18,303) | 166,233 |
| Transportation | 223,780 | 201,401 |
| Environmental protection | 417,099 | 597,950 |
| Economic and physical development | 2,896,820 | 1,518,448 |
| Human services | 12,296,582 | 12,722,509 |
| Workforce development | 1,005,371 | 1,033,520 |
| Interest | <u>2,481</u> | <u>4,740</u> |
| Total expenses | <u>16,823,830</u> | <u>16,244,801</u> |
| Decrease in net position | (90,563) | (25,906) |
| Beginning net position | <u>507,259</u> | <u>533,165</u> |
| Ending net position | <u>\$ 416,696</u> | <u>\$ 507,259</u> |

Governmental activities accounted for Centralina's decrease in net position. The key element of this decrease is the depreciation of fixed assets, the increase in compensated absences and the rent abatement for the office space. Unanticipated legal fees also negatively impacted the net position.

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.

Management's Discussion and Analysis

The General Fund is the chief operating fund of Centralina. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$(624,696), while total fund balance reached \$926,753. 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 14.3% 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, 2013 totals \$128,469 (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, 2014

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.

For fiscal year 2013-2014, the Centralina Workforce Development Board will focus its energies and resources on specific goals and strategies/actions that will drive the Board's future work direction. These include:

- Implementation of Integrated Services Delivery (ISD)
 - NCWORKS – full implementation, usage by all partners, and expansion
 - Functional organization of services
 - Enhanced employer and business services design
 - Center certification by NC Department of Commerce by June 30, 2014
 - Localized branding and marketing
 - Expanded coordination and collaboration with Charlotte and Gaston boards on Regional ISD Leadership Team
- Focus on Business Services
 - Increase by 40% the number of area employers utilizing Centralina WDB business services

Management's Discussion and Analysis

- Implement information sharing system (BizWiz or equivalent) for WDB Business Services and for all area workforce system partners
- Promote new WorkKeys Profiler Assessments available for Centralina WDB staff to conduct
- Ensure that at least 5 WorkKeys profiles are performed by June 30, 2014 with profits for Centralina WDB
- Focus on Youth Services
 - Take on role of workforce intermediary for Pathways to Prosperity effort for Cabarrus, Iredell, and Rowan counties
 - Implement and promote Make It in Union County – Manufacturing Awareness campaign for youth
 - Expand Teaching for Jobs initiative – for Iredell County
 - Develop Toastmaster Club arrangements for all Centralina WDB counties for youth to participate and develop speaking and soft skills
 - Hold annual Youth Summit – focus on entrepreneurial skills
- Communications and Marketing
 - Release RFP for new Centralina WDB website, secure provider, and implement new site by March 1, 2014
 - Increase social media outreach by 50% via Twitter and Facebook posts from WDB events and live video feeds and YouTube uploads

During 2013-2014, CAAA will work on the following initiatives:

- Successfully implement a transition plan within the Area Agency on Aging after installation of a new Aging Administrator, newly hired staff, and realignment of other department duties.
- Evidence-based Health Promotion programs, which enhance quality of life for older and disabled adults and reduce healthcare utilization which controls both medical and insurance costs, will continue to be a major initiative for CAAA. Centralina will:
 - Expand the Tomando Control de su Salud (Spanish Chronic Disease Self-Management Program) into those counties with the highest Hispanic population (Mecklenburg, Union, and Cabarrus).
 - Complete and implement the business plan, Medicare provider process and American Association of Diabetes Educators application for the Diabetes Self-Management Program (DSMP). This completes the process for approval to begin receiving Medicare reimbursement for participants who take the DSMP.
- The Ombudsman program will increase partnerships with the NC Department of Insurance, Division of Aging and Adult Services and the local Adult Protective Services in the arena of prevention of Elder Financial Abuse.

Management's Discussion and Analysis

- CAAA will assist in the implementation of and conduct community outreach for the newly formed Centralina Volunteer Transportation Service in coordination with the ongoing Mobility Management initiative.

The Planning Department will continue to implement and expand its local and regional planning activities in fiscal year 2013-2014 and will be heavily involved in a number of regional initiatives during the coming year. Primary activities include the following:

- Assist the newly formed Gaston-Cleveland-Lincoln Metropolitan Planning Organization develop a long-range plan, short-range project evaluation, transit planning, and public input;
- Implement the Mobility Management and volunteer transportation program for the region;
- Conduct a regional blueprinting program through the above-referenced HUD Regional Sustainability Planning Grant. Activities will include developing and refining a regional scenario planning model; refining regional databases and maps; developing alternative growth scenarios for the region; managing CONNECT work groups focused on land use and transportation (Blueprinting), Housing, Air Quality, Energy, and Food Systems; coordinating and facilitating outreach to citizens, elected officials, and others; and coordinating with external partners (including the Catawba Regional Council of Governments), consultants, and the private sector;
- Enhance existing and develop new services to meet local government needs, based on input received and data and tools created during the CONNECT project;
- Continue to staff and coordinate the Regional Conference of Mayors meetings and programs;
- Continue to staff and coordinate bi-monthly meetings of city and county managers throughout the region;
- Provide professional development, networking, and training opportunities for local government staff based on identified needs;
- Expand energy technical assistance services to local government and non-profit groups in helping find ways to reduce energy;
- Continue the agency's efforts to reduce dependence on petroleum through the US DOE's Clean Cities Program, which is locally represented by the Centralina Clean Fuels Coalition;
- Continue to provide outreach and critical information to member governments on air quality issues;
- Continue to provide solid waste planning services and further seek opportunities to provide education and networking opportunities for regional solid waste officials as topics and needs emerge around recycling, composting, multi-jurisdictional collaboration, and related issues;
- Seek opportunities to address the most pressing water resource issues in our region through strategic partnerships and conversations with the multifarious organizations that have an interest in this topic;
- Continue to serve as staff to Mountain Island Lake and Lake Wylie Marine Commissions;
- Expand outreach to local government staff and convene meetings on a regular basis with planners and with other local governmental officials, as appropriate;
- Work on a variety of technical assistance projects in areas such as land use code and plan updates and land use administration.

Centralina Council of Governments will continue to engage residents and stakeholders through the **CONNECT Our Future** initiative in fiscal year 2013-2014. Some of the key activities will include:

Management's Discussion and Analysis

- Continue with public engagement efforts throughout different phases of CONNECT Our Future project. The **Community Growth Workshops** will be held throughout September and October of 2013. These interactive, participatory sessions will be held in 17 locations throughout the region and will offer residents opportunity to provide their input on how and where to focus growth and needed infrastructure such as roads, transit and greenways.
- Continue to work with our member communities to ensure the CONNECT Our Future accurately reflects the values embedded within each community.
- Continue work with the **Scenario Planning Process** to create various future growth options (with pros and cons) and be presented to the Consortium and the public in Spring/Summer of 2014.
- Continue with various technical studies undertaken with the CONNECT Our Future Workgroups.
- Continue and expand outreach to expand the CONNECT Consortium membership.
- Work closely with HUD staff to ensure the project meets the grant expectations.
- Participate in the December 2013 HUD Grantee Convening to be held in Washington DC – share findings from our region and learn from similar work throughout the country.

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 POSITION
June 30, 2013

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 | \$ 229,696 | \$ - |
| Designated assets | | |
| Cash and investments | 332,325 | - |
| Due from component unit | 67,524 | - |
| Due from other governments | 1,917,334 | 647,460 |
| Prepayments | 7,111 | - |
| Total current assets | <u>2,553,990</u> | <u>647,460</u> |
| Capital assets | | |
| Equipment, net of depreciation | <u>128,469</u> | <u>-</u> |
| Total assets | <u>2,682,459</u> | <u>647,460</u> |
| LIABILITIES | | |
| Current liabilities | | |
| Accounts and grants payable | 1,180,924 | 552,657 |
| Accrued liabilities | 101,308 | - |
| Due to primary government | - | 67,524 |
| Current portion of long term obligations | <u>232,768</u> | <u>-</u> |
| Total current liabilities | 1,515,000 | 620,181 |
| Noncurrent liabilities | | |
| Noncurrent portion of long term obligations | <u>405,758</u> | <u>-</u> |
| Total liabilities | <u>1,920,758</u> | <u>620,181</u> |
| DEFERRED INFLOWS OF RESOURCES | | |
| Unearned revenue | <u>345,005</u> | <u>27,279</u> |
| Total deferred inflows of resources | <u>345,005</u> | <u>27,279</u> |
| NET POSITION | | |
| Net investment in capital assets | 114,783 | - |
| Restricted | | |
| Stabilization by State Statute | 1,212,312 | - |
| Unrestricted | <u>(910,399)</u> | <u>-</u> |
| Total net position | <u>\$ 416,696</u> | <u>\$ -</u> |

CENTRALINA COUNCIL OF GOVERNMENTS
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2013

| <u>Functions / Programs</u> | <u>Expenses</u> | <u>Indirect Expenses Allocation</u> |
|-----------------------------------|-----------------------------|---|
| PRIMARY GOVERNMENT | | |
| Governmental activities | | |
| General government | \$ 1,510,769 | \$ (1,553,550) |
| Transportation | 145,536 | 78,244 |
| Environmental protection | 353,961 | 63,139 |
| Economic and physical development | 2,326,210 | 570,610 |
| Human services | 11,696,028 | 600,554 |
| Workforce development | 764,368 | 241,003 |
| Interest | 2,481 | - |
| | <u> </u> | <u> </u> |
| Total primary government | <u><u>\$ 16,799,353</u></u> | <u><u>\$ -</u></u> |
| COMPONENT UNIT | | |
| Workforce Development Consortium | <u>\$ 5,172,984</u> | |
| | <u> </u> | |
| Total component unit | <u><u>\$ 5,172,984</u></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 Position | |
|---|--|--|--|
| | | Primary Government | Component Unit |
| Charges for Services | Operating Grants and Contributions | Governmental Activities | Workforce Development Consortium |
| \$ - | \$ - | \$ 42,781 | \$ - |
| 19,213 | 195,766 | (8,801) | - |
| 33,316 | 350,329 | (33,455) | - |
| 304,762 | 1,889,614 | (702,444) | - |
| 4,436 | 12,086,165 | (205,981) | - |
| 40,953 | 964,418 | - | - |
| - | - | (2,481) | - |
| <u>\$ 402,680</u> | <u>\$ 15,486,292</u> | <u>(910,381)</u> | <u>-</u> |
| <u>\$ -</u> | <u>\$ 5,172,984</u> | <u>-</u> | <u>-</u> |
| <u>\$ -</u> | <u>\$ 5,172,984</u> | <u>-</u> | <u>\$ -</u> |
| General revenues | | | |
| Member dues and contributions | | 747,874 | |
| Grants and contributions not restricted to specific programs | | 20,613 | |
| Unrestricted investment earnings | | 803 | |
| Miscellaneous, unrestricted | | 50,528 | |
| Total general revenues | | <u>819,818</u> | |
| Change in net position | | (90,563) | |
| Net position - beginning | | <u>507,259</u> | |
| Net position - ending | | <u>\$ 416,696</u> | |

| | Major Funds | | Total Governmental Funds |
|--|---------------------|----------------------------|--------------------------------|
| | General | Special Revenue Fund | |
| ASSETS | | | |
| Cash and investments | \$ 137,296 | \$ 92,400 | \$ 229,696 |
| Designated assets | | | |
| Cash and investments | 332,325 | - | 332,325 |
| Due from component unit | 67,524 | - | 67,524 |
| Due from other governments | 1,144,788 | 772,546 | 1,917,334 |
| Prepayments | 7,111 | - | 7,111 |
| Total assets | <u>\$ 1,689,044</u> | <u>\$ 864,946</u> | <u>\$ 2,553,990</u> |
| LIABILITIES | | | |
| Accounts and grants payable | \$ 317,555 | \$ 863,369 | \$ 1,180,924 |
| Accrued liabilities | 101,308 | - | 101,308 |
| Total liabilities | <u>418,863</u> | <u>863,369</u> | <u>1,282,232</u> |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Unearned revenue | 343,428 | 1,577 | 345,005 |
| Total deferred inflows of resources | <u>343,428</u> | <u>1,577</u> | <u>345,005</u> |
| FUND BALANCES | | | |
| Nonspendable: | | | |
| Prepayments | 7,111 | - | 7,111 |
| Restricted: | | | |
| Stabilization by State Statute | 1,212,312 | - | 1,212,312 |
| Assigned | | | |
| Accrued vacation and sick leave | 332,325 | - | 332,325 |
| Unassigned | (624,995) | - | (624,995) |
| Total fund balances | <u>926,753</u> | <u>-</u> | <u>926,753</u> |
| Total liabilities, deferred inflows of resources, and fund balances | <u>\$ 1,689,044</u> | <u>\$ 864,946</u> | <u>\$ 2,553,990</u> |

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

| | |
|--|-------------------|
| Ending fund balance - governmental funds | \$ 926,753 |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds | 128,469 |
| Some liabilities are not due and payable in the current period and therefore are not reported in the funds | |
| Obligations under capital lease | (13,686) |
| Net OPEB obligation | (30,416) |
| Accrued vacation and sick leave | (332,325) |
| Accrued rent | (262,099) |
| Net position of governmental activities | <u>\$ 416,696</u> |

CENTRALINA COUNCIL OF GOVERNMENTS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
For the Year Ended June 30, 2013

EXHIBIT D

| | Major Funds | | Total Governmental Funds |
|--|-------------------|----------------------------|--------------------------------|
| | General | Special Revenue Fund | |
| REVENUES | | | |
| Restricted intergovernmental revenues - state | \$ 356,217 | \$10,262,832 | \$10,619,049 |
| Restricted intergovernmental revenues - federal | 4,723,324 | - | 4,723,324 |
| Technical assistance contracts | 304,762 | - | 304,762 |
| Contracts and fees | 31,923 | - | 31,923 |
| Other program revenue | 185,138 | - | 185,138 |
| Interest and other | 46,720 | - | 46,720 |
| Member dues and contributions | 747,874 | - | 747,874 |
| Total revenues | <u>6,395,958</u> | <u>10,262,832</u> | <u>16,658,790</u> |
| EXPENDITURES | | | |
| Current | | | |
| General government | (91,996) | - | (91,996) |
| Transportation | 223,780 | - | 223,780 |
| Environmental protection | 417,100 | - | 417,100 |
| Economic and physical development | 2,896,820 | - | 2,896,820 |
| Human services | 2,033,750 | 10,262,832 | 12,296,582 |
| Workforce development | 1,005,371 | - | 1,005,371 |
| Total expenditures | <u>6,484,825</u> | <u>10,262,832</u> | <u>16,747,657</u> |
| Revenues over (under) expenditures and net change in fund balance | (88,867) | - | (88,867) |
| FUND BALANCES - JULY 1 | <u>1,015,620</u> | <u>-</u> | <u>1,015,620</u> |
| FUND BALANCES - JUNE 30 | <u>\$ 926,753</u> | <u>\$ -</u> | <u>\$ 926,753</u> |

CENTRALINA COUNCIL OF GOVERNMENTS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
For the Year Ended June 30, 2013

EXHIBIT D
(CONTINUED)

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

Net change in fund balances - total governmental funds. \$ (88,867)

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. 16,720

The recording of the annual required contribution for Other Post Employment Benefits. (4,750)

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. (42,166)

The recording of the net adjustment to the disability reserve. 50,000

The recording of the net adjustment to the obligation for compensated absences. (45,198)

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 principal payments made under capital lease obligations exceed capital lease obligations incurred. 23,698

Change in net assets of governmental activities \$ (90,563)

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, 2013

EXHIBIT E

| | Budgeted Amounts | | Actual Amounts | Variance With Final Budget Positive (Negative) |
|---|--------------------|--------------------|--------------------|---|
| | Original | Final | | |
| REVENUES | | | | |
| Restricted intergovernmental revenues - state | \$ 253,645 | \$ 374,087 | \$ 356,217 | \$ (17,870) |
| Restricted intergovernmental revenues - federal | 5,530,791 | 6,564,989 | 4,723,324 | (1,841,665) |
| Technical assistance contracts | 408,577 | 429,705 | 304,762 | (124,943) |
| Contracts and fees | 26,770 | 26,770 | 31,923 | 5,153 |
| Other program revenue | 178,301 | 210,983 | 185,138 | (25,845) |
| Interest and other | 38,000 | 38,000 | 46,720 | 8,720 |
| Member dues and contributions | 711,481 | 711,481 | 747,874 | 36,393 |
| Total revenues | <u>7,147,565</u> | <u>8,356,015</u> | <u>6,395,958</u> | <u>(1,960,057)</u> |
| EXPENDITURES | | | | |
| Current | | | | |
| General government | | | | |
| Board, executive committee and committees | 227,752 | 227,752 | 204,012 | 23,740 |
| Management and business operations | 1,586,120 | 1,592,305 | 1,350,295 | 242,010 |
| Indirect costs representation | <u>(1,745,483)</u> | <u>(1,731,061)</u> | <u>(1,646,303)</u> | <u>(84,758)</u> |
| Total general government | <u>68,389</u> | <u>88,996</u> | <u>(91,996)</u> | <u>180,992</u> |
| Transportation | | | | |
| Planning assistance and administration | 261,675 | 263,733 | 223,780 | 39,953 |
| Total transportation | <u>261,675</u> | <u>263,733</u> | <u>223,780</u> | <u>39,953</u> |
| Environmental protection | | | | |
| Planning assistance and administration | 546,208 | 547,984 | 417,100 | 130,884 |
| Total environmental protection | <u>546,208</u> | <u>547,984</u> | <u>417,100</u> | <u>130,884</u> |
| Economic and physical development | | | | |
| Planning assistance and administration | 564,885 | 668,891 | 316,162 | 352,729 |
| Economic program initiative | 589,868 | 744,339 | 623,979 | 120,360 |
| Sustainable Communities Initiative | 1,640,723 | 2,034,921 | 1,856,427 | 178,494 |
| Information technology and data service | 107,099 | 107,969 | 100,252 | 7,717 |
| Total economic and physical development | <u>2,902,575</u> | <u>3,556,120</u> | <u>2,896,820</u> | <u>659,300</u> |
| Human services | | | | |
| Area agency on aging | 2,063,719 | 2,357,616 | 2,033,750 | 323,866 |
| Workforce development | | | | |
| | 1,304,999 | 1,541,566 | 1,005,371 | 536,195 |
| Total expenditures | <u>7,147,565</u> | <u>8,356,015</u> | <u>6,484,825</u> | <u>1,871,190</u> |
| Revenues over (under) expenditures | <u>\$ -</u> | <u>\$ -</u> | (88,867) | <u>\$ (88,867)</u> |
| FUND BALANCES - JULY 1 | | | <u>1,015,620</u> | |
| FUND BALANCES - JUNE 30 | | | <u>\$ 926,753</u> | |

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

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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.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Basis of Presentation

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

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

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

The Council reports the following major governmental funds:

General Fund

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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

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

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.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgetary Data

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

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

Allocation of Indirect Costs

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

Use of Estimates

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

Deposits and Investments

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

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).

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Designated Assets

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

Allowances for Doubtful Accounts

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

Prepayments

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

Capital Assets

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

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

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Long-Term Obligations

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

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

Compensated Absences

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

Deferred Outflows/Inflows of Resources

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

Net Position/Fund Balances

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

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

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

CENTRALINA COUNCIL OF GOVERNMENTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 of 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.

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 | \$ 926,753 |
| Less: | |
| Prepayments | (7,111) |
| Stabilization by State Statute | (1,212,312) |
| Assigned | <u>(332,325)</u> |
| Available for Appropriation | <u>\$ (624,995)</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.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 - 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, 2013, the Council's deposits had a carrying amount of \$301,554 and a bank balance of \$1,487,106. 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 C - INVESTMENTS

At June 30, 2013, the Council's investments consisted of \$260,467 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.

CENTRALINA COUNCIL OF GOVERNMENTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

NOTE D - RECEIVABLES

Receivables at the government-wide level consisted of the following at June 30, 2013:

| | <u>Due from Other Governments</u> |
|----------------------------------|---|
| Governmental activities: | |
| General | \$ 1,144,788 |
| Special revenue | <u>772,546</u> |
| | <u>\$ 1,917,334</u> |
| Workforce Development Consortium | <u>\$ 647,460</u> |

Due from other governments consisted of the following at June 30, 2013:

| | <u>Governmental Activities</u> | <u>Workforce Development Consortium</u> |
|---|------------------------------------|---|
| Receivables under expenditure – driven grants | \$ 1,794,824 | \$ 647,460 |
| Technical assistance contracts | 70,409 | - |
| Sales tax | <u>52,101</u> | <u>-</u> |
| | <u>\$ 1,917,334</u> | <u>\$ 647,460</u> |

NOTE E - CAPITAL ASSETS

The following is a summary of capital asset activity for the year ended June 30, 2013:

| | <u>Balance June 30, 2012</u> | <u>Increases</u> | <u>Decreases</u> | <u>Balance June 30, 2013</u> |
|--|--------------------------------------|------------------|------------------|--------------------------------------|
| Capital assets being depreciated | | | | |
| Furniture, fixtures and equipment, and leasehold improvements | \$ 654,744 | \$ 63,278 | \$ - | \$ 718,022 |
| Less accumulated depreciation | <u>542,995</u> | <u>46,558</u> | <u>-</u> | <u>589,553</u> |
| Governmental activities capital assets, net | <u>\$ 111,749</u> | <u>\$ 16,720</u> | <u>\$ -</u> | <u>\$ 128,469</u> |

Depreciation expense was charged to indirect cost in the amount of \$46,558.

CENTRALINA COUNCIL OF GOVERNMENTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

NOTE F - ACCOUNTS AND GRANTS PAYABLE

Accounts and grants payable at the government-wide level consisted of the following at June 30, 2013:

| | <u>Vendors</u> | <u>Subrecipients</u> | <u>Other</u> | <u>Total</u> |
|--------------------------------------|----------------------|-----------------------|----------------------|-----------------------|
| Governmental activities: | | | | |
| General | \$ 317,255 | \$ - | \$ - | \$ 317,255 |
| Special revenue | <u>-</u> | <u>863,369</u> | <u>-</u> | <u>863,369</u> |
| | <u>\$ 317,255</u> | <u>\$ 863,369</u> | <u>\$ -</u> | <u>\$ 1,180,624</u> |
| Workforce Development Consortium | <u>\$ 30,936</u> | <u>\$ 494,041</u> | <u>\$ 27,680</u> | <u>\$ 552,657</u> |

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

NOTE G - ACCRUED LIABILITIES

The following is a summary of accrued liabilities for governmental activities and the General Fund at June 30, 2013:

| | |
|---------------------|-------------------|
| Accrued salaries | \$ 57,781 |
| Payroll liabilities | <u>43,527</u> |
| | <u>\$ 101,308</u> |

NOTE H - 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.

NOTE H - PENSION PLAN OBLIGATIONS (CONTINUED)

Local Governmental Employees' Retirement System (Continued)

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 6.74% 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, 2013, 2012, and 2011 were \$168,507, \$159,810, and \$142,787, respectively. The contributions made by the Council equaled the required contribution for each year.

NOTE I - 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, 2013 amounted to \$110,487 and \$75,032, respectively.

NOTE J - 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.

CENTRALINA COUNCIL OF GOVERNMENTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

NOTE J - POSTEMPLOYMENT HEALTHCARE BENEFITS (CONTINUED)

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, 2013. 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:

| | |
|--|-------------------------|
| Annual required contribution | \$ 38,753 |
| Interest on net OPEB obligation | 990 |
| Adjustment to annual required contribution | <u>(946)</u> |
| Annual OPEB cost (expense) | 38,797 |
| Contributions made | <u>(34,047)</u> |
| Increase (decrease) in net OPEB obligation | 4,750 |
| Net OPEB obligation, beginning of year | <u>25,666</u> |
| Net OPEB obligation, end of year | <u><u>\$ 30,416</u></u> |

CENTRALINA COUNCIL OF GOVERNMENTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

NOTE J - POSTEMPLOYMENT HEALTHCARE BENEFITS (CONTINUED)

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, 2013, 2012 and 2011 were as follows:

| For Year Ended June 30 | Annual OPEB Cost | Percentage of Annual OPEB Cost Contributed | Net OPEB Obligation |
|---------------------------|---------------------|---|------------------------|
| 2013 | \$ 38,798 | 88% | \$ 30,416 |
| 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.

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.

CENTRALINA COUNCIL OF GOVERNMENTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

NOTE K - DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

The following is a summary of deferred inflows of resources at June 30, 2013:

| | <u>Governmental Activities</u> | <u>Workforce Development Consortium</u> |
|-------------------------------|------------------------------------|---|
| Grant receipts not yet earned | | |
| Aging Workshops | \$ 115,596 | \$ - |
| Urgent Repair Grant | 31,749 | - |
| Economic Development Projects | 9,722 | - |
| Clean Cities Projects | 9,226 | - |
| NC Tobacco Trust Fund Grant | 99,395 | - |
| Aging Program Related Grants | 25,149 | - |
| Workforce Development | - | 27,279 |
| Centralina Foundation | 42,172 | - |
| Other | <u>11,996</u> | <u>-</u> |
| | <u>\$ 345,005</u> | <u>\$ 27,279</u> |

NOTE L - 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.

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.

CENTRALINA COUNCIL OF GOVERNMENTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

NOTE L - RISK MANAGEMENT (CONTINUED)

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 who have access to funds are bonded under a blanket bond for \$2,000,000.

NOTE M - LONG-TERM OBLIGATIONS

Capital Leases

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

A lease agreement for a copier began on May 7, 2008 and requires 60 monthly payments of \$1,320 each. Another copier lease was entered into on October 1, 2009 and requires 60 monthly payments of \$971 each.

The following is a summary of assets recorded under capital leases at June 30, 2013:

| | <u>Cost</u> | <u>Accumulated Depreciation</u> | <u>Net Book Value</u> |
|--------|------------------|-------------------------------------|---------------------------|
| Copier | \$ 46,244 | \$ 34,683 | \$ 11,561 |
| Copier | <u>62,869</u> | <u>62,869</u> | <u>-</u> |
| | <u>\$109,113</u> | <u>\$ 97,552</u> | <u>\$ 11,561</u> |

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2013 were as follows:

| | |
|---|------------------|
| Year ending June 30, | |
| 2014 | \$ 11,655 |
| 2015 | <u>2,913</u> |
| Total minimum lease payments | 14,568 |
| Less: amount representing interest | <u>882</u> |
| Present value of minimum lease payments | <u>\$ 13,686</u> |

Interest expense amounting to \$2,481 is included in indirect cost for the year ended June 30, 2013.

CENTRALINA COUNCIL OF GOVERNMENTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

NOTE M - LONG-TERM OBLIGATIONS (CONTINUED)

Changes in Long-Term Liabilities

| | Balance July 1, 2012 | <u>Increases</u> | <u>Decreases</u> | Balance June 30, 2013 | Current Portion of Balance |
|---|----------------------------|-------------------|-------------------|-----------------------------|----------------------------------|
| Governmental activities | | | | | |
| Capitalized leases | \$ 37,384 | \$ - | \$ 23,698 | \$ 13,686 | \$ 10,817 |
| Disability Reserve | 50,000 | - | 50,000 | - | - |
| Accrued vacation and sick leave | 287,126 | 267,150 | 221,951 | 332,325 | 221,951 |
| Accrued rent | 219,933 | 42,166 | - | 262,099 | - |
| Other postemployment healthcare benefits | <u>25,666</u> | <u>38,797</u> | <u>34,047</u> | <u>30,416</u> | <u>-</u> |
| | <u>\$ 620,109</u> | <u>\$ 348,113</u> | <u>\$ 329,696</u> | <u>\$ 638,526</u> | <u>\$ 232,768</u> |

NOTE N - OPERATING LEASES

The Council leased a postage machine under an operating lease with a five-year term which ended July 30, 2012. This agreement provided 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 calendar year 2013. The Council has an option to renew the lease agreement for an additional five years.

The following is a schedule by year of future minimum payments required under operating leases that have initial or remaining noncancelable lease terms in excess of one year as of June 30, 2013:

| Year ending June 30 | <u>Office Space</u> |
|---------------------|-------------------------|
| 2014 | \$ 331,119 |
| 2015 | 341,052 |
| 2016 | 351,284 |
| 2017 | 361,822 |
| Thereafter | <u>324,470</u> |
| Total | <u>\$ 1,709,747</u> |

Total rental expenditures for all operating leases except those with terms of one month or less amounted to \$263,388 for the year ended June 30, 2013.

CENTRALINA COUNCIL OF GOVERNMENTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

NOTE O - INTERFUND BALANCES AND ACTIVITY

The following is a summary of balances due to/from primary government and component unit as of June 30, 2013:

| <u>Fund</u> | <u>Receivable</u> | <u>Payable</u> |
|----------------------------------|-------------------|------------------|
| Primary government | | |
| General Fund | \$ 67,524 | \$ - |
| Component unit | | |
| Workforce Development Consortium | <u>-</u> | <u>67,524</u> |
| | <u>\$ 67,524</u> | <u>\$ 67,524</u> |

NOTE P - 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 \$964,418 and the Council reported revenues in the General Fund of the same amount for the year ended June 30, 2013.

NOTE Q - 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.

NOTE Q - SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES (CONTINUED)

For the year ended June 30, 2013, 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.

The Council is involved in a claim arising in the normal course of business. During the year ended June 30, 2013 the Counsel received notification of a claim relating to a certain contract. The amount in dispute is in excess of \$375,000. As of December 6, 2013 no formal legal action had been filed. At this time the Counsel is not able to reasonably evaluate the likelihood of an unfavorable outcome or range of potential loss and therefore has not accrued a liability related to this claim. In the Council's opinion, the final resolution of this claim should not have a material adverse effect on the Council's financial position or the results of its operations.

NOTE R - CHANGE IN ACCOUNTING PRINCIPLES

Centralina implemented Governmental Accounting Standards Board (GASB) Statement 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflow of Resources, and Net Position*, and Statement 65, *Items Previously Reported as Assets and Liabilities*, in the fiscal year ended June 30, 2013. In accordance with GASB Statement 63, The Statement of Net Assets has been replaced with the Statement of Net Position. Items on the Statement of Net Position are now classified as Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position. The implementation of these standards had no impact on fund balance or net position as previously reported.

**REQUIRED SUPPLEMENTARY
INFORMATION**

**CENTRALINA COUNCIL OF GOVERNMENTS
 REQUIRED SUPPLEMENTARY INFORMATION
 OTHER POSTEMPLOYMENT BENEFITS
 June 30, 2013**

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% |
| 2013 | \$ 38,753 | 87.8% |

NOTES TO THE REQUIRED SCHEDULES

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

| | |
|-------------------------------|-------------------------------|
| Valuation date | 12/31/11 |
| Actuarial cost method | Projected unit credit |
| Amortization method | Level percentage of pay, open |
| Remaining amortization period | 30 years |
| Asset valuation method | Market value |
| Actuarial assumptions: | |
| Investment rate of return* | 4.0% |
| Medical cost trend | 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, 2013
With Comparative Totals for June 30, 2012**

SCHEDULE 1

| | <u>2013</u> | <u>2012</u> |
|---|---------------------------|---------------------------|
| ASSETS | | |
| Cash and investments | \$ 137,296 | \$1,078,072 |
| Designated assets | | |
| Cash and investments | 332,325 | 287,126 |
| Receivables | - | 3,925 |
| Due from component unit | 67,524 | - |
| Due from other governments | 1,144,788 | 1,022,815 |
| Prepayments | <u>7,111</u> | <u>7,506</u> |
| Total assets | <u><u>\$1,689,044</u></u> | <u><u>\$2,399,444</u></u> |
| LIABILITIES | | |
| Liabilities | | |
| Accounts and grants payable | \$ 317,555 | \$ 316,800 |
| Accrued liabilities | 101,308 | 102,219 |
| Due to component unit | - | 621,319 |
| Total liabilities | <u>418,863</u> | <u>1,040,338</u> |
| DEFERRED INFLOWS OF RESOURCES | | |
| Unearned revenue | <u>343,428</u> | <u>343,486</u> |
| Total deferred inflows of resources | <u>343,428</u> | <u>343,486</u> |
| FUND BALANCES | | |
| Nonspendable | | |
| Prepayments | 7,111 | 7,506 |
| Restricted | | |
| Stabilization by State Statute | 1,212,312 | 1,026,740 |
| Assigned | | |
| Accrued vacation and sick leave | 332,325 | 287,126 |
| Disability reserve | - | 50,000 |
| Unassigned | <u>(624,995)</u> | <u>(355,752)</u> |
| Total fund balances | <u>926,753</u> | <u>1,015,620</u> |
| Total liabilities, deferred inflows of resources, and fund balances | <u><u>\$1,689,044</u></u> | <u><u>\$2,399,444</u></u> |

CENTRALINA COUNCIL OF GOVERNMENTS
GENERAL FUND
INDIRECT COST CENTER - COMPUTATION OF INDIRECT
COST ALLOCATION RATE
For the Year Ended June 30, 2013

SCHEDULE 2

| | |
|-------------------------------------|---------------------|
| PERSONNEL EXPENDITURES | |
| Salaries | \$ 444,850 |
| Fringe benefits | 250,667 |
| | <u>695,517</u> |
| OPERATING EXPENDITURES | |
| Audit | 57,500 |
| Auto expenditures | 26,703 |
| Bank service charges | 3,028 |
| Consultants | 56,074 |
| Contracted services | 41,685 |
| Events support | 34,820 |
| Fleet maintenance | 10,637 |
| Insurance | 44,918 |
| Interest | 2,481 |
| Legal | 72,036 |
| Memberships and dues | 20,017 |
| Miscellaneous | 17,856 |
| Postage | 8,131 |
| Printing and publications | 23,390 |
| Repairs and maintenance | 17,296 |
| Rent | 292,201 |
| Retiree health costs | 33,424 |
| Supplies | 15,257 |
| Telephone | 18,633 |
| Training | 7,458 |
| Travel | 26,546 |
| | <u>830,091</u> |
| Total indirect costs - unadjusted | 1,525,608 |
| Adjustment for depreciation expense | 46,558 |
| | <u>\$ 1,572,166</u> |

**CENTRALINA COUNCIL OF GOVERNMENTS
GENERAL FUND
INDIRECT COST CENTER - COMPUTATION OF INDIRECT
COST ALLOCATION RATE
For the Year Ended June 30, 2013**

**SCHEDULE 2
(CONTINUED)**

| | |
|---|----------------------------|
| Total personnel expenditures | \$ 3,439,356 |
| Less personnel expenditures in indirect cost pool | <u>695,517</u> |
| Total personnel expenditures earning indirect costs | <u><u>\$ 2,743,839</u></u> |

Adjusted

ALLOCATION RATE COMPUTATION

| | |
|--|----------------------|
| Indirect costs | \$ 1,572,166 |
| Divided by personnel expenditures earning indirect costs | <u>2,743,839</u> |
| Allocation rate - as computed | <u><u>57.30%</u></u> |

INDIRECT COSTS COMPARED TO PROVISIONAL INDIRECT AMOUNT

| | |
|---|-------------------------|
| Personnel expenditures earning indirect costs | \$ 2,743,839 |
| Provisional rate | <u>60%</u> |
| Provisional indirect amount | 1,646,303 |
| Total indirect costs | <u>1,572,166</u> |
| Provisional indirect costs over (under) adjusted indirect costs | <u><u>\$ 74,137</u></u> |

SPECIAL REVENUE FUND

**CENTRALINA COUNCIL OF GOVERNMENTS
SPECIAL REVENUE FUND
COMPARATIVE BALANCE SHEETS
June 30, 2013
With Comparative Totals for June 30, 2012**

SCHEDULE 3

| | <u>2013</u> | <u>2012</u> |
|---|-------------------|-------------------|
| ASSETS | | |
| Cash | \$ 92,400 | \$ 111,372 |
| Due from other governments | <u>772,546</u> | <u>711,479</u> |
| Total assets | <u>\$ 864,946</u> | <u>\$ 822,851</u> |
| LIABILITIES | | |
| Accounts and grants payable | \$ 863,369 | \$ 821,977 |
| DEFERRED INFLOWS OR RESOURCES | | |
| Unearned revenue | <u>1,577</u> | <u>874</u> |
| Total liabilities and deferred inflows of resources | <u>\$ 864,946</u> | <u>\$ 822,851</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, 2013**

SCHEDULE 4

| | Project Authorization | Actual | | Total to Date |
|---------------------------------------|--------------------------|----------------|-----------------|------------------|
| | | Prior Years | Current Year | |
| REVENUES | | | | |
| Restricted intergovernmental revenues | | | | |
| Aging grants | | | | |
| HCC block grant | \$ 8,856,735 | \$ - | \$ 8,451,437 | \$ 8,451,437 |
| USDA supplement | 800,000 | - | 415,418 | 415,418 |
| Title III-B legal | 126,730 | - | 80,525 | 80,525 |
| Family caregiver | 700,968 | - | 555,628 | 555,628 |
| Disease prevention/health promotion | 150,000 | - | 37,259 | 37,259 |
| State senior center general purpose | 150,000 | - | 113,583 | 113,583 |
| Title V | 950,223 | - | 554,406 | 554,406 |
| Project CARE | 90,000 | - | 40,479 | 40,479 |
| Heat fan relief | 50,000 | - | 14,097 | 14,097 |
| Total aging grants | 11,874,656 | - | 10,262,832 | 10,262,832 |
| Total revenues | 11,874,656 | - | 10,262,832 | 10,262,832 |

**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, 2013**

**SCHEDULE 4
(CONTINUED)**

| | Project Authorization | Prior Years | Actual | |
|-------------------------------------|--------------------------|----------------|-------------------|-------------------|
| | | | Current Year | Total to Date |
| EXPENDITURES | | | | |
| Grant-related expenditures | | | | |
| Aging grants | | | | |
| HCC block grant | \$ 8,856,735 | \$ - | \$ 8,451,437 | \$ 8,451,437 |
| USDA supplement | 800,000 | - | 415,418 | 415,418 |
| Title III-B legal | 126,730 | - | 80,525 | 80,525 |
| Family caregiver | 700,968 | - | 555,628 | 555,628 |
| Disease prevention/health promotion | 150,000 | - | 37,259 | 37,259 |
| Senior center general purpose | 150,000 | - | 113,583 | 113,583 |
| Title V | 950,223 | - | 554,406 | 554,406 |
| Project CARE | 90,000 | - | 40,479 | 40,479 |
| Heat fan relief | 50,000 | - | 14,097 | 14,097 |
| Total expenditures | <u>11,874,656</u> | <u>-</u> | <u>10,262,832</u> | <u>10,262,832</u> |
| Revenues over expenditures | <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, 2013

SCHEDULE 5

| | Grant Award | Prior Years | Actual Current Year | Total to Date |
|---|-------------------|------------------|---------------------------|-------------------|
| REVENUES | | | | |
| WIA / WTW Grants | | | | |
| WIA 10-2050 Incumbent Worker - Admin - 2010 | \$ 351,689 | \$ 339,947 | \$ 9,252 | \$ 349,199 |
| WIA 10% Administrative Cost Pool - 2011 | 637,586 | 133,925 | 503,661 | 637,586 |
| WIA 11-2020 Adult Services - 2011 | 1,675,885 | 1,312,877 | 363,008 | 1,675,885 |
| WIA 11-2030 Dislocated Worker - 2011 | 2,360,190 | 1,690,413 | 669,777 | 2,360,190 |
| WIA 11-2031 Special Grants Collaboration - 2011 | 39,685 | 25,454 | 3,479 | 28,933 |
| WIA 11-2040 Youth Services - 2011 | 1,702,196 | 1,562,985 | 139,211 | 1,702,196 |
| WIA 10% Administrative Cost Pool - 2012 | 568,126 | - | 40,838 | 40,838 |
| WIA 12-2011 Special Activities - 2012 | 40,000 | - | 40,000 | 40,000 |
| WIA 12-2020 Adult services - 2012 | 1,578,768 | - | 1,306,783 | 1,306,783 |
| WIA 12-2030 Dislocated worker - 2012 | 1,950,324 | - | 1,608,452 | 1,608,452 |
| WIA 12-2031 Special Grants Collaboration - 2012 | 3,825 | - | 2,450 | 2,450 |
| WIA 12-2040 Youth services - 2012 | 1,584,035 | - | 1,450,491 | 1,450,491 |
| Total revenues | <u>12,492,309</u> | <u>5,065,601</u> | <u>6,137,402</u> | <u>11,203,003</u> |
| EXPENDITURES | | | | |
| WIA / WTW Grants | | | | |
| WIA 10-2050 Incumbent Worker - Admin - 2010 | 351,689 | 339,947 | 9,252 | 349,199 |
| WIA 10% Administrative Cost Pool - 2011 | 637,586 | 133,925 | 503,661 | 637,586 |
| WIA 11-2020 Adult Services - 2011 | 1,675,885 | 1,312,877 | 363,008 | 1,675,885 |
| WIA 11-2030 Dislocated Worker - 2011 | 2,360,190 | 1,690,413 | 669,777 | 2,360,190 |
| WIA 11-2031 Special Grants Collaboration - 2011 | 39,685 | 25,454 | 3,479 | 28,933 |
| WIA 11-2040 Youth Services - 2011 | 1,702,196 | 1,562,985 | 139,211 | 1,702,196 |
| WIA 10% Administrative Cost Pool - 2012 | 568,126 | - | 40,838 | 40,838 |
| WIA 12-2011 Special Activities - 2012 | 40,000 | - | 40,000 | 40,000 |
| WIA 12-2020 Adult services - 2012 | 1,578,768 | - | 1,306,783 | 1,306,783 |
| WIA 12-2030 Dislocated worker - 2012 | 1,950,324 | - | 1,608,452 | 1,608,452 |
| WIA 12-2031 Special Grants Collaboration - 2012 | 3,825 | - | 2,450 | 2,450 |
| WIA 12-2040 Youth services - 2012 | 1,584,035 | - | 1,450,491 | 1,450,491 |
| Total expenditures | <u>12,492,309</u> | <u>5,065,601</u> | <u>6,137,402</u> | <u>11,203,003</u> |
| Revenues over expenditures | - | - | - | - |
| FUND BALANCE - JULY 1 | - | - | - | - |
| FUND BALANCE - JUNE 30 | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

COMPLIANCE SECTION



DIXON HUGHES GOODMAN LLP
Certified Public Accountants and Advisors

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

Independent Auditors' Report

Board of Delegates
Centralina Council of Governments
Charlotte, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the **Centralina Council of Governments (Council)** as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the **Centralina Council of Governments'** basic financial statements, and have issued our report thereon dated December 6, 2013.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the **Council's** internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the **Council's** internal control. Accordingly, we do not express an opinion on the effectiveness of the **Council's** internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the **Council's** financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Purpose of this Report

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

Dixon Hughes Goodman LLP

Winston-Salem, North Carolina
December 6, 2013



DIXON HUGHES GOODMAN LLP
Certified Public Accountants and Advisors

**Report on Compliance for Each Major Federal Program;
Report on Internal Control Over Compliance;
in Accordance With OMB Circular A-133; and the
State Single Audit Implementation Act**

Independent Auditors' Report

Board of Delegates
Centralina Council of Governments
Charlotte, North Carolina

Report on Compliance for Each Major Federal Program

We have audited the **Centralina Council of Governments' (Council)** compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement and the Audit Manual for Governmental Auditors in North Carolina, issued by the Local Government Commission, that could have a direct and material effect on each of the **Council's** major federal programs for the year ended June 30, 2013. The **Council's** major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the **Council's** major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and the State Single Audit Implementation Act. Those standards, OMB Circular A-133 and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the **Council's** compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the **Council's** compliance.

Opinion on Each Major Federal Program

In our opinion, the **Council** complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control over Compliance

Management of the **Council** is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the **Council's** internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the **Council's** internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Dixon Hughes Goodman LLP

Winston-Salem, North Carolina
December 6, 2013



DIXON HUGHES GOODMAN LLP
Certified Public Accountants and Advisors

**Report On Compliance For Each Major State Program;
Report On Internal Control Over Compliance;
In Accordance With OMB Circular A-133; And The
State Single Audit Implementation Act**

Independent Auditors' Report

Board of Delegates
Centralina Council of Governments
Charlotte, North Carolina

Report on Compliance for Each Major State Program

We have audited the **Centralina Council of Governments'** (the **Council**) compliance with the types of compliance requirements described in the Audit Manual for Governmental Auditors in North Carolina, issued by the Local Government Commission, which could have a direct and material effect on each of the **Council's** major state programs for the year ended June 30, 2013. The **Council's** major state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the **Council's** major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and applicable sections of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, as described in the Audit Manual for Governmental Auditors in North Carolina, and the State Single Audit Implementation Act. Those standards, OMB Circular A-133 and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state programs occurred. An audit includes examining, on a test basis, evidence about the **Council's** compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major state program. However, our audit does not provide a legal determination of the **Council's** compliance.

Opinion on Each Major State Program

In our opinion, the **Council** complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2013.

Report on Internal Control over Compliance

Management of the **Council** is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the **Council's** internal control over compliance with the types of requirements that could have a direct and material effect on a major state program in order to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with applicable sections of OMB Circular A-133 and the State Single Audit Implementation Act, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the **Council's** internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133 and the State Single Audit Implementation Act. Accordingly, this report is not suitable for any other purpose.

Dixon Hughes Goodman LLP

Winston-Salem, North Carolina
December 6, 2013

SECTION I – SUMMARY OF AUDITORS’ RESULTS (CONTINUED)

Federal Awards (Continued)

Identification of major federal programs:

| <u>CFDA Number</u> | <u>Names of Federal Program or Cluster</u> |
|--------------------|--|
| | Aging Cluster |
| 93.044 | Special Programs for the Aging – Title III B |
| 93.045 | Special Programs for the Aging – Title III C |
| 93.053 | Nutrition Services Incentive Program |
| 14.703 | HUD Sustainable Communities Regional Planning Grant Program |

Dollar threshold used to distinguish between Type A and Type B Programs: \$444,222

Auditee qualified as low-risk auditee? X yes no

State Awards

Internal control over major state programs:

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

Type of auditors’ report issued on compliance for major state programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with the State Single Audit Implementation Act yes X no

SECTION I – SUMMARY OF AUDITORS’ RESULTS (CONTINUED)

State Awards (Continued)

Identification of major state programs:

Name of Program

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

SECTION II – FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

SECTION IV – STATE AWARD FINDINGS AND QUESTIONED COSTS

None reported.

**CENTRALINA COUNCIL OF GOVERNMENTS
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
For the Year Ended June 30, 2013**

SCHEDULE 7

Finding: 12-01

Status: Corrected.

CENTRALINA COUNCIL OF GOVERNMENTS
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2013

SCHEDULE 8

| <u>Grantor/Pass-through Grantor/Program Title</u> | <u>CFDA Number</u> | <u>Pass-Through Grantor Number</u> | <u>Federal (Pass-Through) Expenditures</u> | <u>State Expenditures</u> |
|---|------------------------|--|--|-------------------------------|
| FEDERAL AWARDS | | | | |
| CASH PROGRAMS | | | | |
| U.S. DEPARTMENT OF COMMERCE | | | | |
| Economic Development Administration | | | | |
| Direct program | | | | |
| Partnership Planning Grant | 11.302 | | \$ 61,261 | \$ - |
| Total U.S. Department of Commerce | | | <u>61,261</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 | | 901,562 | - |
| Total Senior Community Service Employment Program | | | <u>901,562</u> | <u>-</u> |
| Passed through North Carolina Department of Commerce | | | | |
| Division of Employment and Training | | | | |
| Workforce Investment Act Cluster | | | | |
| WIA - Adult Programs | 17.258 | | 1,669,791 | - |
| WIA - Youth Activities | 17.259 | | 1,589,702 | - |
| WIA - Dislocated Workers | 17.260 | | 2,278,229 | - |
| WIA - Administrative Cost Pool/Incentives/Capital and Special Grants | 17.258-17.260 | | 599,680 | - |
| Total Workforce Investment Act Cluster | | | <u>6,137,402</u> | <u>-</u> |
| Total U.S. Department of Labor | | | <u>7,038,964</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 | | 20,814 | - |
| NC PEV Readiness Initiative: Plugging in from Mountains to Sea | 81.086 | 11EE007389 | 240,998 | - |
| Passed through North Carolina Department of Commerce | | | | |
| Center for the Environment at Catawba College | | | | |
| Student Energy Internship and Fellowship Program | 81.041 | DE-EE0000157 | - | - |
| Total U.S. Department of Energy | | | <u>261,812</u> | <u>-</u> |
| U.S. ENVIRONMENTAL PROTECTION AGENCY | | | | |
| Direct program | | | | |
| Environmental Education Grant Program | 66.951 | | 698 | - |
| Total U.S. Environmental Protection Agency | | | <u>698</u> | <u>-</u> |

CENTRALINA COUNCIL OF GOVERNMENTS
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2013

SCHEDULE 8
(CONTINUED)

| <u>Grantor/Pass-through Grantor/Program Title</u> | <u>CFDA Number</u> | <u>Pass-Through Grantor Number</u> | <u>Federal (Pass-Through) Expenditures</u> | <u>State Expenditures</u> |
|---|------------------------|--|--|-------------------------------|
| U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES | | | | |
| Administration on Aging | | | | |
| Passed through North Carolina Department of Health and Human Services | | | | |
| Division of Aging and Adult Services | | | | |
| Special Programs for the Aging, Title VII, Chapter 3 | | | | |
| Programs for the Prevention of Elder Abuse, Neglect, and Exploitation | 93.041 | | 22,719 | 1,336 |
| Special Programs for the Aging, Title VII, Chapter 2 | | | | |
| Programs for Long-term Ombudsman Services for Older Individuals | 93.042 | | 143,863 | 8,463 |
| Special Programs for the Aging, Title III F | | | | |
| Disease Prevention and Health Promotion Services | 93.043 | | 96,909 | 5,701 |
| Aging Cluster | | | | |
| Special Programs for the Aging - Title III B | | | | |
| Grants for Supportive Services and Senior Centers | | | | |
| Legal services | 93.044 | | 76,052 | 4,474 |
| Ombudsman | 93.044 | | 325,963 | 19,174 |
| Planning and Administration | 93.044 | | 191,006 | 10,467 |
| Access | 93.044 | | 752,055 | 44,239 |
| In Home Services | 93.044 | | 910,984 | 50,610 |
| Special Programs for the Aging - Title III C | | | | |
| Nutrition Services | | | | |
| Planning and Administration | 93.045 | | 165,525 | 9,071 |
| Congregate Nutrition | 93.045 | | 992,269 | 58,369 |
| Home Delivered Meals | 93.045 | | 457,631 | 26,919 |
| Total Aging Cluster | | | 3,871,485 | 223,323 |
| Social Services Block Grant - In-Home Services | | | | |
| | 93.667 | | 305,857 | 8,739 |
| Special Programs for the Aging - Communities Putting Prevention to Work | | | | |
| Chronic Disease Self Management Program | 93.725 | | 10,145 | - |
| Special Programs for the Aging - Title III E | | | | |
| Planning and Administration | 93.052 | | 48,572 | 2,662 |
| National Family Caregiver Support Program | 93.052 | | 639,174 | 42,612 |
| | | | 687,746 | 45,274 |
| Nutrition Services Incentive Program | | | | |
| | 10.570 | NC-06 | 415,418 | - |
| Community Resource Connection Activities | | | | |
| Aging and Disability Resource Center | 93.517 | | 22,438 | - |
| Person Centered Hospital Discharge | 93.779 | | 7,240 | - |
| | | | 29,678 | - |
| Medicare Enrollment Assistance Program | | | | |
| | 93.518 | | 51,447 | - |
| Local Contact Agency | | | | |
| | 93.791 | | 98,495 | - |
| Total U.S. Department of Health and Human Services | | | | |
| | | | 5,733,762 | 292,836 |

CENTRALINA COUNCIL OF GOVERNMENTS
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2013

SCHEDULE 8
(CONTINUED)

| <u>Grantor/Pass-through Grantor/Program Title</u> | <u>CFDA Number</u> | <u>Pass-Through Grantor Number</u> | <u>Federal (Pass-Through) Expenditures</u> | <u>State Expenditures</u> |
|---|------------------------|--|--|-------------------------------|
| 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 | - | 102,391 |
| Passed through North Carolina State University | | | | |
| Clean Fuels Advanced Technology Rebate Program (HEV) | 20.205 | 2005-1181-32 | - | - |
| Clean Fuels Advanced Technology Rebate Program II | 20.205 | 2005-1181-31 | - | 11,315 |
| Total U.S. Department of Transportation | | | - | 113,706 |
| U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT | | | | |
| Sustainable Communities Regional Planning Grant Program | 14.703 | NCRIP0058-11 | 1,703,911 | - |
| Total Federal Awards | | | 14,807,407 | 406,542 |
| STATE GRANTS | | | | |
| CASH AWARDS | | | | |
| N. C. Department of Commerce | | | | |
| State Technical Assistance Grant | | | - | 20,506 |
| Total N.C. Department of Commerce | | | - | 20,506 |
| N. C. Department of Environment and Natural Resources | | | | |
| Passed through Ecosystem Enhancement Program | | | | |
| Goose and Crooked Creek Local Watershed Plan Phases I & II | | 002884 | - | - |
| North Carolina Sustainable Communities Initiative | | 4033 | - | - |
| 319 Rocky River Watershed Improvement Project | 66.460 | 2856 | - | - |
| Total N. C. Department of Environment and Natural Resources | | | - | - |
| N. C. Tobacco Trust Fund Commission | | | | |
| Loan Fund: Partnership with Community Banks | | 2010-007-04 | - | 350 |
| N. C. Housing Finance Agency | | | | |
| Urgent Repair Program | | URP1104 | - | 80,369 |

CENTRALINA COUNCIL OF GOVERNMENTS
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2013

SCHEDULE 8
(CONTINUED)

| <u>Grantor/Pass-through Grantor/Program Title</u> | <u>CFDA Number</u> | <u>Pass-Through Grantor Number</u> | <u>Federal (Pass-Through) Expenditures</u> | <u>State Expenditures</u> |
|--|------------------------|--|--|-------------------------------|
| STATE GRANTS (Continued) | | | | |
| CASH AWARDS (Continued) | | | | |
| N. C. Department of Health and Human Services | | | | |
| Division of Aging | | | | |
| 90% State Funds - Ombudsman | | | - | 63,990 |
| 90% State Funds - Access | | | - | 420,472 |
| 90% State Funds/Caregiver Match - In Home Services | | | - | 232,848 |
| 90% State Funds - In Home Services | | | - | 3,512,023 |
| 90% State Funds - Home Delivered Meals | | | - | 476,182 |
| 90% State Funds - Congregate Nutrition | | | - | 252,902 |
| 100% State Funds - Project Care | 93.051 | | - | 40,479 |
| AAA Administration | | | - | 48,261 |
| Fans Programs | | | - | 14,098 |
| Senior Center Development | | | - | 113,588 |
| Total N.C. Department of Health and Human Services | | | <u>-</u> | <u>5,174,843</u> |
| N. C. Department of Transportation | | | | |
| Lake Norman Regional Bicycle Plan | | 41794.2 | - | |
| Rural Planning Organization | | | - | 93,375 |
| Total N. C. Department of Transportation | | | <u>-</u> | <u>93,375</u> |
| Total state awards | | | <u>-</u> | <u>5,369,443</u> |
| Total federal and state awards | | | <u>\$ 14,807,407</u> | <u>\$ 5,775,985</u> |

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, 2013

SCHEDULE 8
(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 | \$ 415,418 | \$ - |
| National Family Caregiver Support Program | 93.052 | | 518,227 | 34,549 |
| 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 | | 86,070 | 5,063 |
| Workforce Investment Act | | | | |
| WIA - Adult Programs | 17.258 | | 1,669,791 | - |
| WIA - Youth Activities | 17.259 | | 1,589,702 | - |
| WIA - Dislocated Workers | 17.260 | | 2,278,229 | - |
| WIA - Incumbent Worker | | | 396,329 | - |
| Special Programs for the Aging - Title III B | | | | |
| Grants for Supportive Services and Senior Centers | 93.044 | NC-06 | 1,739,091 | 99,323 |
| Special Programs for the Aging - Title III C | | | | |
| Nutrition Services | 93.045 | NC-06 | 1,449,900 | 85,288 |
| Aging Home-Delivered Nutrition Services for States | | | | |
| 90% State Funds - Access | | | - | 420,472 |
| 90% State Funds/Caregiver Match - In Home Services | | | - | 232,848 |
| 90% State Funds - In Home Services | | | - | 3,512,023 |
| 90% State Funds - Home Delivered Meals | | | - | 476,182 |
| 90% State Funds - Congregate Nutrition | | | - | 252,902 |
| 90% State Funds - Project Care | | | - | 40,479 |
| Senior Center Development | | | - | 113,588 |
| Heat Fan Relief | | | - | 14,098 |