

**Centralina Council of Governments**

Comprehensive Annual  
Financial Statements

For the Year Ended June 30, 2014



**DIXON HUGHES GOODMAN** LLP  
Certified Public Accountants and Advisors

# CENTRALINA COUNCIL OF GOVERNMENTS

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# **FINANCIAL SECTION**

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## ***INDEPENDENT AUDITORS' REPORT***

Board of Delegates  
**Centralina Council of Governments**  
Charlotte, North Carolina

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the **Centralina Council of Governments** as of and for the year ended June 30, 2014, 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, 2014, 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 19 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary and Other Information*

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

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

### **Other Reporting Required by *Government Auditing Standards***

In accordance with Government Auditing Standards, we have also issued our report dated November 24, 2014 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  
November 24, 2014

## Management's Discussion and Analysis

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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, 2014. 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. Thirteen grant applications/funding proposals were submitted in collaboration with Centralina staff, including ten to monetary award programs totaling \$1,753,400 in funding requests. Of those submitted, seven applications/proposals were approved. These included five monetary awards totaling \$373,640 and two non-monetary awards of recognition and technical assistance or training. Let's review other specific areas of accomplishments that occurred in fiscal year 2013-2014.

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

**\$2 Million Youth Career-Connect Grant** - Anson High School is one of only 24 grant recipients in the nation to receive a Youth Career-Connect Grant from the Department of Labor. The collaborative planning team designed and crafted the grant application that will bring over \$2 million to Anson High School in the next four years to establish the **Career-Connect: STEM Academy Program**. The planning team included school district leaders, the [Centralina Workforce Development Board](#), [South Piedmont Community College](#), local and regional leaders, and consultants experienced in innovative high school settings. Together this team designed the Career-Connect: STEM program that will begin fall 2014 with 80 rising freshmen and grow into a full four-year program over the next four academic years serving over 300 students at Anson High. The Partners Advisory Council for the Anson Career-Connect Program (David Hollars, Centralina Workforce Development Board Executive Director, serves on the advisory council) oversees the implementation of the program.

**CAFÉ Program** - The CAFÉ (Career Academy for Educators) program offered Stanly County educators and administrators the opportunity to visit with local employers to identify the education and social skills necessary for employees to become successful within their company, and to become familiar with the many opportunities offered by Stanly Community College. The CAFÉ program, which is in its eighth year of operation, is sponsored by [Centralina Workforce Development Board \(WDB\)](#), [Stanly Community College](#), [Stanly County Chamber of Commerce](#) and [Stanly County Schools](#).

CAFÉ participants are key players in public school education, post-secondary education and the business sectors; each having access to a vital network that promotes a free exchange of ideas in which to improve future endeavors for all involved. The event allowed educators to earn continuing education credits. This year's participants included teachers and counselors from elementary, middle and high schools in the county.

This year's CAFÉ program was unique in that it was broken up into 2 sessions – CAFÉ 1.0 was held on June 18-20, 2014 and was geared toward teachers in the school system. CAFÉ 2.0 was held on



## Management's Discussion and Analysis

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June 24-26, 2014 and it focused on school principals, assistant principals, and counselors as well as staff from Stanly Community College.

**Centralina Youth Services Summit** - The 7th annual Centralina WDB Youth Services Summit hosted by the [Centralina Youth Council](#) was held on Friday October 4, 2013 at Byron's in Concord. More than 100 people gathered for the event themed "Sink or Swim: Surviving Life's Treacherous Waters." Each message shared throughout the day focused on dealing with challenges, surviving trying times and understanding resources that are available to help young people navigate through life.

**Allied Health Summit** – Centralina WDB and Partners Check the Pulse on Healthcare and Find it Right on the Mark. From how changes in health care laws will impact North Carolina, to how the ability to collect large amounts of computer data is changing the healthcare workforce, *The Competitive Workforce Alliance Allied Health Summit: Taking the Pulse on Healthcare; A New Prescription for the Workforce*, hit the mark. The day-long event was held on Tuesday November 5, 2013 at Central Piedmont Community College's Harris Conference Center.

**Career Assessment Tool** – [The Centralina WDB](#) launched the region's new career tool, Centralina Career Headlight, to learn what it can do to help career seekers identify careers and jobs in the region, the skills required, and where to get the needed training in the region ([www.centralinacareerheadlight.com](http://www.centralinacareerheadlight.com)). Career Headlight is unique because it allows all organizations, students and other job seekers to identify rewarding local careers and jobs, identify the skills needed and how and where to get the training in the region.

Although a large part of the Centralina Area Agency on Aging (CAAA) requires programmatic and fiscal monitoring for the Older American's Act funds and Home and Community Care Block Grant (HCCBG) funds, delivering services and support directly to the community and consumer has increased greatly over the years. This year's program highlights include:

**Mobility Management and Volunteer Transportation Services** – Centralina's Planning and Aging Departments continued their partnership throughout the year to advance Centralina's Mobility Management program. Progress has been steady in the development of an information and referral service for all public transportation options in the nine-county region. An 800 number was procured in which citizens around the region call in for service appropriate for their transportation needs. The most exciting accomplishment was the advancement of the Volunteer Transportation Services (VTS), a 501(c)3 organization. This service recruits, trains and matches volunteers to transport older and disabled adults and veterans to appointments and trips not covered under more traditional services and programs. A VTS Coordinator was hired in June 2014 and began working in July 2014. Presentations to recruit volunteers at faith-based community groups, civic clubs and organizations, private companies, and government agencies has been and will continue to be a key activity to ensure the success of the program. An additional VTS 800 toll free number is up and running to work with volunteers but will also provide the main line for clients around the region to call in to request rides.

**Evidence-based Health Programs (EBHP)** – Centralina has developed a network of partners around the nine counties to work towards the goal that any client wanting to take an evidence-based workshop can do so as close to their home as possible. These 45 partnerships and 150 volunteers have made Centralina's EBHP the most successful in North Carolina. Once again this past year, 100 workshops were taught serving over 1,200 participants. Using three of the Stanford

## Management's Discussion and Analysis

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University Chronic Disease Self-Management Education (CDSME) models and the falls prevention model entitled A Matter of Balance, participants learn to better manage their own health and chronic conditions as well as their environment, improve their quality of life, increase their activity, and remain productive in the community.

**Senior Community Services Employment Program (SCSEP)** – Centralina has been a part of SCSEP in the region for over 25 years either through subcontracting or by delivering the program directly. If qualified, those over 55 years of age are placed in host agency locations which assist them in learning new skills for future work. Through training, employment preparation and newly acquired knowledge, it is the goal that participants be hired in unsubsidized positions in the community. Centralina delivers the program directly in three counties and subcontracts with SCSEP partners in 5 counties. SCSEP provided an opportunity for 145 seniors to offer more than 86,000 hours of combined community service hours, and 23,000 of those hours were committed to serving the elderly community. Of the individuals placed in host agencies throughout the region, 24 transitioned into unsubsidized employment and earned an average of \$8.96 per hour. Additionally, SCSEP is proud to have seen a 13% increase in the number of individuals who at the time of enrollment did not volunteer who now volunteer in some capacity in the community.

**Regional Long Term Care Ombudsman** – Each year the Ombudsman program serves more than 5,000 consumers with issues related to the long term care facilities in the Centralina region. Eight Resident's Rights Celebrations were held in the month of October in every county but Anson. As a part of National Resident's Rights Month, over 1,800 residents participated in food and fellowship.

**Local Contact Agency (LCA)** – The Centralina AAA Facility-based Options Counselor receives referrals from skilled nursing facilities of residents who express desire to return to live back in the community. Working closely with the facility, the LCA contact helps the resident and family explore the feasibility of transitioning, resources available, and skills required to live as independently as possible. The LCA contact provided outreach to every skilled nursing facility in our nine county service area, resulting in over 98 visits. Centralina led all other regions in LCA referrals with 82.

**Annual Centralina AAA Aging Conference** - Over 350 people attended the CAAA 2013 Aging Conference entitled "Get on the Boomer Bus" to learn about current aging topics from the experts in the region. In its 14<sup>th</sup> year, the conference was a huge success and continued its reputation as one of the premier conferences on aging issues in the North Carolina.

**MIPPA** - Under the Medicare Improvements for Patients and Providers Act of 2008 (MIPPA), CAAA received funding to help Medicare beneficiaries apply for the Medicare Part D Extra Help/Low-Income Subsidy (LIS) and the Medicare Savings Programs (MSPs). In our third year of grant funding, Centralina continued to spread the word about available benefits. With our partners in the nine-county region, there were 25 public events reaching close to 1,100 consumers.

The Community and Economic Development (CED) department helped the nine counties of the Centralina region by delivering key technical service capacity and assistance to communities to improve housing, upgrade public infrastructure, and pursue grant resources on their behalf that resolve issues through housing, water and sewer infrastructure projects. Services provided by the CED helped promote local and regional economic growth and quality of life. Significant activities this year include the following.

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

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

**Grants** – Centralina and CEDC received an Investing in Manufacturing Community Partnership (IMCP) Phase I grant, one of just 26 awarded by US Commerce Economic Development Administration (EDA) around the country, which intends to help communities create economic development strategies that leverage their comparative advantages. The Centralina IMCP project, ***Centralina Advanced Manufacturing Ecosystem Strategy Development***, will support and extend the Greater Charlotte Region's primary core competitive competency in Advanced Manufacturing, identified in [2012-2017 Comprehensive Economic Development Strategy](#) as a key regional strength. Comprised of an aggregate mix of industry sector densities, workforce skill sets, and key knowledge-based assets, these resources provided cross-cluster support to five of the region's six primary target industry clusters: Aerospace/Defense, Automotive, Biomedical, Energy, and Logistics.

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 job growth and the retention, expansion, and development of business and industry. Significant accomplishments for the Commission include the following.

**Centralina Regional Economic Development District's CEDS Plan** – The "Prosperity for Greater Charlotte" CEDS 5 year update plan for 2012-2017, was utilized for supporting regional strategic initiatives and facilitated \$2 million in US Commerce EDA funding for two community colleges to expand advanced manufacturing training centers. CEDC implemented plan priorities that promoted alignment of regional infrastructure, talent and assets for economic growth. Recognized with a 2013 NADO Innovation Award, the plan also included key strategies for boosting the job growth rate by linking the region's workforce skills and strengths, education, and training assets to the needs of high-growth and emerging industries.

**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 (discussed earlier).

**Global Competitiveness Summit series support to Global Vision Leaders taskforce** – Prosperity for Greater Charlotte supported Charlotte Global Competitiveness Summits in August 2012, February 2013, and March 2014 that brought together more than 900 business, education and community leaders to engage the Greater Charlotte Region's role in the global marketplace.

## Management's Discussion and Analysis

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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 the following.

**Regional Scenario Planning Model and Preferred Growth Concept** – This year, planning efforts have focused on building and calibrating the regional scenario planning model, modeling alternative growth scenarios and evaluating different growth options. This process allowed communities to contemplate different growth options and see how these different growth patterns would impact high priority issues, such as creating transportation choice, supporting local communities, providing access to parks and recreation, housing choice, and return on public investment (to name a few). Ninety-five events were held in early 2014 to allow residents to comment on the regional growth alternatives. After extensive input by local officials and staff, a preferred growth concept was developed and affirmed by the CONNECT Consortium in July 2014.

**Developing Regional Growth Priorities** – Through extensive public involvement and collaboration, each county, and the region collectively, selected ten growth priorities on which to focus future efforts. Engagement in fiscal year 2014 included 57 community growth workshops, 95 scenario planning events, and 16 meetings with elected leaders and staff to hammer out the preferred growth concept as a way to move the needle on the top priorities in the applicable county.

**Healthy Communities** – The inaugural Planning for Healthy Communities conference was held in September 2013, and included over 100 planners, park and recreation officials, and public health officials from throughout the region. Through a grant provided by the Cabarrus Health Alliance, the City of Kannapolis and the City of Conover received planning for health technical assistance in the form of a neighborhood bike plan and road diet visualizations.

**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.

**NC's Plug-in Electric Vehicle (PEV) Readiness** – The initiative supported community and statewide planning for plug-in electric vehicles and charging infrastructure, and was supported in part by a US 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. Work on implementation of this plan continues through NC PEV Taskforce coordination and public private partnerships to intentionally place PEVs and charging stations (Level II and DC Fast Charging) in an intelligent way to communities across the region.

**Alternative Fuel Implementation Team (AFIT)** – The AFIT project is a 2-year collaborative effort funded by the US Department of Energy aimed at making it easier for fleets to use alternative fuels (biodiesel, electricity, ethanol/E85, natural gas, propane). AFIT is being led by the North Carolina

## Management's Discussion and Analysis

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Clean Energy Technology Center/NC State University, in collaboration with several partners including the Centralina Clean Fuels Coalition. Major outcomes of this "market preparedness" project included planning charrettes, an alternative fuels implementation toolkit, fleet consultations, and coordination with state purchasing/contracting and road signage policies.

**Clean Fuel Advanced Technology (CFAT) Program** - The CFAT project was focused on reducing transportation related emission in the 24 NC counties that do not meet national air quality standards. The Centralina Clean Fuels Coalition was the primary partner covering the greater Charlotte Region for this NC Clean Energy Technology Center led initiative. The work was focused on air quality education and support of air quality improvements through funding for clean fuels and advanced technology vehicle projects. The diverse range of awards so far include electric vehicle charging stations, compressed natural gas (CNG) and propane (LPG) projects, on-board vehicle idle reduction and telematics technology, biodiesel refueling infrastructure sites, and a clean diesel locomotive project. Taken as a whole, the projects will remove nearly 60 metric tons of pollutants annually from the air in counties not meeting air quality standards.

**Water Resources Planning** - At the Board's direction, staff ramped up discussions focused on our region's capability to provide reliable and adequate water in the future. The effort has included extensive engagement with regional stakeholders and a continued dialog with select water "thought leaders" about how best to develop a long term strategy to address the region's needs.

Through **CONNECT Our Future** regional planning initiative, Centralina Council of Governments, 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 Housing and Urban Development (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 the following.

**Engaging Communities** – 54 local governments and 39 others (private sector, quasi-governmental and non-profits) signed the agreement and joined the CONNECT Consortium. Twelve consortium meetings were held in late 2013 – mid 2014 to review CONNECT activities and provide guidance.

**Engaging Residents** – More than 7,500 diverse residents of CONNECT's 14 counties participated in various CONNECT Public Engagement forums during the year, including but not limited to Open Houses, Community Growth Workshops, County Consortium meetings, Online Engagement Forum (MetroQuest Tool).

**Technical Reports** – Several technical reports were produced as part of the CONNECT Our Future process to focus on specialized areas such as housing, food systems, public health, energy, air quality, economic development and land use & transportation. These technical report findings will be aligned with the final Regional Growth Framework to be produced by December 2014.

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 \$8,851 (*net position*).

## Management's Discussion and Analysis

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- Centralina's total net position decreased by \$407,845, equally due to a combination of investments in initiatives approved by the Board (Career Headlight, Water, Freight Plan, Housing and diversification of services) and incomplete recovery of indirect (administrative) costs.
- As of the close of the current fiscal year, Centralina's governmental funds reported a combined ending fund balances of \$495,303, a decrease of \$431,450 from the prior year. Approximately \$1,012,000 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 \$305,171.

### 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.

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

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### Government-wide Financial Analysis

**Table 1**  
**Condensed Statement of Net Position**  
**For Governmental Activities**  
**as of June 30, 2014 and 2013**

	<u>2014</u>	<u>2013</u>
Current assets	\$3,228,457	\$2,553,990
Capital assets	<u>121,201</u>	<u>128,469</u>
<b>Total assets</b>	<u>3,349,658</u>	<u>2,682,459</u>
Current liabilities	2,815,942	1,515,001
Noncurrent liabilities	<u>305,344</u>	<u>405,757</u>
<b>Total liabilities</b>	<u>3,121,286</u>	<u>1,920,758</u>
Unearned revenue	<u>219,521</u>	<u>345,005</u>
<b>Total deferred inflows of resources</b>	<u>219,521</u>	<u>345,005</u>
Net investment in capital assets	92,055	114,783
Restricted	1,011,584	1,212,312
Unrestricted net position	<u>(1,094,788)</u>	<u>(910,399)</u>
<b>Total net position</b>	<u>\$ 8,851</u>	<u>\$ 416,696</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 \$8,851 and \$416,696 as of June 30, 2014 and 2013, respectively. Centralina's net position decreased by \$407,845 and \$90,563 for the fiscal years ended June 30, 2014 and 2013 respectively. The investment in Board identified initiatives 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, 2014 and 2013**

	2014	2013
<b>Revenues</b>		
Restricted intergovernmental revenues – state	\$ 9,916,677	\$10,619,049
Restricted intergovernmental revenues – federal	5,125,203	4,723,324
Technical assistance contracts	367,278	304,762
Contracts and fees	32,934	31,923
Other program revenue	209,181	185,138
Interest and other	116,002	121,197
Member dues and contributions	759,278	747,874
<b>Total revenues</b>	<b>16,526,553</b>	<b>16,733,267</b>
<b>Expenses</b>		
General government	218,670	(18,303)
Transportation	130,287	223,780
Environmental protection	272,495	417,099
Economic and physical development	3,473,887	2,896,820
Human services	11,813,064	12,296,582
Workforce development	1,023,323	1,005,371
Interest	2,672	2,481
<b>Total expenses</b>	<b>16,934,398</b>	<b>16,823,830</b>
Decrease in net position	(407,845)	(90,563)
Beginning net position	416,696	507,259
Ending net position	<b>\$ 8,851</b>	<b>\$ 416,696</b>

Governmental activities accounted for Centralina's decrease in net position. The key element of this decrease is due to investments in initiatives in the following initiatives - Career Headlight, Water, Freight Plan, and Housing. Diversification of services and incomplete recovery of indirect (administrative) costs 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

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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 \$(831,966), while total fund balance reached \$495,303. 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 7% of total General Fund expenditures. According to Centralina's fund balance policy, the Executive Board and Executive Director will take immediate steps to reduce expenses and/or increase revenues in order to rebuild the fund balance to 10% of General Fund expenditures.

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

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

### Capital Assets

Centralina's investment in capital assets for its governmental activities as of June 30, 2014 totals \$121,201 (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, 2015

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. These efforts will be undertaken within the context of rebuilding fund balance so the organization can pursue specifically identified Board initiatives.

For fiscal year 2014-2015, 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 the following.

- Implementation of Integrated Services Delivery (ISD) and WIOA
  - NCWORKS – full implementation, usage by all partners, and expansion
  - Functional organization of services
  - Enhanced employer and business services design
  - NCWorks Career Center certification by NC Department of Commerce for centers in all seven counties by January 31, 2015
  - Localized branding and marketing with new NCWorks logo
  - Expanded coordination and collaboration with Charlotte and Gaston boards on Regional ISD Leadership Team and continued development of regional workforce

## Management's Discussion and Analysis

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plan in preparation for implementation of Workforce Innovation and Opportunity Act (WIOA) on July 1, 2015

- Focus on Business Services
  - Increase by 40% the number of area employers utilizing Centralina WDB business services
  - Implement new NCWorks Client Relation Management software system for WDB Business Services and for all area workforce system partners
  - Promote new WorkKeys Profiler Assessments available for Centralina WDB staff to conduct
  - Ensure that at least 5 WorkKeys profiles are performed by June 30, 2015 with profits to Centralina WDB
  
- Focus on Youth Services
  - Continue and expand Centralina WDB role as workforce intermediary for Pathways to Prosperity effort for Cabarrus, Iredell, and Rowan counties
  - Implementation of Pathways to Prosperity effort/partnership with Anson, Union, and Mecklenburg counties
  - Expand Teaching for Jobs initiative for Iredell County
  - Develop Toastmaster Club arrangements for all Centralina WDB counties for youth to participate and develop speaking and soft skills
  - Hold annual Youth Summit – focused on developing the talent pipeline, work-based learning, and apprenticeships
  
- Communications and Marketing of Centralina WDB and its services/products
  - Create brand awareness of Centralina Workforce Development Board and NCWorks Career Centers to at least 50% of employers and career seekers in the region by June 30, 2015
  - Increase registrations to Centralina WDB sponsored NCWorks Career Centers by 25% by June 30, 2015
  - Complete development of new Centralina WDB website, secure provider, and implement new site by March 1, 2015
  - Increase social media outreach by 30% via Twitter and Facebook posts from WDB events and live video feeds and YouTube uploads

During 2014-2015, CAAA will work on the following initiatives:

- Procure Medicare certification for Centralina. This will allow Centralina to bill Medicare under Part B benefits for Diabetes Self-Management Program workshops for those referred by their physician and with Medicare insurance coverage.
- Procure American Association of Diabetes Educators (AADE) recognition for the Diabetes Self-Management Program. This allows CAAA to bill Medicare as an approved service.

## Management's Discussion and Analysis

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

The Community and Economic Development Department (CED) will continue to implement and expand its local and regional activities in fiscal year 2014-2015 and also provide integral economic component support to Centralina departments on a number of comprehensive regional project efforts during the coming year in collaboration with Centralina Economic Development Commission.

Anticipated focus and activities include the following.

- Facilitate increase of federal and state economic funds, grants and investments for the region and increase federal funding and investments in our Economic Development District (EDD).

## Management's Discussion and Analysis

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- Operationalize the regional CEDS Plan 2012-2017 "Prosperity for Greater Charlotte"; Administer Centralina EDD under US Commerce EDA guidelines.
- Manage implementation of goals and strategies in support of local and regional action plans.
- Grow and strengthen partnership network with regional county and city Economic Development entities and Workforce Boards through managing and implementing economic components of the NC Department of Commerce NC TOMORROW strategy and the "CONNECT Our Future" - HUD Sustainable Communities Grant outcomes and future initiatives.
- Maintain and support our regional advanced manufacturing initiative, "Minds That Manufacture," complete Centralina Investing in Manufacturing Community Partnership (IMCP) strategic plan and pursue nationwide designation in federal IMCP Round 2 competitions.
- Promote the regional intermodal and freight mobility studies and support the "Logistics Alliance" initiative.
- Build strong relationships with federal and state officials through events, meetings, and fact-finding trips.
- Collaborate on projects with neighboring EDDs where regional issues are relevant to economic growth of our region.

The Planning Department will continue to implement and expand its local and regional planning activities in fiscal year 2014-2015 and will be heavily involved in a number of regional initiatives during the coming year. Primary activities include the following:

- Implement the Mobility Management and volunteer transportation program for the region.
- Develop a Healthy Communities project center to include an annual conference and health related technical assistance to communities.
- Build regional capacity around scenario planning, CommunityViz, and return on investment tools. Use data to assist local governments in evaluating alternative growth patterns and the impacts on local government services, facilities, revenues, etc.
- Enhance existing and develop new services to meet local government needs, based on input received and data and tools created during the CONNECT project.
- Continue to staff and coordinate the Regional Conference of Mayors and city and county manager meetings and programs.
- Provide professional development, networking, and training opportunities for local government staff based on identified needs.
- Expand energy technical assistance services to local government and non-profit groups in helping find ways to reduce energy.

## Management's Discussion and Analysis

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- Continue the agency's efforts to reduce dependence on petroleum through the US Department of Energy's Clean Cities Program, which is locally represented by the Centralina Clean Fuels Coalition.
- Continue to provide outreach and critical information to member governments on air quality issues.
- Continue to provide solid waste planning services and further seek opportunities to provide education and networking opportunities for regional solid waste officials as topics and needs emerge around recycling, composting, multi-jurisdictional collaboration, and related issues.
- Seek opportunities to address the most pressing water resource issues in our region through strategic partnerships and conversations with the multifarious organizations that have an interest in this topic.
- Continue to serve as staff to the Lake Wylie Marine Commission.

Centralina Council of Governments will continue to seek feedback and guidance from the 14-county area residents and stakeholders through the **CONNECT Our Future** initiative in fiscal year 2014-2015. The initiative will produce a Regional growth Framework by end of 2014, and input will be solicited from public (via website and targeted e-mails) and consortium members (direct meetings). Some of the key activities will include the following.

- Continue with various technical studies undertaken with the CONNECT Our Future Workgroups.
- Align the technical reports produced with the Preferred Growth Scenario.
- Finalize the Regional Growth Framework as acceptable to the CONNECT Consortium and the grantor.
- Continue to work with our member communities to ensure the CONNECT Our Future accurately reflects the values embedded within each community and that communities have resources to implement the vision achieved through CONNECT.
- Continue and expand outreach to increase the CONNECT Consortium membership.
- Work closely with HUD staff to ensure the project meets the grant expectations.
- Participate in the December 2014 HUD Grantee Convening to be held in Washington DC – share findings from our region and learn from similar work throughout the country.
- Participate in other Capacity Building trainings/workshops targeted specifically for initiatives like CONNECT.
- Seek funding to transition CONNECT into implementation phase and align CONENCT vision with other region-wide planning initiatives.

## Management's Discussion and Analysis

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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

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**BASIC  
FINANCIAL STATEMENTS**

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**CENTRALINA COUNCIL OF GOVERNMENTS**  
**STATEMENT OF NET POSITION**  
**June 30, 2014**

**EXHIBIT A**

	Primary Government	Component Unit
	Governmental Activities	Workforce Development Consortium
<b>ASSETS</b>		
Current assets		
Cash and investments	\$ 1,162,542	\$ -
Designated assets		
Cash and investments	305,171	-
Receivables	17,409	-
Due from primary government	-	195,630
Due from other governments	1,732,821	550,042
Prepayments	10,514	-
Total current assets	<u>3,228,457</u>	<u>745,672</u>
Capital assets		
Equipment, net of depreciation	<u>121,201</u>	<u>-</u>
Total assets	<u>3,349,658</u>	<u>745,672</u>
<b>LIABILITIES</b>		
Current liabilities		
Accounts and grants payable	2,253,677	705,056
Accrued liabilities	64,326	-
Due to component unit	195,630	-
Current portion of long term obligations	302,309	-
Total current liabilities	<u>2,815,942</u>	<u>705,056</u>
Noncurrent liabilities		
Noncurrent portion of long term obligations	<u>305,344</u>	<u>-</u>
Total liabilities	<u>3,121,286</u>	<u>705,056</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Unearned revenue	<u>219,521</u>	<u>40,616</u>
Total deferred inflows of resources	<u>219,521</u>	<u>40,616</u>
<b>NET POSITION</b>		
Net investment in capital assets	92,055	-
Restricted		
Stabilization by State Statute	1,011,584	-
Unrestricted	<u>(1,094,788)</u>	<u>-</u>
Total net position	<u>\$ 8,851</u>	<u>\$ -</u>

**CENTRALINA COUNCIL OF GOVERNMENTS**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended June 30, 2014**

**EXHIBIT B**

Functions / Programs	Expenses	Indirect Expenses Allocation	Program Revenues		Net Revenue (Expense) and Changes in Net Position	
			Charges for Services	Operating Grants and Contributions	Primary Government	Component Unit
			Governmental Activities	Workforce Development Consortium		
<b>PRIMARY GOVERNMENT</b>						
Governmental activities						
General government	\$ 1,790,098	\$ (1,571,428)	\$ 4,546	\$ 10,480	\$ (203,644)	\$ -
Transportation	92,082	38,205	6,975	93,611	(29,701)	-
Environmental protection	179,963	92,532	38,829	215,463	(18,203)	-
Economic and physical development	2,859,845	614,042	367,278	2,392,293	(714,316)	-
Human services	11,243,236	569,828	31,359	11,582,826	(198,879)	-
Workforce development	766,502	256,821	74,915	948,408	-	-
Interest	2,672	-	-	-	(2,672)	-
Total primary government	<u>\$ 16,934,398</u>	<u>\$ -</u>	<u>\$ 523,902</u>	<u>\$ 15,243,081</u>	<u>(1,167,415)</u>	<u>\$ -</u>
<b>COMPONENT UNIT</b>						
Workforce Development Consortium	<u>\$ 4,250,564</u>		<u>\$ -</u>	<u>\$ 4,250,564</u>	<u>-</u>	<u>\$ -</u>
Total component unit	<u>\$ 4,250,564</u>		<u>\$ -</u>	<u>\$ 4,250,564</u>	<u>-</u>	<u>\$ -</u>
General revenues						
Member dues and contributions					759,278	
Unrestricted investment earnings					224	
Miscellaneous, unrestricted					68	
Total general revenues					<u>759,570</u>	
Change in net position					(407,845)	
Net position - beginning					<u>416,696</u>	
Net position - ending					<u>\$ 8,851</u>	

**CENTRALINA COUNCIL OF GOVERNMENTS  
BALANCE SHEET - GOVERNMENTAL FUNDS  
June 30, 2014**

**EXHIBIT C**

	Major Funds		Total Governmental Funds
	General	Special Revenue Fund	
<b>ASSETS</b>			
Cash and investments	\$ 4,538	\$ 1,158,004	\$ 1,162,542
Designated assets			
Cash and investments	305,171	-	305,171
Receivables	17,409	-	17,409
Due from other governments	994,176	738,645	1,732,821
Prepayments	10,514	-	10,514
<b>Total assets</b>	<b>\$ 1,331,808</b>	<b>\$ 1,896,649</b>	<b>\$ 3,228,457</b>
<b>LIABILITIES</b>			
Accounts and grants payable	\$ 358,149	\$ 1,895,528	\$ 2,253,677
Due to component unit	195,630	-	195,630
Accrued liabilities	64,326	-	64,326
<b>Total liabilities</b>	<b>618,105</b>	<b>1,895,528</b>	<b>2,513,633</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unearned revenue	218,400	1,121	219,521
<b>Total deferred inflows of resources</b>	<b>218,400</b>	<b>1,121</b>	<b>219,521</b>
<b>FUND BALANCES</b>			
Nonspendable:			
Prepayments	10,514	-	10,514
Restricted:			
Stabilization by State Statute	1,011,584	-	1,011,584
Assigned:			
Accrued vacation and sick leave	305,171	-	305,171
Unassigned	(831,966)	-	(831,966)
<b>Total fund balances</b>	<b>495,303</b>	<b>-</b>	<b>495,303</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 1,331,808</b>	<b>\$ 1,896,649</b>	<b>\$ 3,228,457</b>

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

Ending fund balance - governmental funds	\$ 495,303
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	121,201
Some liabilities are not due and payable in the current period and therefore are not reported in the funds	
Obligations under capital lease	(29,146)
Net OPEB obligation	(45,344)
Accrued vacation and sick leave	(305,171)
Accrued rent	(227,992)
<b>Net position of governmental activities</b>	<b>\$ 8,851</b>

**CENTRALINA COUNCIL OF GOVERNMENTS**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND**  
**BALANCES - GOVERNMENTAL FUNDS**  
**For the Year Ended June 30, 2014**

**EXHIBIT D**

	Major Funds		Total Governmental Funds
	General	Special Revenue Fund	
<b>REVENUES</b>			
Restricted intergovernmental revenues - state	\$ 37,171	\$ 9,879,506	\$ 9,916,677
Restricted intergovernmental revenues - federal	5,125,203	-	5,125,203
Technical assistance contracts	367,278	-	367,278
Contracts and fees	32,934	-	32,934
Other program revenue	209,181	-	209,181
Interest and other	116,001	-	116,001
Member dues and contributions	759,278	-	759,278
Total revenues	<u>6,647,046</u>	<u>9,879,506</u>	<u>16,526,552</u>
<b>EXPENDITURES</b>			
Current			
General government	244,947	-	244,947
Transportation	130,287	-	130,287
Environmental protection	272,494	-	272,494
Economic and physical development	3,473,887	-	3,473,887
Human services	1,933,558	9,879,506	11,813,064
Workforce development	1,023,323	-	1,023,323
Total expenditures	<u>7,078,496</u>	<u>9,879,506</u>	<u>16,958,002</u>
Revenues under expenditures and net change in fund balance	(431,450)	-	(431,450)
FUND BALANCES - JULY 1	<u>926,753</u>	<u>-</u>	<u>926,753</u>
FUND BALANCES - JUNE 30	<u>\$ 495,303</u>	<u>\$ -</u>	<u>\$ 495,303</u>

**CENTRALINA COUNCIL OF GOVERNMENTS  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCES - GOVERNMENTAL FUNDS  
For the Year Ended June 30, 2014**

**EXHIBIT D  
(CONTINUED)**

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

Net change in fund balances - total governmental funds. \$ (431,450)

Governmental funds report capital outlays as expenditures, however, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeds capital outlays in the current period. (7,268)

The recording of the annual required contribution for Other Post Employment Benefits. (14,928)

Rent expenditures are reported based on when payments are due in governmental funds. Rent expense is reported based on the total rent expense allocated over the entire lease period in the Statement of Activities. This is the amount by which rent expenditures exceed rent expense. 34,107

The recording of the net adjustment to the obligation for compensated absences. 27,154

The incurrence of capital lease obligations provides current financial resources to governmental funds, while the repayment of the principal of capital lease obligations consumes the current financial resources of governmental funds. Neither transaction has any effect on net assets. This is the amount by which capital lease obligations incurred exceed principal payments made under capital lease obligations. (15,460)

Change in net assets of governmental activities \$ (407,845)

**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, 2014**

**EXHIBIT E**

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Restricted intergovernmental revenues - state	\$ 429,165	\$ 371,407	\$ 37,171	\$ (334,236)
Restricted intergovernmental revenues - federal	5,718,087	7,184,939	5,125,203	(2,059,736)
Technical assistance contracts	421,631	401,588	367,278	(34,310)
Contracts and fees	28,220	22,278	32,934	10,656
Other program revenue	124,706	316,169	209,181	(106,988)
Interest and other	53,000	78,000	116,001	38,001
Member dues and contributions	726,252	726,252	759,278	33,026
Total revenues	<u>7,501,061</u>	<u>9,100,633</u>	<u>6,647,046</u>	<u>(2,453,587)</u>
<b>EXPENDITURES</b>				
Current				
General government				
Board, executive committee and committees	231,694	231,694	203,809	27,885
Management and business operations	1,562,787	1,763,445	1,589,845	173,600
Indirect costs representation	(1,762,711)	(1,876,548)	(1,548,707)	(327,841)
Total general government	<u>31,770</u>	<u>118,591</u>	<u>244,947</u>	<u>(126,356)</u>
Transportation				
Planning assistance and administration	166,241	131,903	130,287	1,616
Total transportation	<u>166,241</u>	<u>131,903</u>	<u>130,287</u>	<u>1,616</u>
Environmental protection				
Planning assistance and administration	337,086	282,067	272,494	9,573
Total environmental protection	<u>337,086</u>	<u>282,067</u>	<u>272,494</u>	<u>9,573</u>
Economic and physical development				
Planning assistance and administration	352,886	466,533	461,777	4,756
Economic program initiative	545,175	648,398	579,322	69,076
Sustainable Communities Initiative	2,695,281	2,994,992	2,337,042	657,950
Information technology and data service	112,143	112,143	95,745	16,398
Total economic and physical development	<u>3,705,485</u>	<u>4,222,066</u>	<u>3,473,887</u>	<u>748,179</u>
Human services				
Area agency on aging	1,808,139	1,959,265	1,933,558	25,707
Workforce development				
	1,452,341	2,386,741	1,023,323	1,363,418
Total expenditures	<u>7,501,061</u>	<u>9,100,633</u>	<u>7,078,496</u>	<u>2,022,137</u>
Revenues under expenditures	<u>\$ -</u>	<u>\$ -</u>	(431,450)	<u>\$ (431,450)</u>
FUND BALANCES - JULY 1			926,753	
FUND BALANCES - JUNE 30			<u>\$ 495,303</u>	

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**Reporting Entity**

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

**Centralina Workforce Development Consortium**

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

**Centralina Foundation, Inc.**

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

**Centralina Economic Development Commission, Inc.**

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

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Centralina Connection, Inc.**

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

**Basis of Presentation**

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

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

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

The Council reports the following major governmental funds:

**General Fund**

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

**Special Revenue Fund**

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



**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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.

**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

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Budgetary Data (Continued)**

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).

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.

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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

**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.

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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.

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)].

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

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

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

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

Total Fund Balance - General Fund	\$ 495,303
Less:	
Prepayments	(10,514)
Stabilization by State Statute	(1,011,584)
Assigned	<u>(305,171)</u>
Available for Appropriation	<u>\$ (831,966)</u>

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

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

**NOTE B - 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

**CENTRALINA COUNCIL OF GOVERNMENTS**  
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**NOTE B - DEPOSITS (CONTINUED)**

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, 2014, the Council's deposits had a carrying amount of \$1,342,533 and a bank balance of \$1,566,961. 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, 2014, the Council's investments consisted of \$125,180 in the North Carolina Capital Management Trust's Cash Portfolio, which carried a credit rating of AAAM by Standard and Poor's. The Council has no policy on credit risk.

**NOTE D - RECEIVABLES**

Receivables at the government-wide level consisted of the following at June 30, 2014:

	Due from Other Governments	Other
Governmental activities:		
General	\$ 994,176	\$ 17,409
Special revenue	<u>738,645</u>	<u>-</u>
	<u>\$ 1,732,821</u>	<u>\$ 17,409</u>
Workforce Development Consortium	<u>\$ 550,042</u>	

**CENTRALINA COUNCIL OF GOVERNMENTS**  
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**NOTE D - RECEIVABLES (CONTINUED)**

Due from other governments consisted of the following at June 30, 2014:

	<u>Governmental Activities</u>	<u>Workforce Development Consortium</u>
Receivables under expenditure – driven grants	\$ 1,581,829	\$ 550,042
Technical assistance contracts	90,257	-
Sales tax	<u>60,735</u>	<u>-</u>
	<u>\$ 1,732,821</u>	<u>\$ 550,042</u>

**NOTE E - CAPITAL ASSETS**

The following is a summary of capital asset activity for the year ended June 30, 2014:

	<u>Balance June 30, 2013</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2014</u>
Capital assets being depreciated				
Furniture, fixtures and equipment, and leasehold improvements	\$ 718,022	\$ 39,377	\$ -	\$ 757,399
Less accumulated depreciation	<u>589,553</u>	<u>46,645</u>	<u>-</u>	<u>636,198</u>
Governmental activities capital assets, net	<u>\$ 128,469</u>	<u>\$ (7,268)</u>	<u>\$ -</u>	<u>\$ 121,201</u>

Depreciation expense was charged to indirect cost in the amount of \$46,644.

**NOTE F - ACCOUNTS AND GRANTS PAYABLE**

Accounts and grants payable at the government-wide level consisted of the following at June 30, 2014:

	<u>Vendors</u>	<u>Subrecipients</u>	<u>Other</u>	<u>Total</u>
Governmental activities:				
General	\$ 358,149	\$ -	\$ -	\$ 358,149
Special revenue	<u>-</u>	<u>1,895,528</u>	<u>-</u>	<u>1,895,528</u>
	<u>\$ 358,149</u>	<u>\$ 1,895,528</u>	<u>\$ -</u>	<u>\$ 2,253,677</u>
Workforce Development Consortium	<u>\$ -</u>	<u>\$ 674,297</u>	<u>\$ 30,759</u>	<u>\$ 705,056</u>

**CENTRALINA COUNCIL OF GOVERNMENTS**  
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**NOTE F - ACCOUNTS AND GRANTS PAYABLE (CONTINUED)**

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, 2014:

Accrued salaries	<u>\$ 64,326</u>
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**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.

**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 7.07% 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, 2014, 2013, and 2012 were \$183,249, \$168,507, and \$159,810, 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.



**NOTE I - SUPPLEMENTAL RETIREMENT INCOME PLAN (CONTINUED)**

**Funding Policy.** The Council contributes each month 3.0% of each employee's salary. All amounts contributed are vested immediately. Also, employees may make voluntary contributions to the SRI Plan. Contributions from employees and the Council for the years ended June 30, 2014 amounted to \$100,911 and \$75,900, 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 contribution by Centralina toward the retirees' cost for such group hospitalization coverage shall be determined by taking the premium which would be charged the retiree, adjusted from time to time, had he or she remained an active employee (hereinafter the "active employee premium amount") and multiplying the active employee premium amount by a percentage determined as follows:

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

Dependent coverage may also be added at the option and cost of the employee prior to retirement. This group policy will be made available to the retirees until they are eligible for Medicare coverage. Upon termination of the Master Group Contract, retirees would not be eligible to convert to non-group, except as provided under the North Carolina continuation/conversion law.

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

**CENTRALINA COUNCIL OF GOVERNMENTS**  
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**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, 2014. 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	-
Adjustment to annual required contribution	-
Annual OPEB cost (expense)	<u>38,753</u>
Contributions made	<u>(23,825)</u>
Increase (decrease) in net OPEB obligation	14,928
Net OPEB obligation, beginning of year	<u>30,416</u>
Net OPEB obligation, end of year	<u><u>\$ 45,344</u></u>

**CENTRALINA COUNCIL OF GOVERNMENTS**  
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**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, 2014, 2013 and 2012 were as follows:

<u>For Year Ended June 30</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2014	\$ 38,753	61%	\$ 45,344
2013	38,798	88%	30,416
2012	38,798	98%	25,666

*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**  
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**NOTE K - DEFERRED OUTFLOWS/INFLOWS OF RESOURCES**

The following is a summary of deferred inflows of resources at June 30, 2014:

	<u>Governmental Activities</u>	<u>Workforce Development Consortium</u>
Grant receipts not yet earned		
Aging Workshops	\$ 121,375	\$ -
Cabarrus Health Alliance Grant	12,027	-
Economic Development Projects	8,443	-
Clean Cities Projects	7,581	-
NC Tobacco Trust Fund Grant	-	-
Aging Program Related Grants	27,860	-
Workforce Development	-	40,616
Centralina Foundation	33,547	-
Other	8,688	-
	<u>\$ 219,521</u>	<u>\$ 40,616</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**  
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**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 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 copier lease was entered into on October 1, 2009 and requires 60 monthly payments of \$971 each. Another lease agreement for a copier began on October 21, 2013 and requires 60 monthly payments of \$617 each.

The following is a summary of assets recorded under capital leases at June 30, 2014:

	<u>Accumulated Cost</u>	<u>Net Book Depreciation</u>	<u>Value</u>
Copier	\$ 46,244	\$ 43,932	\$ 2,312
Copier	<u>30,000</u>	<u>4,000</u>	<u>26,000</u>
	<u>\$ 76,244</u>	<u>\$ 47,932</u>	<u>\$ 28,312</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2014 were as follows:

Year ending June 30,	
2015	\$ 10,321
2016	7,407
2017	7,407
2018	<u>9,260</u>
Total minimum lease payments	34,395
Less: amount representing interest	<u>5,249</u>
Present value of minimum lease payments	<u>\$ 29,146</u>

**CENTRALINA COUNCIL OF GOVERNMENTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2014**

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**NOTE M - LONG-TERM OBLIGATIONS (CONTINUED)**

Interest expense amounting to \$2,672 is included in indirect cost for the year ended June 30, 2014.

**Changes in Long-Term Liabilities**

	Balance July 1, <u>2013</u>	<u>Increases</u>	<u>Decreases</u>	Balance June 30, <u>2014</u>	Current Portion of Balance
Governmental activities					
Capitalized leases	\$ 13,686	\$ 30,000	\$ 14,540	\$ 29,146	\$ 8,217
Accrued vacation and sick leave	332,325	266,938	294,092	305,171	294,092
Accrued rent	262,099	-	34,107	227,992	-
Other postemployment healthcare benefits	<u>30,416</u>	<u>38,753</u>	<u>23,825</u>	<u>45,344</u>	<u>-</u>
	<u>\$ 638,526</u>	<u>\$ 335,691</u>	<u>\$ 366,564</u>	<u>\$ 607,653</u>	<u>\$ 302,309</u>

**NOTE N - OPERATING LEASES**

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

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

The following is a schedule by year of future minimum payments required under operating leases that have initial or remaining noncancelable lease terms in excess of one year as of June 30, 2014:

Year ending June 30	<u>Office Space</u>
2015	\$ 341,052
2016	351,284
2017	361,822
2018	<u>324,470</u>
Total	<u>\$ 1,378,628</u>

Total rental expenditures for all operating leases except those with terms of one month or less amounted to \$339,774 for the year ended June 30, 2014.

**CENTRALINA COUNCIL OF GOVERNMENTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2014**

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**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, 2014:

<u>Fund</u>	<u>Receivable</u>	<u>Payable</u>
Primary government		
General Fund	\$ -	\$ 195,630
Component unit		
Workforce Development Consortium	<u>195,630</u>	<u>-</u>
	<u>\$ 195,630</u>	<u>\$ 195,630</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 \$948,408 and the Council reported revenues in the General Fund of the same amount for the year ended June 30, 2014.

**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)**

**Subcontractors (Continued)**

For the year ended June 30, 2014, agency costs of various amounts were disbursed for which the audits have not been received. Based on prior experience, management believes that the Council will not incur significant losses from possible grant disallowances.



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**REQUIRED SUPPLEMENTARY  
INFORMATION**

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**CENTRALINA COUNCIL OF GOVERNMENTS  
 REQUIRED SUPPLEMENTARY INFORMATION  
 OTHER POSTEMPLOYMENT BENEFITS  
 June 30, 2014**

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
2011	\$ 36,330	77.6%
2012	\$ 38,753	97.7%
2013	\$ 38,753	87.8%
2014	\$ 38,753	61.5%

**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

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**INDIVIDUAL FUND  
STATEMENTS AND SCHEDULES**

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**GENERAL FUND**

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**CENTRALINA COUNCIL OF GOVERNMENTS  
GENERAL FUND  
COMPARATIVE BALANCE SHEETS  
June 30, 2014  
With Comparative Totals for June 30, 2013**

**SCHEDULE 1**

	<u>2014</u>	<u>2013</u>
<b>ASSETS</b>		
Cash and investments	\$ 4,538	\$ 137,296
Designated assets		
Cash and investments	305,171	332,325
Receivables	17,409	-
Due from component unit	-	67,524
Due from other governments	994,176	1,144,788
Prepayments	10,514	7,111
	<u>          </u>	<u>          </u>
Total assets	<u>\$ 1,331,808</u>	<u>\$ 1,689,044</u>
 <b>LIABILITIES</b>		
Liabilities		
Accounts and grants payable	\$ 358,149	\$ 317,555
Accrued liabilities	64,326	101,308
Due to component unit	195,630	-
Total liabilities	<u>618,105</u>	<u>418,863</u>
 <b>DEFERRED INFLOWS OF RESOURCES</b>		
Unearned revenue	218,400	343,428
Total deferred inflows of resources	<u>218,400</u>	<u>343,428</u>
 <b>FUND BALANCES</b>		
Nonspendable:		
Prepayments	10,514	7,111
Restricted:		
Stabilization by State Statute	1,011,584	1,212,312
Assigned:		
Accrued vacation and sick leave	305,171	332,325
Unassigned	(831,966)	(624,995)
Total fund balances	<u>495,303</u>	<u>926,753</u>
	<u>          </u>	<u>          </u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,331,808</u>	<u>\$ 1,689,044</u>

**CENTRALINA COUNCIL OF GOVERNMENTS  
GENERAL FUND  
INDIRECT COST CENTER - COMPUTATION OF INDIRECT  
COST ALLOCATION RATE  
For the Year Ended June 30, 2014**

**SCHEDULE 2**

PERSONNEL EXPENDITURES	
Salaries	\$ 567,417
Fringe benefits	310,674
	<u>878,091</u>
OPERATING EXPENDITURES	
Audit	57,500
Auto expenditures	26,243
Bank service charges	2,899
Consultants	77,708
Contracted services	68,793
Events support	26,229
Fleet maintenance	11,725
Insurance	43,264
Interest	2,672
Legal	37,275
Memberships and dues	22,867
Miscellaneous	29,166
Postage	8,144
Printing and publications	21,994
Repairs and maintenance	9,086
Rent	355,652
Retiree health costs	23,826
Supplies	18,077
Telephone	16,459
Training	10,297
Travel	18,987
	<u>888,863</u>
Total indirect costs - unadjusted	1,766,954
Adjustment for depreciation expense	46,644
Total indirect costs - adjusted for depreciation expense	<u>\$ 1,813,598</u>

**CENTRALINA COUNCIL OF GOVERNMENTS  
GENERAL FUND  
INDIRECT COST CENTER - COMPUTATION OF INDIRECT  
COST ALLOCATION RATE  
For the Year Ended June 30, 2014**

**SCHEDULE 2  
(CONTINUED)**

Total personnel expenditures	\$ 3,530,667
Less personnel expenditures in indirect cost pool	<u>878,091</u>
Total personnel expenditures earning indirect costs	<u>\$ 2,652,576</u>

Adjusted

**ALLOCATION RATE COMPUTATION**

Indirect costs	\$ 1,813,598
Divided by personnel expenditures earning indirect costs	<u>2,652,576</u>
Allocation rate - as computed	<u>68.37%</u>

**INDIRECT COSTS COMPARED TO PROVISIONAL  
INDIRECT AMOUNT**

Personnel expenditures earning indirect costs	\$ 2,652,576
Provisional rate	<u>60%</u>
Provisional indirect amount	1,591,546
Total indirect costs	<u>1,813,598</u>
Provisional indirect costs over (under) adjusted indirect costs	<u>\$ (222,052)</u>

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**SPECIAL REVENUE FUND**

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**CENTRALINA COUNCIL OF GOVERNMENTS  
SPECIAL REVENUE FUND  
COMPARATIVE BALANCE SHEETS  
June 30, 2014  
With Comparative Totals for June 30, 2013**

**SCHEDULE 3**

	<u>2014</u>	<u>2013</u>
<b>ASSETS</b>		
Cash	\$ 1,158,004	\$ 92,400
Due from other governments	<u>738,645</u>	<u>772,546</u>
Total assets	<u>\$ 1,896,649</u>	<u>\$ 864,946</u>
<b>LIABILITIES</b>		
Accounts and grants payable	\$ 1,895,528	\$ 863,369
<b>DEFERRED INFLOWS OR RESOURCES</b>		
Unearned revenue	<u>1,121</u>	<u>1,577</u>
Total liabilities and deferred inflows of resources	<u>\$ 1,896,649</u>	<u>\$ 864,946</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, 2014**

**SCHEDULE 4**

	Project Authorization	Prior Years	Actual Current Year	Total to Date
<b>REVENUES</b>				
Restricted intergovernmental revenues				
Aging grants				
HCC block grant	\$ 8,750,000	\$ -	\$ 8,214,626	\$ 8,214,626
USDA supplement	700,000	-	468,458	468,458
Title III-B legal	100,000	-	67,581	67,581
Family caregiver	650,000	-	478,879	478,879
Disease prevention/health promotion	75,000	-	31,666	31,666
State senior center general purpose	125,000	-	110,776	110,776
Title V	950,000	-	488,975	488,975
Project CARE	50,000	-	3,356	3,356
Heat fan relief	25,000	-	15,189	15,189
Total aging grants	<u>11,425,000</u>	<u>-</u>	<u>9,879,506</u>	<u>9,879,506</u>
Total revenues	<u>11,425,000</u>	<u>-</u>	<u>9,879,506</u>	<u>9,879,506</u>
<b>EXPENDITURES</b>				
Grant-related expenditures				
Aging grants				
HCC block grant	8,750,000	-	8,214,626	8,214,626
USDA supplement	700,000	-	468,458	468,458
Title III-B legal	100,000	-	67,581	67,581
Family caregiver	650,000	-	478,879	478,879
Disease prevention/health promotion	75,000	-	31,666	31,666
Senior center general purpose	125,000	-	110,776	110,776
Title V	950,000	-	488,975	488,975
Project CARE	50,000	-	3,356	3,356
Heat fan relief	25,000	-	15,189	15,189
Total expenditures	<u>11,425,000</u>	<u>-</u>	<u>9,879,506</u>	<u>9,879,506</u>
Revenues over expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
FUND BALANCE - JULY 1			<u>-</u>	
FUND BALANCE - JUNE 30			<u>\$ -</u>	

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# **COMPONENT UNIT**

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**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, 2014**

**SCHEDULE 5**

	Grant Award	Prior Years	Actual Current Year	Total to Date
<b>REVENUES</b>				
WIA / WTW Grants				
WIA 10% Administrative Cost Pool - 2012	\$ 568,126	\$ 40,838	\$ 527,288	\$ 568,126
WIA 12-2020 Adult services - 2012	1,578,768	1,306,783	271,986	1,578,769
WIA 12-2030 Dislocated worker - 2012	1,950,324	1,608,452	341,872	1,950,324
WIA 12-2031 Special Grants Collaboration - 2012	3,825	2,450	182	2,632
WIA 12-2040 Youth services - 2012	1,584,035	1,450,491	133,544	1,584,035
WIA 10% Administrative Cost Pool - 2013	590,694	-	59,630	59,630
WIA 13-2020 Adult services - 2013	1,810,406	-	1,224,982	1,224,982
WIA 13-2030 Dislocated worker - 2013	1,772,068	-	1,028,587	1,028,587
WIA 13-2031 Special Grants Collaboration - 2013	110,599	-	4,500	4,500
WIA 13-2040 Youth services - 2013	1,733,777	-	1,606,402	1,606,402
Total revenues	<u>11,702,622</u>	<u>4,409,014</u>	<u>5,198,972</u>	<u>9,607,986</u>
<b>EXPENDITURES</b>				
WIA / WTW Grants				
WIA 10% Administrative Cost Pool - 2012	568,126	40,838	527,288	568,126
WIA 12-2020 Adult services - 2012	1,578,768	1,306,783	271,986	1,578,769
WIA 12-2030 Dislocated worker - 2012	1,950,324	1,608,452	341,872	1,950,324
WIA 12-2031 Special Grants Collaboration - 2012	3,825	2,450	182	2,632
WIA 12-2040 Youth services - 2012	1,584,035	1,450,491	133,544	1,584,035
WIA 10% Administrative Cost Pool - 2013	590,694	-	59,630	59,630
WIA 13-2020 Adult services - 2013	1,810,406	-	1,224,982	1,224,982
WIA 13-2030 Dislocated worker - 2013	1,772,068	-	1,028,587	1,028,587
WIA 13-2031 Special Grants Collaboration - 2013	110,599	-	4,500	4,500
WIA 13-2040 Youth services - 2013	1,733,777	-	1,606,402	1,606,402
Total expenditures	<u>11,702,622</u>	<u>4,409,014</u>	<u>5,198,972</u>	<u>9,607,986</u>
Revenues over expenditures	-	-	-	-
FUND BALANCE - JULY 1	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE - JUNE 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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## **COMPLIANCE SECTION**

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**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, 2014, 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 November 24, 2014.

**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  
November 24, 2014



**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, 2014. 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, 2014.

## 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  
November 24, 2014



**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, 2014. 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, 2014.

## 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  
November 24, 2014

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**SECTION I – SUMMARY OF AUDITORS’ RESULTS**

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**Financial Statements**

Type of auditors’ report issued: Unmodified

Internal control over financial reporting:

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

Noncompliance material to financial statements  
noted     yes     no

**Federal Awards**

Internal control over major federal programs:

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

Noncompliance material to federal awards?             yes     no

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

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

**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
93.052	Family Caregiver Support Program
17.235	Senior Community Service Employment Program

Dollar threshold used to distinguish between Type A and Type B Programs: \$421,229

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: Unmodified

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

Identification of major state programs:

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

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**SECTION II – FINANCIAL STATEMENT FINDINGS**

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None reported.

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**SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

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None reported.

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**SECTION IV – STATE AWARD FINDINGS AND QUESTIONED COSTS**

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None reported.

**CENTRALINA COUNCIL OF GOVERNMENTS  
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS  
For the Year Ended June 30, 2014**

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**SCHEDULE 7**

**No prior-year findings were reported.**

**CENTRALINA COUNCIL OF GOVERNMENTS**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**For the Year Ended June 30, 2014**

**SCHEDULE 8**

Grantor/Pass-through Grantor/Program Title	CFDA Number	Pass-Through Grantor Number	Federal (Pass-Through) Expenditures	State Expenditures
<b>FEDERAL AWARDS</b>				
<b>CASH PROGRAMS</b>				
U.S. DEPARTMENT OF COMMERCE				
Economic Development Administration				
Direct program				
Strategic Planning Grant	11.303		\$ 63,177	\$ -
Partnership Planning Grant	11.302		57,717	-
Total U.S. Department of Commerce			<u>120,894</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		832,028	-
Total Senior Community Service Employment Program			<u>832,028</u>	<u>-</u>
Passed through North Carolina Department of Commerce				
Division of Employment and Training				
Workforce Investment Act Cluster				
WIA - Adult Programs	17.258		1,496,968	-
WIA - Youth Activities	17.259		1,739,945	-
WIA - Dislocated Workers	17.260		1,370,459	-
WIA - Administrative Cost Pool/Incentives/Capital and Special Grants	17.258-17.260		591,600	-
Total Workforce Investment Act Cluster			<u>5,198,972</u>	<u>-</u>
Total U.S. Department of Labor			<u>6,031,000</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		34,365	-
Alternative Fuel Implementation Team for North Carolina	81.086	DE-EE0006083	29,992	-
Passed through North Carolina Department of Energy and Natural Resources				
State Energy Program	81.041	5836	30,755	-
Total U.S. Department of Energy			<u>95,112</u>	<u>-</u>
U.S. ENVIRONMENTAL PROTECTION AGENCY				
Direct program				
Environmental Education Grant Program	66.951		-	-
Total U.S. Environmental Protection Agency			<u>-</u>	<u>-</u>



**CENTRALINA COUNCIL OF GOVERNMENTS**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**For the Year Ended June 30, 2014**

**SCHEDULE 8**  
**(CONTINUED)**

Grantor/Pass-through Grantor/Program Title	CFDA Number	Pass-Through Grantor Number	Federal (Pass-Through) Expenditures	State Expenditures
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Administration on Aging				
Passed through North Carolina Department of Health and Human Services				
Division of Aging and Adult Services				
Special Programs for the Aging, Title VII, Chapter 3				
Programs for the Prevention of Elder Abuse, Neglect, and Exploitation	93.041		20,170	1,186
Special Programs for the Aging, Title VII, Chapter 2				
Programs for Long-term Ombudsman Services for Older Individuals	93.042		65,878	3,875
Special Programs for the Aging, Title III F				
Disease Prevention and Health Promotion Services Aging Cluster	93.043		90,486	5,323
Special Programs for the Aging - Title III B				
Grants for Supportive Services and Senior Centers				
Legal services	93.044		63,828	3,755
Ombudsman	93.044		291,824	17,166
Access	93.044		990,873	58,287
In Home Services	93.044		331,324	19,490
Special Programs for the Aging - Title III C				
Nutrition Services				
Planning and Administration	93.045		379,490	20,796
Congregate Nutrition	93.045		1,245,482	73,264
Home Delivered Meals	93.045		500,742	29,455
Total Aging Cluster			3,803,563	222,213
Social Services Block Grant - In-Home Services	93.667		343,738	9,821
Special Programs for the Aging - Communities Putting Prevention to Work				
Chronic Disease Self Management Program	93.725		-	-
Special Programs for the Aging - Title III E				
Planning and Administration	93.052		-	-
National Family Caregiver Support Program	93.052		552,583	36,839
			552,583	36,839
Nutrition Services Incentive Program	10.570	NC-06	468,458	-
Alzheimer's Disease Supportive Services Program				
Project Care	93.051		1,970	-
Person Centered Hospital Discharge	93.779		-	-
			1,970	-
Medicare Enrollment Assistance Program	93.518		45,336	-
Local Contact Agency	93.791		89,800	-
Total U.S. Department of Health and Human Services			5,481,982	279,257

**CENTRALINA COUNCIL OF GOVERNMENTS**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**For the Year Ended June 30, 2014**

**SCHEDULE 8**  
**(CONTINUED)**

Grantor/Pass-through Grantor/Program Title	CFDA Number	Pass-Through Grantor Number	Federal (Pass-Through) Expenditures	State Expenditures
<b>U.S. DEPARTMENT OF TRANSPORTATION</b>				
Passed through North Carolina Department of Transportation Nonurbanized Area Public Transportation Grant	20.513	5310	74,889	18,722
Passed through North Carolina State University Clean Fuel Advanced Technology 2013-2015	20.205	2010-0499-05	23,209	-
Clean Fuels Advanced Technology Rebate Program II	20.205	2005-1181-31	-	-
Total U.S. Department of Transportation			<u>98,098</u>	<u>18,722</u>
<b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>				
Sustainable Communities Regional Planning Grant Program	14.703	NCRIP0058-11	2,206,895	-
Total Federal Awards			<u>14,040,981</u>	<u>297,979</u>
<b>STATE GRANTS</b>				
<b>CASH AWARDS</b>				
N.C. Department of Environment and Natural Resources				
Passed through Ecosystem Enhancement Program Goose and Crooked Creek Local Watershed Plan Phase IV			-	16,000
North Carolina Sustainable Communities Initiative		4033	-	-
319 Rocky River Watershed Improvement Project	66.460	2856	-	-
Total N.C. Department of Environment and Natural Resources			<u>-</u>	<u>16,000</u>
N.C. Tobacco Trust Fund Commission				
Loan Fund: Partnership with Community Banks		2010-007-04	-	-
N.C. Housing Finance Agency				
Urgent Repair Program		URP1104	-	31,427
N.C. Department of Health and Human Services				
Division of Aging				
90% State Funds - Ombudsman			-	107,099
90% State Funds/Caregiver Match - Ombudsman			-	51,487
90% State Funds - Access			-	102,835
90% State Funds/Caregiver Match - In Home Services			-	82,179
90% State Funds - In Home Services			-	4,022,609
90% State Funds - Home Delivered Meals			-	404,576
100% State Funds - Project Care	93.051		-	1,386
AAA Administration			-	48,261
Fans Programs			-	15,189
Senior Center Development			-	110,778
Total N.C. Department of Health and Human Services			<u>-</u>	<u>4,946,399</u>

**CENTRALINA COUNCIL OF GOVERNMENTS**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**For the Year Ended June 30, 2014**

**SCHEDULE 8**  
**(CONTINUED)**

Grantor/Pass-through Grantor/Program Title	CFDA Number	Pass-Through Grantor Number	Federal (Pass-Through) Expenditures	State Expenditures
N.C. Department of Transportation				
Lake Norman Regional Bicycle Plan		41794.2	-	-
Rural Planning Organization			-	6,975
Total N.C. Department of Transportation			-	6,975
Total state awards			-	5,000,801
Total federal and state awards			\$ 14,040,981	\$ 5,298,780

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

Basis of Presentation

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

Subrecipients

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

Grantor/Pass-through Grantor/Program Title	CFDA Number	Pass-Through Grantor Number	Federal (Pass-Through) Expenditures	State Expenditures
Nutrition Services Incentive Program	93.053	NC-06	\$ 468,458	\$ -
National Family Caregiver Support Program	93.052		448,021	29,868
Senior Community Service Employment Program	17.235	40	-	-
Senior Community Service Employment Program ARRA	17.235		-	
Disease Prevention and Health Promotion	93.043		80,366	4,728
Workforce Investment Act				
WIA - Adult Programs	17.258		1,496,968	-
WIA - Youth Activities	17.259		1,739,945	-
WIA - Dislocated Workers	17.260		1,370,459	-
Special Programs for the Aging - Title III B				
Grants for Supportive Services and Senior Centers	93.044	NC-06	1,386,025	81,532
Special Programs for the Aging - Title III C				
Nutrition Services	93.045	NC-06	1,746,224	102,719
90% State Funds - Access			-	102,835
90% State Funds/Caregiver Match - In Home Services			-	82,179
90% State Funds - In Home Services			-	4,022,609
90% State Funds - Home Delivered Meals			-	404,576
90% State Funds - Project Care			-	1,386
Senior Center Development			-	110,778
Heat Fan Relief			-	15,189