

Centralina Council of Governments

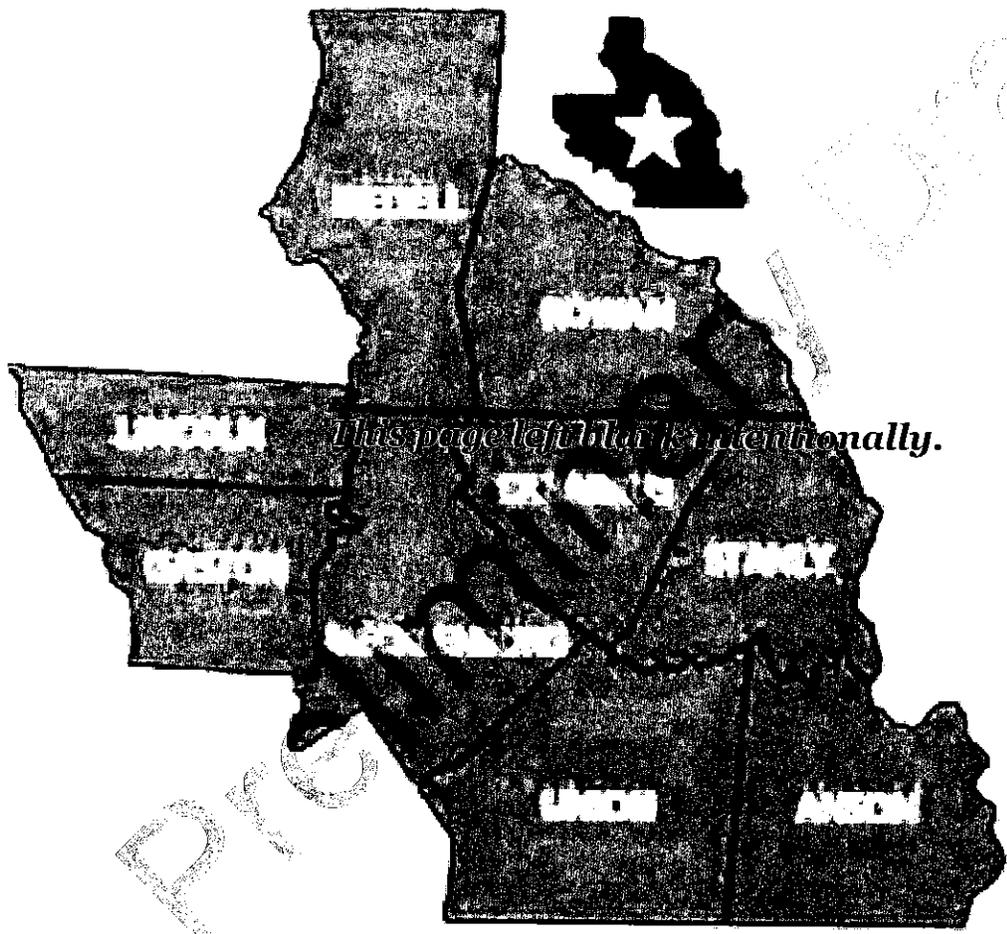
Financial Statements with Compliance Reports

Year Ended June 30, 2016

Preliminary Draft



Centralina Council of Governments



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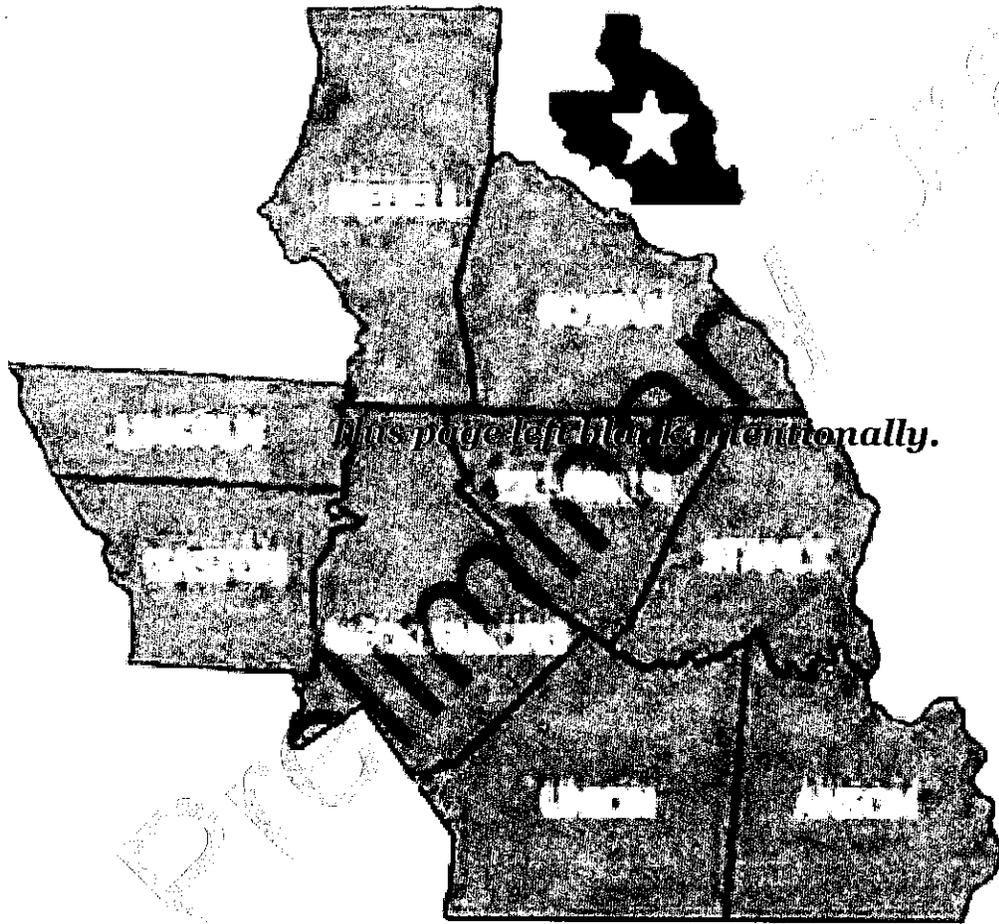
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PRELIMINARY DRAFT

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Financial Section





Independent Auditors' Report

Board of Delegates
Centralina Council of Governments
Charlotte, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Centralina Council of Governments (the "Council") as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Council's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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 Council as of June 30, 2016, and the respective changes in financial position thereof, and the respective budgetary comparison for the General Fund, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 5 through 18, Other Postemployment Benefits Schedule of Funding Progress, Schedule of Employer Contributions and Notes to the Required Schedules on page 52, and the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Asset and Contributions, on pages 53 through 54 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 the Council. 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 Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and the State Single Audit Implementation Act, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The individual fund 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.



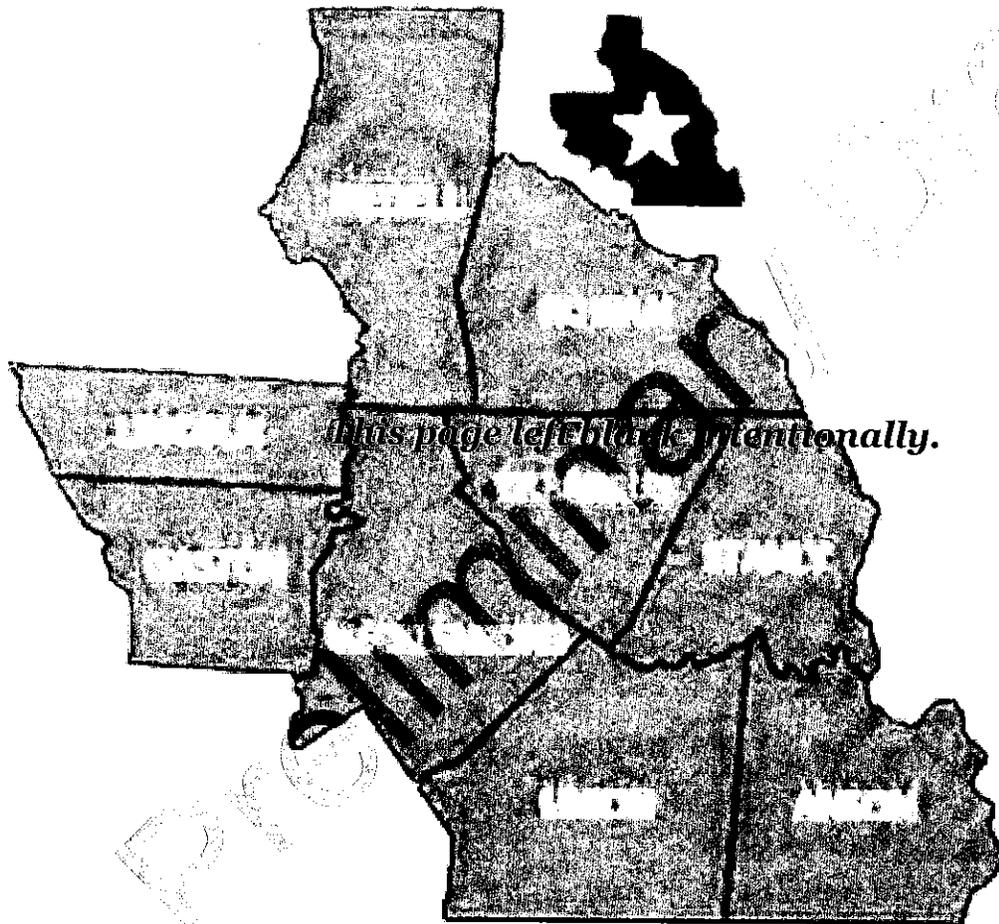
Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 24, 2016 on our consideration of the Council's 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 Council's internal control over financial reporting and compliance.

Dixon Hughes Goodman LLP

Asheville, North Carolina
October 24, 2016

Preliminary Draft



Management's Discussion and Analysis

This section of the financial report of Centralina Council of Governments (Centralina) represents discussion and analysis of the performance of Centralina for the year ended June 30, 2016. This information should be read in conjunction with the audited financial statements included in this report.

Financial highlights

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

Workforce development highlights

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

NCWorks Career Centers - The Centralina Workforce Development Board, which is responsible for the oversight and operation of local NCWorks Career Centers, has developed a vision and implemented a plan of action for upgrading Career Center facilities and changing the service environment. The NCWorks Career Center- Cabarrus which opened in October 2015 is the latest example of this "new day for workforce services" that started in the region with the opening of the new NCWorks Career Center in Mooresville in April 2015. The NCWorks Career Center-Stanly is moving to a brand new facility and location in Albemarle in September 2016. A new location and facility for the NCWorks Career Center-Union is being planned for 2017.

The eight NCWorks Career Centers in the region collectively served 48,113 career seekers looking for the right talent match for their skills and provided 75,625 services to employers and businesses in the region during the past fiscal year. For more information on the NCWorks Career Centers, visit www.centralinaworks.com.

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

During the past fiscal year, the Centralina WDB was able to provide Incumbent Worker funding in the amount of \$190,878 to a total of 17 area businesses to train and upgrade the skills of 439 employees. For more information on Incumbent Worker grants, visit www.centralinaworks.com.

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

- Over 400 Discovery Session attendees in the past year directly exposed to the importance of manufacturing and the availability of good, well-paying jobs in that sector.

Centralina Council of Governments Management's Discussion and Analysis

- A total of 7 eight-week training classes have been held in the past year with 60 Certified Production Technicians graduating from the eight-week training program.
- A total of 52 NCMI graduates are currently employed
- NCMI partner businesses have employed 70% of the graduates
- Employer partners total 27 and growing
- A 98% hire rate for NCMI graduates
- Each of the 7 interview fairs held have provided NCMI graduates with a minimum of six company interviews in one day.

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

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

The Allied Health Regional Skills Partnership is now a membership driven and funded organization which ensures the sustainability of the organization for years to come. More information can be found at www.agreatworkforce.com/alliedhealth.

Area agency on aging highlights

The Centralina Area Agency on Aging (CAAA) continued to grow this past year both in scope of services, reach to clients throughout the region, and in staff members. One new staff member was hired, increasing the CAAA staff to 16 fulltime staff members, who will concentrate on both new grant and business model development. As the AAA sees federal and state funds remain flat or decrease, and service needs increase, our success is directly tied to increasing our funding diversification.

This year's program highlights include:

Annual Aging Conference - In its 17th year, the CAAA Conference continues to provide education and training to hundreds of professionals and caregivers in the field of aging, healthcare, long term care, social services, home health, and other direct services. The Annual Aging Conference is the largest conference on aging anywhere in the state it featured 42 exhibitors and sponsors, multiple nationally recognized speakers, 21 breakout sessions, and over 400 attendees.

Volunteer Transportation Services (VTS) - The Volunteer Transportation Services program continues to provide transportation to older adults, people with disabilities and veterans in the Centralina Region through a network of certified volunteers. The program reached a huge milestone this year as there are over 65 certified volunteers, and the program has reached over 1,000 trips.

Senior Community Services Employment Program (SCSEP) - Receiving funding through two subcontractors, Senior Service America, Inc. and NC Division of Aging and Adult Services, SCSEP provides on the job training opportunities for low-income, unemployed seniors over age 55 at host agency locations in the

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community. Over 130 participants were served this year and all programmatic goals were met, including unsubsidized placement. SCSEP serves Anson, Cabarrus, Stanly, Mecklenburg and Union Counties.

University of NC - Asheville is subcontracting with CAAA to serve as the Evidence-based training hub in the state. The grant pays for part of a staff person to organize training and other activities to ensure that evidence-based trainings programs are sustainable and expand across the state. CAAA met all goals required by the grant including holding multiple master training certifications and a leader retreat with over 85 leaders present.

Evidence-Based Health Programs (EBHP) - The Area Agency on Aging (AAA) offers community-focused evidence-based health programs to promote healthy lifestyles and chronic disease self-management. These programs are focused on increasing physical activity, improving diet and nutrition, reducing falls, and promoting self-management. More than 90 workshops were provided in Centralina's nine-county region, helping approximately 1,250 individuals improve their quality of life and remain active in their communities. All of this is done successfully through a strong network of volunteers and partners in our region.

Programa de Manejo Personal de la Diabetes was added this year as the fourth self-management suite of programs licensed through Stanford University. Three master trainers were certified and have facilitated their required community training. They will now be able to certify leaders in the community. This program is already offered in English.

Centralina added a new EBHP called HomeMeds in which staff have been trained to conduct in-home medication reviews and home safety checks. After placing information into the HomeMeds system and software, the report is viewed as needed by a consulting pharmacist to help the client understand their individualized education regime.

Medicare and Diabetes Self-Management Training - CAAA was approved this year as a Medicare and American Association of Diabetes Educators (AADE) provider of Diabetes Self-Management Training (DSMT). Packaging the DSMT with individualized Nutrition Therapy and Counseling as well as other specific Medicare requirements, allows CAAA to begin to bill for Medicare when such services are delivered.

Regional Long-Term Care Ombudsman - The Ombudsman program works to resolve complaints by or on behalf of residents in long term care facilities. Ombudsman provide education on long term care and residents' rights issues to residents, facility staff, family members and the general public. This past year the Ombudsman provided multiple workshops on such issues as transfer/discharge, ADA issues, dementia, and elder abuse awareness. The Ombudsman are key to the success of an Elder Abuse Task Force in Cabarrus County highlighting educating professionals on abuse and planning activities to increase awareness about elder abuse.

Community and economic development highlights

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

HUD Five-Year Consolidated Plan Implementation Administrative Services - The department provided grant administration services for the activities and projects within the five-year consolidated plan for Mecklenburg County encompassing approximately \$750,000 annually in HUD Community Development Block Grant (CDBG) funding. Prior to year-end Union County proceeded with HUD Entitlement funds of \$750,000 annually and engaged CED for services to prepare the Consolidated Plan and upcoming year administrative services. These HUD CDBG programs focus 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 approximately 15 code enforcement and minimum housing standards operations as well as DATP testing for city and county workforce regulatory requirements.

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

Grants - CCOG and CEDC accomplished program design work for the **Lumina Foundation Community Postsecondary Attainment grant** for the Greater Charlotte Region. Approximately 75 major metropolitan locations from across the country were invited to participate in this program with a goal of the Lumina Foundation to increase the proportion of Americans with postsecondary degrees to 60% by the year 2025. Our project, **Centralina Partnership for Attainment and Career Pathways (CPACP)** is providing a pilot project and system, **PEOPLE/SKILLS/PROSPERITY** focused on existing internal industry workforce attainment and related college alignment for employees and employers of the region.

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

Centralina Regional Economic Development District's CEDS Plan - The implementation continued for the 2012-2017 Centralina Economic Development Strategy (CEDS), "Prosperity for Greater Charlotte Report" and groundbreaking Jobs, Workforce, and Education Alignment Strategy with priorities that promoted alignment of regional infrastructure, talent and assets for economic growth. Recognized by a **NADO Innovation Award as partner for "Centralina Career Headlight,"** the effort operationalized key CEDS plan 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. The CEDC Board began considerations at the April Annual meeting for next year's 5-year update project for a CEDS 2017-2022 Plan that will be substantially completed by end of FY 17.

Global Competitiveness Summit Series Support to Global Vision Leaders Taskforce - "Prosperity for Greater Charlotte" and CEDC initiatives supported the 6th Charlotte Global Competitiveness Summit in March, 2016 that continues to build a "Hub of Global Commerce" strategic brand by business, education and community leaders engaging Greater Charlotte Region's role in the global marketplace. Brookings and JP Morgan Chase presented a Charlotte Benchmarking Study that represented 2015 findings that aligned with the CEDS and IMCP efforts of the CEDS economic plans managed by the CEDC.

Centralina Manufacturing Ecosystem Development Strategy (CMEDS) - Centralina and CEDC completed the **Investing in Manufacturing Community Partnership (IMCP) Phase I Strategy Planning grant** from US Commerce Economic Development Administration (EDA) in September 2015. The finished CMEDS plan will support and extend the Greater Charlotte Region's primary core competitive competency in Advanced Manufacturing by supporting the Advanced Industries workforce pipeline, R&D, supply chain analysis, and export/logistics growth for the region.

Sustainable communities, planning and local technical assistance highlights

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

Greater Charlotte Regional Freight Mobility Plan - An outgrowth of the CONNECT Our Future project, this bi-state 14 county project brings together public and private sector stakeholders, four Metropolitan Planning Organizations and two rural planning organizations to develop this region's first comprehensive freight plan. The plan integrates truck and rail transportation with land use and economic development and will be coordinated with the NC and SC State Freight Plans. The regional freight plan technical analysis will be completed in December 2016.

Centralina Council of Governments Management's Discussion and Analysis

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

Healthy Communities - The Centralina Health Solutions Center was created to encourage healthy, lifelong communities. A joint effort of the planning and aging departments, this center has created training and technical assistance for local governments. The Centralina Health Solutions Center hosted the annual Planning for Healthy Communities conference, bringing together planners, park and recreation officials, and public health officials from throughout the region to build local capacity for creating active, life-long communities.

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

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

Community Engagement - Also, an outgrowth of the CONNECT Our Future public engagement effort, communities of all sizes are using Centralina's expertise to engage their own public around issues such as housing, transportation, general land use, downtown streetscape projects, or general government services. Centralina is helping communities achieve good results by providing a venue for community conversations.

Regional Collaboration and Training - The Regional Conference of Mayors, city and county managers, solid waste professionals, and regional planners meet regularly to receive updates on legislative activities that impact their community and to discuss shared challenges and experiences in an open forum. Building networks is important to helping our communities address issues and learn from others. Through these collaborative efforts, mayors and managers have become more active in building relationships with legislators through direct communication and through visits to Raleigh. Planner training offered throughout the year provides value to planners and offers required continuing education credits to planners certified through the American Institute of Certified Planners (AICP).

Water resources planning - This work is focused on our region's capability to provide reliable and adequate water in the future. Through regional elected and staff leaders, this project seeks to establish a cross-basin collaborative network, building awareness and capacity around water issues, and to develop long term strategies to address the region's needs. The effort has included extensive engagement with regional stakeholders and a continued dialog with water "thought leaders".

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

Centralina Council of Governments Management's Discussion and Analysis

CONNECT Our Future - Through CONNECT Our Future, Centralina COG facilitated the efforts of governments and organizations in the 14- county, two-state region surrounding Charlotte to achieve the fundamental obligation of government - to build greater communities for future generations. Significant activities in this year include:

- **Engaging communities** - 54 local governments and 39 others (private sector, quasi-governmental and non-profits) joined the CONNECT Consortium. Meetings were held in each county to prepare and affirm the Preferred Growth Concept.
- **Engaging residents** - More than 8,400 diverse residents of CONNECT's 14 counties participated in various CONNECT Public Engagement forums during the year, including but not limited to Open Houses, Community Growth Workshops, County Consortium meetings, and an Online Engagement Forum (MetroQuest Tool).
- **Technical reports** - Several technical reports were produced as part of the CONNECT Our Future process to focus on specialized areas such as housing, food systems, public health, energy, air quality, economic development and land use & transportation. These technical report findings will be aligned with the final Regional Growth Framework.

Other financial highlights are as follows:

- The liabilities and deferred inflows of resources of Centralina exceeded its assets and deferred outflows of resources at the close of the fiscal year by \$539,559 (*net position*).
- Centralina's total net position decreased by \$29,313.
- As of the close of the current fiscal year, Centralina's governmental funds reported a combined ending fund balances of \$181,519, an increase of \$51,058 from the prior year. Approximately \$662,587 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 \$395,924.

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

Centralina Council of Governments Management's Discussion and Analysis

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.

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

Government-Wide Financial Analysis

**Table 1
Condensed Statement of Net Position for Governmental Activities
as of June 30, 2016 and 2015**

	<u>2016</u>	<u>2015</u>
Current and other assets		
Capital assets	\$ 1,609,832	\$ 2,447,871
	<u>80,682</u>	<u>108,038</u>
Total assets	<u>1,690,514</u>	<u>2,555,909</u>
Deferred outflows of resources	<u>183,489</u>	<u>199,482</u>
Current liabilities	<u>1,271,748</u>	2,147,747
Noncurrent liabilities	<u>1,014,553</u>	<u>332,595</u>
Total liabilities	<u>2,286,301</u>	<u>2,480,342</u>
Deferred membership dues	<u>54,370</u>	216,547
Pension deferrals	<u>72,891</u>	<u>568,748</u>
Total deferred inflows of resources	<u>127,261</u>	<u>785,295</u>
Net investment in capital assets	<u>40,423</u>	55,906
Restricted	<u>662,587</u>	595,871
Unrestricted net position	<u>(1,242,569)</u>	<u>(1,162,023)</u>
Total net position	<u>\$ (539,559)</u>	<u>\$ (510,246)</u>

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The liabilities of Centralina exceeded assets by \$539,559 as of June 30, 2016. The liabilities of Centralina exceeded assets by \$510,246 as of June 30, 2015. Centralina's net position decreased by \$29,313 and \$519,097 for the fiscal years ended June 30, 2016 and 2015 respectively. The investment in Board identified initiatives influenced the total unrestricted governmental net position. Also, Centralina implemented GASB Statement 68 during the prior year. With the new reporting change, Centralina allocated its proportionate share of the Local Government Employees' Retirement System's net pension asset, deferred outflows of resources, deferred inflows of resources, and pension expense. Decisions regarding the allocations are made by the administrators of the pension plan, not by Centralina's management.

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

**Table 2
Centralina Changes in Net Assets for Governmental Activities
for the Years Ended June 30, 2016 and 2015**

	<u>2016</u>	<u>2015</u>
Revenues:		
Restricted intergovernmental revenues	\$ 13,667,912	\$ 14,371,032
Technical assistance contracts	450,060	343,309
Contracts and fees	18,000	17,984
Other program revenue	777,455	83,688
Interest and other	218,155	396,296
Member dues and contributions	<u>745,274</u>	<u>749,225</u>
Total revenues	<u>15,877,456</u>	<u>15,961,534</u>
Expenses:		
General government	195,462	(7,713)
Transportation	856,701	317,695
Environmental protection	203,760	230,271
Economic and physical development	1,317,996	2,313,529
Human services	12,270,726	12,311,808
Workforce development	1,056,871	1,005,201
Interest	<u>5,253</u>	<u>1,721</u>
Total expenses	<u>15,906,769</u>	<u>16,172,512</u>
Decrease in net position	(29,313)	(210,978)
Beginning net position	<u>(510,246)</u>	<u>(299,268)</u>
Ending net position	<u>\$ (539,559)</u>	<u>\$ (510,246)</u>

Governmental activities accounted for Centralina's decrease in net position. The change in ending net position is due in most part to changes in contributions and expenses related to the pension plan.

Financial Analysis of Centralina's Funds

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

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

The General Fund is the chief operating fund of Centralina. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$(514,169), while total fund balance amounted to \$181,519. 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 3% 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

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

that are used to prepare the original budget ordinance once exact information is available; (2) amendments made to recognize new funding amounts from external sources, such as federal and state grants; and (3) increases in appropriations that become necessary to maintain services.

Capital Assets

Centralina's investment in capital assets for its governmental activities as of June 30, 2016 totals \$80,682 (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, 2017

An overall framework was developed to guide budget development and address the significant financial challenges facing Centralina. In summary, actions initiated in FYE 2016 will continue including increased revenues, expense control and rigorous pre-audit monitoring to assure budget targets are met. That specific framework includes the following:

- Increasing revenue by requesting direct payment of the match required from core Area Agency on Aging programs provided to member counties (\$150,000).
- Increasing revenue by basing dues payment on updated (2015) population estimates (\$17,000 increase over using the 2010 census data).
- Increased efforts to secure contracts earlier in the fiscal year to support revenue targets.
- Increased attention to recovering overhead costs through indirect cost payments from federal programs and updating Indirect Cost Recovery Plan to reflect these costs more accurately.
- Implementing disciplined budget and project management systems including "pre-audit" procedures to assure program cost recovery, project deliverables, proper and timely invoicing.
- Strategic and disciplined utilization of member dues to balance department budgets.
- Preparing to relocate offices with a focus on significantly reducing occupancy costs.
- Alternate office space has been identified which would reduce occupancy costs by approximately \$100,000 annually. While this saving would not be fully appreciated in the current year, steps taken now will provide the foundation for partial year savings in future years. Current lease will terminate on January 31, 2017.
- Increased efforts to obtain private and foundation funding as well as competitive government grants for Centralina core initiatives.
- Expansion of services and programs that match our organization mission with full cost recovery. This will help us distribute our fixed costs.
- Aggressive efforts to reduce health care costs including change of providers.

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

The Budget for fiscal year ending June 30, 2017 (FY17) was prepared with a focus on diversification of services and revenues. Because Federal and State programs that provide a substantial base for the operations for Workforce Development and Area Agency on Aging were not finalized at the beginning of our fiscal year, the range of anticipated changes was reasonably accommodated. With the indeterminate implications of

Centralina Council of Governments Management's Discussion and Analysis

legislation at the federal, state and local level, the organization initiated efforts to expand services and programs as it moves forward. With a strategic focus on improving quality of life, growing the economy and jobs, and controlling the cost of government, Centralina plans to embark on several initiatives to address the workforce, changing demographics, transportation, water quality, air quality, and economic development issues on a regional scale. These efforts will be undertaken within the context of rebuilding fund balance so the organization can pursue specifically identified Board initiatives. Efforts also include development of foundation and private sector fundraising.

For FY17, the Centralina Workforce Development Board (WDB) will focus its energies and resources on specific goals and strategies/actions that will drive the Board's future work direction. These include the following:

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

Centralina Council of Governments Management's Discussion and Analysis

During FY17 Centralina Area Agency on Aging (CAAA) will work on the following initiatives:

- Develop consistent process for billing Medicare under Part B benefits for Diabetes Self-Management Training (DSMT). CAAA will bill for at least 4 workshops this year along with required accompanying Nutrition Therapy Counseling.
- Expand Stanford University suite of Chronic Disease Self-Management Programs (CDSMP) by adding Chronic Pain Self-Management. CAAA will have 2 Master Trainers certified and train at least 15 leaders. We will conduct 4 CDSMP workshops in the community.
- CAAA will also increase our offering of Spanish Language Chronic Disease Self-Management Programs by expanding the number of programs in those counties with the highest concentration of Hispanic population.
- CAAA will continue to grow the Centralina Volunteer Transportation Service (VTS). VTS will continue to recruit and train volunteers, riders, and partnerships.
- Maintain a current and updated CAAA website as well as increase Twitter and Facebook postings.
- Hold the 2016 Annual CAA Aging Conference "Aging for the Future" on September 23, 2016.
- Conduct at least 6 other education events in the community including the Second Nutrition Summit in May 2017.
- Expand opportunities to diversify funding and increase revenue such as applying for additional grants, seeking private pay opportunities for services such as HomeMeds, and partnerships and sponsors to assist in costs for conferences and evidenced-based health programs.
- Develop and expand offerings to agencies, business, and governmental entities for training on services such as the Aging Communications and Sensitivity Training, Aging Business Certification, and Senior Friendly Certification.
- Continue to seek ongoing partnership with Arthritis Services (AS), a non-profit organization serving Mecklenburg Count for over 35 years. AS is hoping to become a part of CCOG services in a relationship similar to VTS.
- Potential expansion of the Family Caregiver Support Program through Project CARE which provides respite care to caregivers of Alzheimer's and related dementia family members and friends.

The Community and Economic Development Department (CED) will continue to implement and expand its local and regional activities in FY17, and provide integral economic component support to Centralina departments on a number of comprehensive regional project efforts during the coming year in collaboration with Centralina Economic Development Commission.

Anticipated focus and activities include the following:

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

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

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

The Planning Department will continue to implement and expand its local and regional planning activities in FY 17 and will be heavily involved in a number of regional initiatives during the coming year. Primary activities include the following:

- Develop the region's first Regional Freight Plan that will be incorporated into transportation planning organization long range plans. Coordinate MPO and RPO participation and develop links to economic development. Plan completion expected December 15, 2016.
- Administer the Centralina Mobility Management Agency and a volunteer transportation program for the region and seek to expand funding and services into urbanized areas.
- Develop a Healthy Communities project center to include an annual conference and health-related technical assistance to communities. Develop staff and regional capacity in health impact assessments, health in all policies, active transportation, and access to healthy food initiatives.
- Build regional capacity around scenario planning and use of CommunityViz to provide a link between transportation and land use planning. Coordinate MPO and RPO participation in developing a replicable, consistent, and documented process for allocating future population and employment projections.
- Provide public engagement services for local governments to support initiatives and planning efforts on the local level.
- Enhance existing and develop new services to meet local government needs, based on input received and data and tools created during the CONNECT Our Future project.
- Continue to staff and coordinate the Regional Conference of Mayors and Regional Planner meetings and programs.
- Provide professional development, networking, and training opportunities for local government staff based on identified needs.
- Continue the agency's efforts to reduce dependence on petroleum through the US Department of Energy's Clean Cities Program, which is locally represented by the Centralina Clean Fuels Coalition.
- Continue to provide solid waste planning services and further seek opportunities to provide education and networking opportunities for regional solid waste officials as topics and needs emerge around recycling, composting, and multi-jurisdictional collaboration.
- Provide local government technical assistance for facilitation, board retreats, process analysis, and LEAN continuous improvement.
- Seek opportunities to address the most pressing water resource issues in our region through strategic partnerships and conversations with the multijurisdictional organizations that have an interest in this topic.
- Continue to serve as staff to the Lake Wylie Marine Commission.

Centralina Council of Governments Management's Discussion and Analysis

- Centralina Council of Governments will move to implementation of programs developed within the context of CONNECT Our Future which was completed in FY15. This nationally recognized initiative produced a Regional Growth Framework along with over 60 best practice tools that have all been incorporated into an on-line toolkit.
- Develop, market, and implement technical services aligned with the CONNECT strategies including Community-Based Housing Strategy (Mooresville), Key Financial Strategies (Waxhaw), Downtown Development Services (Statesville, Bessemer City, and Salisbury), Healthy Communities (NC Chapter of the American Planning Association, Mecklenburg County).
- Continue with various technical studies undertaken with the CONNECT Our Future Workgroups.
- Align the technical reports produced with the Preferred Growth Scenario.
- Continue to work with our member communities to ensure CONNECT Our Future accurately reflects the values embedded within each community and that communities have resources to implement the vision achieved through CONNECT.
- Continue and expand outreach to increase the CONNECT Consortium membership.
- Participate in other capacity building trainings/workshops targeted specifically for initiatives like CONNECT.
- Seek funding to transition CONNECT into implementation phase and align CONENCT vision with other region-wide planning initiatives.

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

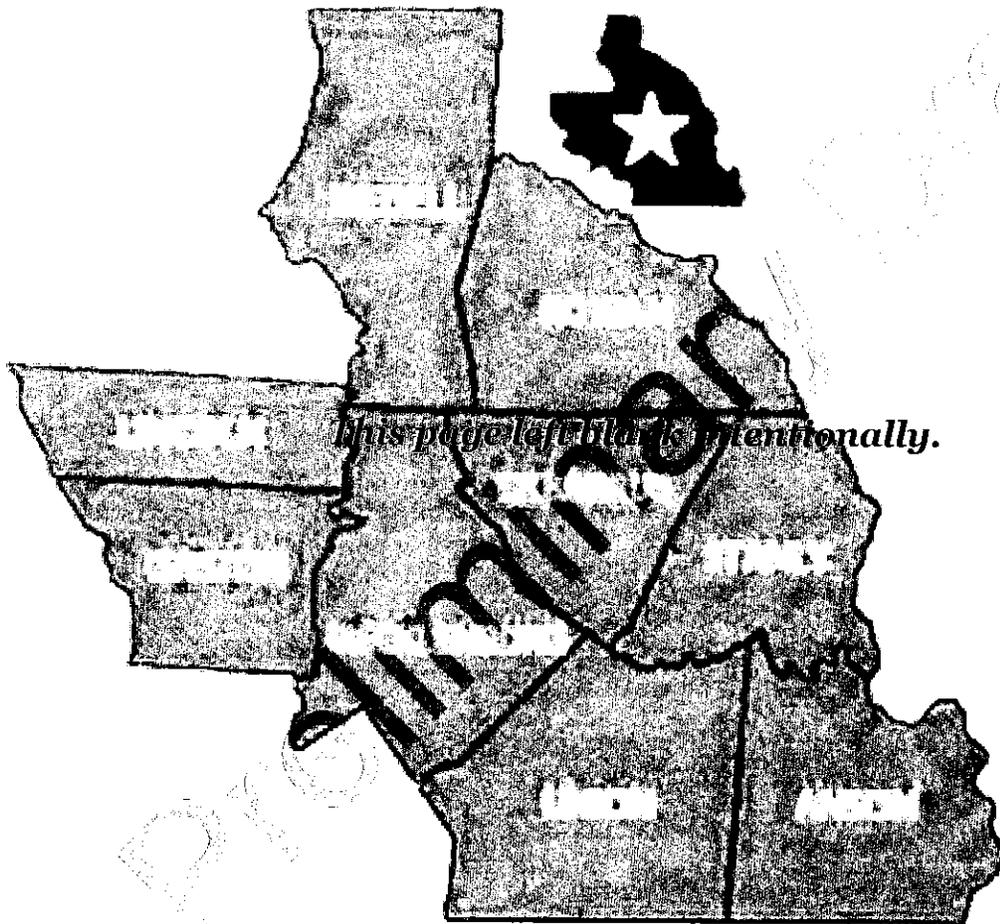
Request for Information

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

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

Preliminary Draft

Basic Financial Statements



Preliminary Draft

Government-Wide Financial Statements

Centralina Council of Governments
Statement of Net Position
June 30, 2016

	<u>Primary Government</u>	<u>Component Unit</u>
	<u>Governmental Activities</u>	<u>Workforce Development Consortium</u>
ASSETS		
Current assets:		
Cash and investments	\$ 390,310	\$ -
Receivables, net	97,959	-
Due from primary government		7,993
Due from other governments	1,088,462	850,417
Prepayments	33,101	-
	<u>1,609,832</u>	<u>858,410</u>
Total current assets		
	1,609,832	858,410
Noncurrent assets:		
Capital assets:		
Equipment, net of depreciation	80,682	-
	<u>80,682</u>	<u>-</u>
Total assets	<u>1,690,514</u>	<u>858,410</u>
DEFERRED OUTFLOWS OF RESOURCES		
Contributions to pension plan in current fiscal year	183,489	-
	<u>183,489</u>	<u>-</u>

	Primary Government	Component Unit
	Governmental Activities	Workforce Development Consortium
LIABILITIES		
Current liabilities:		
Accounts and grants payable	\$ 1,139,135	\$ 562,275
Accrued liabilities	124,620	-
Due to component unit	7,993	-
Total current liabilities	1,271,748	562,275
Noncurrent liabilities:		
Net pension liability	175,523	-
Current portion of long-term obligations	289,419	-
Noncurrent portion of long term obligations	447,416	-
Unearned revenue	102,195	296,135
	1,014,553	296,135
Total liabilities	2,286,301	858,410
DEFERRED INFLOWS OF RESOURCES		
Deferred membership dues	54,370	-
Pension deferrals	72,891	-
Total deferred inflows of resources	127,261	-
NET POSITION		
Net investment in capital assets	40,423	-
Restricted:		
Stabilization by State Statute	662,587	-
Unrestricted	(1,242,569)	-
Total net position	\$ (539,559)	\$ -

**Centralina Council of Governments
Statement of Activities
Year Ended June 30, 2016**

Functions / Programs	Expenses	Indirect Expenses Allocation
Primary government:		
Governmental activities:		
General government	\$ 1,841,756	\$ (1,641,041)
Transportation	695,659	161,042
Environmental protection	128,005	75,755
Economic and physical development	920,957	397,039
Human services	11,576,047	- 694,679
Workforce development	744,345	312,526
Total primary government	<u>\$ 15,906,769</u>	<u>\$ -</u>
Component unit:		
Workforce development Consortium	<u>\$ 5,234,655</u>	
Total component unit	<u>\$ 5,234,655</u>	

DRAFT

Charges for Services	Operating Grants and Contributions	Governmental Activities	Workforce Development Consortium
\$ 127,383	\$ -	\$ (73,332)	\$ -
-	742,354	(114,347)	-
-	120,658	(83,102)	-
8,630	807,093	(502,273)	-
301,738	11,951,059	(17,929)	-
10,737	1,056,871	10,737	-
<u>\$ 448,488</u>	<u>\$ 14,678,035</u>	<u>(780,246)</u>	<u>-</u>
\$ -	\$ 5,234,655	-	-
<u>\$ -</u>	<u>\$ 5,234,655</u>	<u>-</u>	<u>-</u>
General revenues:			
Member dues and contributions		745,274	-
Unrestricted investment earnings		392	-
Miscellaneous, unrestricted		5,267	-
Total general revenues		<u>750,933</u>	<u>-</u>
Change in net position		(29,313)	-
Net position - beginning		<u>(510,246)</u>	<u>-</u>
Net position - ending		<u>\$ (539,559)</u>	<u>\$ -</u>

Preliminary Draft

Fund Financial Statements

Centralina Council of Governments
 Balance Sheet
 Governmental Funds
 June 30, 2016

Exhibit C
 (2 pages)

	Major Funds		Total Governmental Funds
	General	Special Revenue Fund	
ASSETS			
Cash and investments	\$ 389,884	\$ 426	\$ 390,310
Receivables	97,959	-	97,959
Due from other governments	564,628	523,834	1,088,462
Prepayments	33,101	-	33,101
Total assets	<u>\$ 1,085,572</u>	<u>\$ 524,260</u>	<u>\$ 1,609,832</u>
LIABILITIES			
Accounts and grants payable	615,301	523,834	1,139,135
Accrued liabilities	124,620	-	124,620
Due to component unit	7,993	-	7,993
Unearned revenue	101,769	426	102,195
Total liabilities	<u>849,683</u>	<u>524,260</u>	<u>1,373,943</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred membership dues	54,370	-	54,370
Total deferred inflows of resources	<u>54,370</u>	<u>-</u>	<u>54,370</u>
FUND BALANCES			
Nonspendable:			
Prepayments	33,101	-	33,101
Restricted:			
Stabilization by state statute	662,587	-	662,587
Unassigned	(514,169)	-	(514,169)
Total fund balances	<u>181,519</u>	<u>-</u>	<u>181,519</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,085,572</u>	<u>\$ 524,260</u>	<u>\$ 1,609,832</u>

**Reconciliation of the Balance Sheet - Governmental Funds to the Statement
of Net Position**

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

Ending fund balance - governmental funds	\$ 181,519
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	80,682
Net pension liability	(175,523)
Contributions to the pension plan in the current fiscal year are deferred outflows of resources on the Statement of Net Position	183,489
Some liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Obligations under capital lease	(40,259)
Net OPEB obligation	(73,338)
Accrued vacation and sick leave	(395,924)
Accrued rent	(129,872)
Other long-term liability	(97,442)
Pension-related deferrals	(72,891)
	<u> </u>
Net position of governmental activities	<u>\$ (539,559)</u>

Centralina Council of Governments
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2016

Exhibit D
(2 pages)

	Major Funds		Total Governmental Funds
	General	Special Revenue Fund	
Revenues:			
Restricted intergovernmental revenues	\$ 3,930,593	\$ 9,737,319	\$ 13,667,912
Technical assistance contracts	450,660	-	450,660
Contracts and fees	18,000	-	18,000
Other program revenue	777,455	-	777,455
Interest and other	218,155	-	218,155
Member dues and contributions	745,274	-	745,274
Total revenues	6,140,137	9,737,319	15,877,456
Expenditures:			
Current:			
General government	120,344	-	120,344
Transportation	856,701	-	856,701
Environmental protection	203,760	-	203,760
Economic and physical development	1,317,996	-	1,317,996
Human services	2,533,497	9,737,319	12,270,726
Workforce development	1,056,871	-	1,056,871
Total expenditures	6,089,079	9,737,319	15,826,398
Net change in fund balance	51,058	-	51,058
Fund balances - July 1	130,461	-	130,461
Fund balances - June 30	<u>\$ 181,519</u>	<u>\$ -</u>	<u>\$ 181,519</u>

**Centralina Council of Governments
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2016**

**Exhibit D
(2 pages)**

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

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

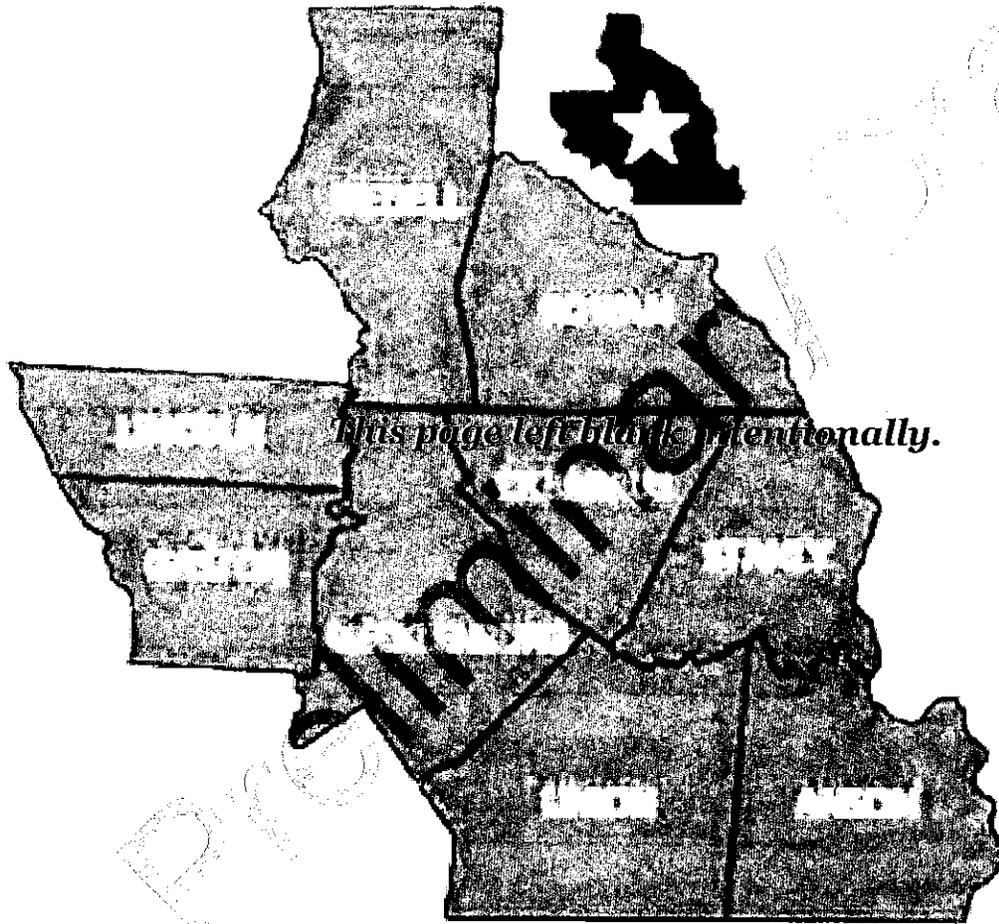
Net change in fund balances - total governmental funds.	\$ 51,058
Governmental funds report capital outlays as expenditures; however, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeds capital outlays in the current period.	(27,356)
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	165,152
The recording of the annual required contribution for Other Post-Employment Benefits.	(13,962)
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.	54,092
Pension expense	(101,722)
The recording of the net adjustment to the obligation for compensated absences.	(71,006)
Litigation resolution	(97,442)
The incurrence of capital lease obligations provides current financial resources to governmental funds, while the repayment of the principal of capital lease obligations consumes the current financial resources of governmental funds. Neither transaction has any effect on net assets. This is the amount by which principal payments made under capital lease obligations exceed capital lease obligations incurred.	11,873
Change in net assets of governmental activities	<u>\$ (29,313)</u>

Centralina Council of Governments
Statement of Revenues, Expenditures and Changes in Fund Balance
Annual Budget and Actual - General Fund
Year Ended June 30, 2016

Exhibit E

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Restricted intergovernmental revenues	\$ 3,589,535	\$ 4,339,610	\$ 3,930,593	\$ (409,017)
Technical assistance contracts	421,943	514,614	450,660	(63,954)
Contracts and fees	19,947	-	18,000	18,000
Other program revenue	252,224	728,618	777,455	48,837
Interest and other	53,000	398,315	218,155	(180,160)
Member dues and contributions	726,252	745,274	745,274	-
Total revenues	5,062,901	6,726,431	6,140,137	(586,294)
Expenditures				
Current:				
General government:				
Board, executive committee and committees	232,123	145,842	133,766	12,076
Management and business operations	1,477,238	1,670,816	1,526,695	144,121
Information technology and data service	219,456	109,701	100,924	8,777
Indirect costs representation	(1,791,258)	(1,873,139)	(1,641,041)	(232,092)
Total general government	137,559	53,226	120,344	(67,118)
Transportation:				
Planning assistance and administration	433,260	963,648	856,701	106,947
Total transportation	433,260	963,648	856,701	106,947
Environmental protection:				
Planning assistance and administration	107,226	238,485	203,760	34,725
Total environmental protection	107,226	238,485	203,760	34,725
Economic and physical development:				
Planning assistance and administration	370,855	824,843	663,092	161,751
Economic program initiative	590,349	697,453	654,904	42,549
Total economic and physical development	961,204	1,522,296	1,317,996	204,300
Human services:				
Area agency on aging	1,968,303	2,630,225	2,533,407	96,818
Workforce development	1,455,349	1,318,551	1,056,871	261,680
Total expenditures	5,062,901	6,726,431	6,089,079	637,352
Revenues over expenditures	\$ -	\$ -	51,058	\$ 51,058
Fund balance - July 1			130,461	
Fund balance - June 30			\$ 181,519	

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



Notes to Financial Statements

1. Summary of Significant Accounting Policies

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

Reporting entity

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

Centralina Workforce Development Consortium

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

Centralina Foundation, Inc.

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

Centralina Economic Development Commission, Inc.

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

Centralina 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

**Centralina Council of Governments
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adults, persons with disabilities and veterans, and to provide access to resources in the community through collaborating with existing agents. Centralina Connection does not issue separate financial statements.

Basis of presentation

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

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

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

The Council reports the following major governmental funds:

General Fund

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

Special Revenue Fund

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

Measurement focus and basis of accounting

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

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

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

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,

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except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

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

Budgetary data

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

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

Allocation of indirect costs

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

Use of estimates

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

Deposits and investments

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

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

The Council's investments are reported at amortized cost or at fair value determined by either quoted market prices or a matrix pricing model. Bank deposits and the NCCMT are measured at amortized cost, which is the

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NCCMT's share price. The securities of the NCCMT Cash Portfolio, a SEC-registered (2a7) money market mutual fund.

Allowances for doubtful accounts

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

Prepayments

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

Capital assets

Capital assets are defined by the Council as assets with an initial, individual cost greater than or equal to \$5,000 and an estimated useful life in excess of two years. Purchased or constructed capital assets are reported at cost. Donated capital assets received prior to June 15, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend assets lives are not capitalized.

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Furniture and equipment	10 years
Vehicles	5 years
Computer equipment and software	3-5 years

Long-term obligations

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

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

Compensated absences

The vacation policy of the Council provides for the accumulation of earned vacation leave up to maximum amount of 504 hours. The Council's sick leave policy provides for an unlimited accumulation of earned sick leave. Upon termination of employment, employees may elect to receive payment for up to one-third of earned sick leave, not to exceed 15 days of pay.

Deferred outflows/inflows of resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. The separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Council has one item that meets the criterion for this category, contributions made to the pension plan in the 2016 fiscal year. In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be

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recognized as revenue until then. The Council has two items that meet the criterion for this category, deferred membership dues which represent revenue that will be available for use during the next fiscal year and deferrals of pension expense that result from the implementation of GASB Statement 68.

Net position/fund balances

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

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

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

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

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

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

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

The General Fund's fund balance was \$181,579 at June 30, 2016, all of which was restricted leaving nothing available for appropriation.

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

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

Pensions

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

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Benefits and refunds are recognized when due and payable in accordance with the terms of LGERS. Investments are reported at fair value.

Reclassifications

Certain accounts previously reported in the Council's 2015 financial statements have been reclassified to conform to the 2016 presentation. Such reclassifications had no effect on net position.

2. Stewardship, Compliance and Accountability

Deficit in net position

At June 30, 2016 the Council had a deficit in net position of \$539,559 due to full accrual adjustments to record non-current liabilities in excess of non-current assets. In order to eliminate this deficit the Executive Management, Staff, and Council have implemented a plan to reduce fixed expenses and increase revenue streams through diversification.

3. Deposits

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

At June 30, 2016, the Council's deposits had a carrying amount of \$389,461 and a bank balance of \$1,435,674. Of the bank balance, \$250,000 was covered by federal depository insurance; any amounts in excess of \$250,000 were covered by collateral held under the Pooling Method.

4. Investments

At June 30, 2016, the Council's investments consisted of \$849 in the North Carolina Capital Management Trust's Cash Portfolio, which carried a credit rating of AAAM by Standard and Poor's. The cash portfolio has no maturity value and is measured at amortized cost. The Council has no policy on credit risk.

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5. Receivables

Receivables at the government-wide level consisted of the following at June 30, 2016:

	<u>Due from Other Governments</u>	<u>Other</u>
Governmental activities:		
General	\$ 564,628	\$ 97,959
Special revenue	523,834	-
	<u>\$ 1,088,462</u>	<u>\$ 97,959</u>
Component unit:		
Workforce Development Consortium	<u>\$ 850,417</u>	<u>\$ -</u>

Due from other governments consisted of the following at June 30, 2016:

	<u>Governmental Activities</u>	<u>Workforce Development Consortium</u>
Receivables under expenditure-driven grants	\$ 740,749	\$ 850,417
Technical assistance contracts	113,932	-
General government	233,781	-
	<u>\$ 1,088,462</u>	<u>\$ 850,417</u>

6. Capital Assets

The following is a summary of capital asset activity for the year ended June 30, 2016:

	<u>Balance July 1, 2015</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance, June 30, 2016</u>
Capital assets being depreciated				
Furniture, fixtures and equipment, and leasehold improvements	\$ 781,631	\$ 15,713	\$ -	\$ 797,344
Less accumulated depreciation	<u>673,593</u>	<u>43,069</u>	<u>-</u>	<u>716,662</u>
Governmental activities capital assets, net	<u>\$ 108,038</u>	<u>\$ (27,356)</u>	<u>\$ -</u>	<u>\$ 80,682</u>

Depreciation expense was charged to indirect cost in the amount of \$43,069.

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7. Accounts and Grants Payable

Accounts and grants payable at the government-wide level consisted of the following at June 30, 2016:

	<u>Vendors</u>	<u>Subrecipients</u>	<u>Total</u>
Governmental activities:			
General	\$ 615,301	\$ -	\$ 615,301
Special revenue	-	523,834	523,834
	<u>\$ 615,301</u>	<u>\$ 523,834</u>	<u>\$ 1,139,135</u>
Workforce Development Consortium	\$ -	\$ 562,275	\$ 562,275

8. Accrued Liabilities

Accrued liabilities for governmental activities and the General Fund at June 30, 2016 consisted of accrued salaries and salary related accounts in the amount of \$124,620.

9. Pension Plan Obligations

Local governmental employees' retirement system

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

Benefits provided. LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service. Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age (15 years of creditable service for firefighters and rescue squad members who are killed in the line of duty) or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the

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member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Council employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. Centralina's contractually required contribution rate for the year ended June 30, 2016, was 7.07% for general employees, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from Centralina were \$165,152 for the year ended June 30, 2016.

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

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

At June 30, 2016, the Council reported a liability of \$175,523 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014. The total pension liability was then rolled forward to the measurement date of June 30, 2015 utilizing update procedures incorporating the actuarial assumptions. The Council's proportion of the net pension asset was based on a projection of the Council's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2015, the Council's proportion was 0.039%, which was a decrease of 0.001% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the Council recognized pension expense of \$105,046. At June 30, 2016, the Council reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 41,257
Net difference between projected and actual earnings on pension plan investments	-	31,634
Changes in proportion and differences between Council contributions and proportionate share of contributions	18,337	-
Town contributions subsequent to the measurement date	<u>165,152</u>	<u>-</u>
Total	<u>\$ 183,489</u>	<u>\$ 72,891</u>

\$165,152 reported as deferred outflows of resources related to pensions resulting from Council contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

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**Year Ended
June 30:**

2017	\$ (52,422)
2018	(52,422)
2019	(52,405)
2020	<u>84,358</u>
Total	<u>\$ (72,891)</u>

Actuarial assumptions. The total pension liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The actuarial assumptions used in the December 31, 2014 valuation were based on the results of an actuarial experience study for the period January 1, 2005 through December 31, 2009.

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed income	29.0%	2.2%
Global equity	42.0%	5.8%
Real estate	8.0%	5.2%
Alternatives	8.0%	9.8%
Credit	7.0%	6.8%
Inflation protection	<u>6.0%</u>	3.4%
Total	<u>100.0%</u>	

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The information above is based on 30 year expectations developed with the consulting actuary for the 2014 asset liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

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

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

	1% Decrease (6.25%)	Discount Rate (7.25%)	1% Increase (8.25%)
Council's proportionate share of the net pension liability (asset)	\$ 1,223,946	\$ 175,523	\$ (707,750)

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

10. Supplemental Retirement Income Plan

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

Funding policy. The Council contributes each month 3.0% of each employee's salary. All amounts contributed are vested immediately. Also, employees may make voluntary contributions to the SRI Plan. Contributions from employees and the Council for the years ended June 30, 2015 amounted to \$86,235 and \$77,481, respectively.

11. Deferred Compensation Plan

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

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Funding policy. The Council does not contribute to the plan, but submits contributions on behalf of employees through payroll deductions. Contributions from employees for the year ended June 30, 2015 amounted to \$28,321.

12. Postemployment Healthcare Benefits

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

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

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

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

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

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

The Council obtains healthcare coverage through United Healthcare and Aetna. Dental and vision coverage are covered through the Municipal Insurance Trust administered by the North Carolina League of Municipalities. Currently, three retirees are eligible for postretirement healthcare benefits.

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

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

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

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The current ARC rate is 1.34% of annual covered payroll. The Council contributed \$22,123 to the HCB Plan for the year ended June 30, 2016. 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	\$ 35,979
Interest on net OPEB obligation	2,375
Adjustment to annual required contribution	<u>(2,269)</u>
Annual OPEB cost (expense)	36,085
Contributions made	<u>(22,123)</u>
Increase in net OPEB obligation	13,962
Net OPEB obligation, beginning of year	<u>59,376</u>
Net OPEB obligation, end of year	<u>\$ 73,338</u>

The Council's annual OPEB cost, the percentage of annual OPEB cost contributed to the HCB Plan, and the net OPEB obligation for the years ended June 30, 2016, 2015 and 2014 were as follows:

<u>Year Ended June 30</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2016	\$ 36,085	61%	\$ 73,338
2015	\$ 36,060	61%	\$ 59,376
2014	\$ 38,753	61%	\$ 45,344

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

Centralina Council of Governments
Notes to Financial Statements

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

13. Deferred Outflows/Inflows of Resources

Deferred outflows of resources is comprised solely of contributions to the pension plan in the current fiscal year in the amount of \$183,489.

The following is a summary of deferred inflows of resources at June 30, 2016:

	<u>Governmental Activities</u>	<u>Workforce Development Consortium</u>
Deferred membership dues:		
Centralina economic development commission	\$ 21,000	\$ -
General government	33,370	-
Pension deferrals	<u>72,891</u>	<u>-</u>
	<u>\$ 127,261</u>	<u>\$ -</u>

14. Risk Management

The Council is exposed to various risks of losses related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Council also purchases general, auto, public officials and employment practices liability coverage of \$2 million per occurrence, auto physical damage coverage for owned autos at actual cash value and crime coverage of \$250,000 per occurrence.

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

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

Centralina Council of Governments
Notes to Financial Statements

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

15. Long-Term Obligations

Capital leases

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

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

The following is a summary of assets recorded under capital leases at June 30, 2016:

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Copier	30,000	16,000	14,000
Copier	35,679	14,272	21,407
	<u>\$ 65,679</u>	<u>\$ 30,272</u>	<u>\$ 35,407</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2016 were as follows:

<u>Year Ending June 30,</u>	
2017	\$ 17,128
2018	17,128
2019	11,571
2020	<u>1,620</u>
Total minimum lease payments	47,447
Less: amount representing interest	<u>(7,188)</u>
Present value of minimum lease payments	<u>\$ 40,259</u>

Centralina Council of Governments
Notes to Financial Statements

Changes in long-term liabilities

	<u>Balance July 1, 2015</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2016</u>	<u>Current Portion of Balance</u>
Governmental activities:					
Capitalized leases	\$ 52,132	\$ -	\$ 11,873	\$ 40,259	\$ 13,224
Accrued vacation And sick leave	324,918	287,954	216,948	395,924	216,948
Accrued rent	183,964	-	54,092	129,872	54,247
Other postemployment healthcare benefits	59,376	36,085	22,123	73,338	-
Other liabilities	-	97,442	-	97,442	5,000
	<u>\$ 620,390</u>	<u>\$ 421,481</u>	<u>\$ 305,036</u>	<u>\$ 736,835</u>	<u>\$ 289,419</u>

16. Operating Leases

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

As of June 30, 2016 the Council leased approximately 16,000 square feet of office space under an operating lease with an eight-year term ending May 2018. This lease agreement provided for monthly rental payments of \$25,126 during the first year of the lease with an increase of 3% each year thereafter. The agreement included twelve months of rent abatement that occurred at various times through the calendar year 2013. Subsequent to year end the Council entered into an agreement to terminate this lease effective January 31, 2017 and entered into a new operating lease for a separate property. The new operating lease requires monthly rental payments of \$23,648 in the first year of the lease with an increase of 3% each year thereafter. Future minimum lease payments through the end of these lease agreements are:

<u>Year Ending June 30,</u>	<u>Office Space</u>
2017	\$ 280,958
2018	285,909
2019	298,871
2020	307,837
2021	317,072
Thereafter	244,337
Total	<u>\$ 1,734,984</u>

Total rental expenditures for all operating leases except those with terms of one month or less amounted to \$355,840 for the year ended June 30, 2016.

17. Interfund Balances and Activity

The following is a summary of balances due to/from primary government and component unit as of June 30, 2016:

<u>Fund</u>	<u>Receivable</u>	<u>Payable</u>
Primary government:		
General Fund	\$	\$ 7,993
Component unit:		
Workforce Development Consortium	7,993	-
	<u>\$ 7,993</u>	<u>\$ 7,993</u>

18. Transactions with Component Unit

The Consortium focuses on developing a strong, trained, and effective workforce in its seven-county area. The Council provides administrative functions to the Consortium under an agreement. The Consortium reported expenses of \$1,056,871 and the Council reported revenues in the General Fund of the same amount for the year ended June 30, 2016.

19. Summary Disclosure of Significant Contingencies

Federal and state-assisted programs

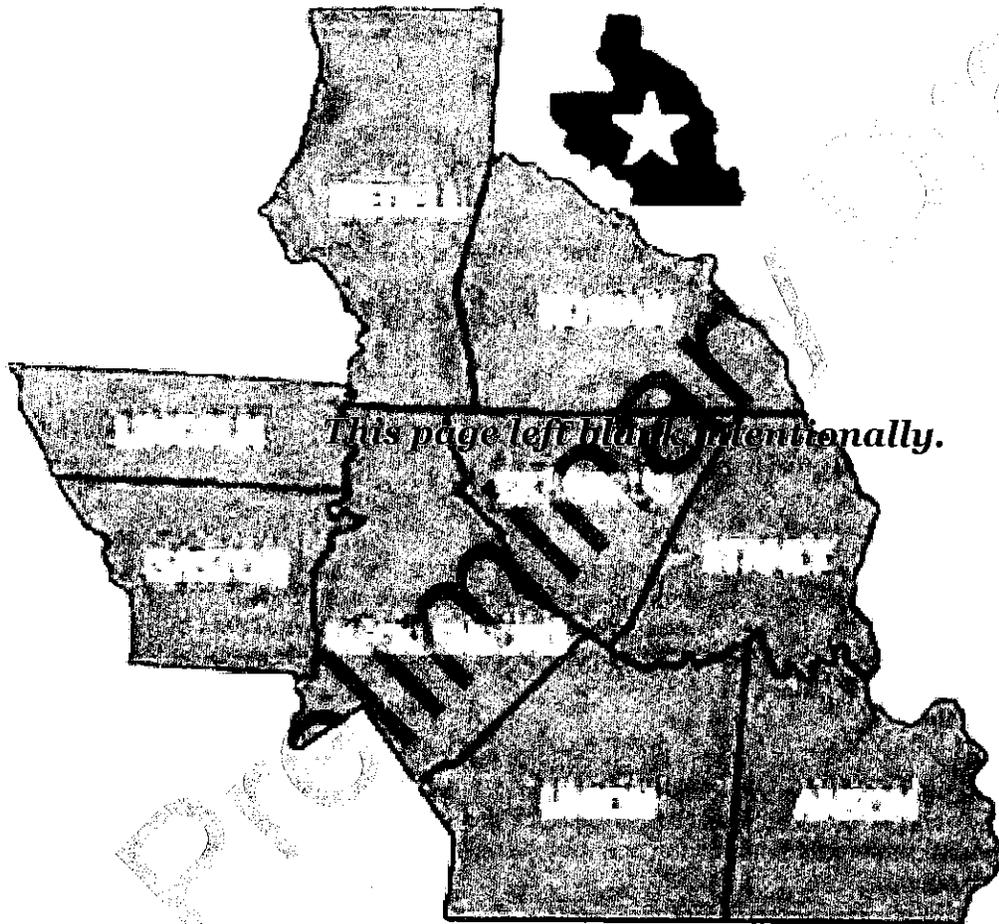
The Council has received proceeds from several federal and state grants. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant monies to the grantor agencies. Management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

Subcontractors

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

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

For the year ended June 30, 2016, agency costs of various amounts were disbursed for which the audits have not been received. Based on prior experience, management believes that the Council will not incur significant losses from possible grant disallowances.



Required Supplementary Financial Data

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

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

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

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

Schedule of Funding Progress

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

Schedule of Employer Contributions

Year Ended June 30,	Annual Required Contribution	Percentage Contributed
2013	38,753	67.8%
2014	38,753	61.5%
2015	35,979	61.2%
2016	35,979	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	12/31/2014
Actuarial cost method	Projected unit credit
Amortization method	Level percentage of pay, open
Remaining amortization period	30 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return*	4.0%
Medical cost trend rate*	None
*Includes inflation at	3%
Cost-of-living adjustments	None

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Centralina's proportion of the net pension liability (asset) (%)	0.0410%	0.0410%	0.0410%
Centralina's proportion of the net pension liability (asset) (\$)	\$ 175,523	\$ (240,911)	\$ 490,591
Centralina's covered-employee payroll	2,476,046	2,532,892	2,580,938
Centralina's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	7.09%	9.51%	19.01%
Plan fiduciary net position as a percentage of the total pension liability	98.09%	102.64%	94.35%

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

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

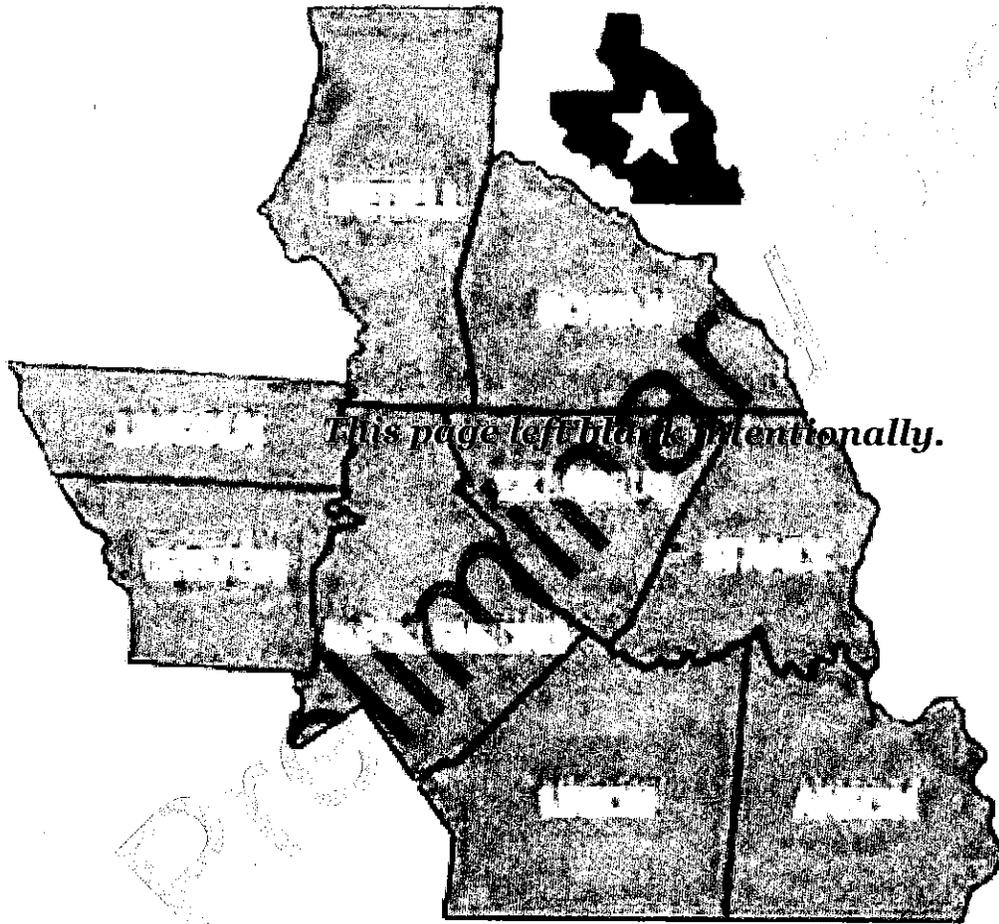
	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 165,153	\$ 181,071	\$ 182,472
Contributions in relation to the contractually required contribution	<u>165,153</u>	<u>181,071</u>	<u>182,472</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Centralina's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

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

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Individual Fund Statements and Schedules



General Fund

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**Centralina Council of Governments
 Comparative Balance Sheets
 General Fund
 June 30, 2016
 With Comparative Totals for June 30, 2015**

Schedule 1

	<u>2016</u>	<u>2015</u>
ASSETS		
Cash and investments	\$ 389,884	\$ 337,894
Receivables	97,959	8,474
Due from other governments	564,628	587,397
Prepayments	33,101	2,477
Total assets	<u>\$ 1,085,572</u>	<u>\$ 936,242</u>
LIABILITIES		
Accounts and grants payable	\$ 615,301	\$ 245,777
Accrued liabilities	124,620	139,097
Due to component unit	7,993	206,281
Unearned revenue	101,769	155,747
Total liabilities	<u>849,683</u>	<u>746,902</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred membership dues	54,370	58,879
Total deferred inflows of resources	<u>54,370</u>	<u>58,879</u>
FUND BALANCE		
Nonspendable:		
Prepayments	33,101	2,477
Restricted:		
Stabilization by State Statute	662,587	595,871
Unassigned	(514,169)	(467,887)
Total fund balance	<u>181,519</u>	<u>130,461</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 1,085,572</u>	<u>\$ 936,242</u>

**Centralina Council of Governments
 Computation of Indirect Cost Allocation Rate
 Indirect Cost Center
 General Fund
 Year Ended June 30, 2016**

**Schedule 2
 (2 pages)**

Personal expenditures	
Salaries	\$ 581,195
Fringe benefits	314,090
	<u>895,285</u>
Operating expenditures	
Audit	77,000
Auto expenditures	12,940
Bank service charges	13,806
Consultants	860
Contracted services	185,159
Equipment leases	34,073
Fleet maintenance	11,340
Insurance	41,107
Computers and software	3,271
Legal	28,398
Meeting related expenditures	38,015
Memberships and dues	20,214
Miscellaneous	2,781
Postage	7,428
Printing and publications	7,892
Repairs and maintenance	10,952
Rent	352,981
Retiree health costs	22,170
Supplies	14,943
Telephone	17,605
Training	1,025
Transportation and parking	870
Travel	24,293
	<u>929,123</u>
Total indirect costs - unadjusted	1,824,408
Adjustment for depreciation expense	43,069
Total indirect costs - adjusted for depreciation expense	<u>\$ 1,867,477</u>
Total personnel expenditures	\$ 3,449,296
Less personnel expenditures in indirect cost pool	<u>895,285</u>
Total personnel expenditures earning indirect costs	<u>\$ 2,554,011</u>

**Centralina Council of Governments
 Computation of Indirect Cost Allocation Rate
 Indirect Cost Center
 General Fund
 Year Ended June 30, 2016**

**Schedule 2
 (2 pages)**

	<u>Adjusted</u>
Allocation rate computation:	
Indirect costs	\$ 1,867,477
Divided by personnel expenditures earning indirect costs	<u>2,554,011</u>
Allocation rate - as computed	<u>73%</u>
Indirect costs compared to provisional indirect amount:	
Personnel expenditures earning indirect costs	\$ 2,554,011
Personnel expenditures earning indirect costs July - April	\$ 2,058,210
Provisional rate	<u>64%</u>
Provisional indirect amount July - April	1,317,254
Personnel expenditures earning indirect costs May - June	\$ 467,613
Federally approved rate	<u>68.37%</u>
Federally approved amount May - June	319,707
Personnel expenditures earning indirect costs - Annual	\$ 20,402
Private Foundation Grant Cap	<u>20%</u>
Private Foundation Grant Cap indirect amount - Annual	4,080
Total indirect costs	1,641,041
Total indirect costs	<u>1,867,477</u>
Provisional indirect costs over (under) adjusted indirect costs	<u>\$ (226,436)</u>

Preliminary Draft

Preliminary Draft

Special Revenue Fund

Centralina Council of Governments
Comparative Balance Sheets
Special Revenue Fund
June 30, 2016
With Comparative Totals for June 30, 2015

Schedule 3

	<u>2016</u>	<u>2015</u>
ASSETS		
Cash	\$ 426	\$ 2,841
Due from primary government		
Due from other governments	<u>523,834</u>	<u>1,267,877</u>
Total assets	<u>\$ 524,260</u>	<u>\$ 1,270,718</u>
LIABILITIES		
Accounts and grants payable	\$ 523,834	\$ 1,268,797
Unearned revenue	<u>426</u>	<u>1,921</u>
Total liabilities	<u>\$ 524,260</u>	<u>\$ 1,270,718</u>

Preliminary Draft

Centralina Council of Governments
Special Revenue Fund
Grant Project Fund - Schedule of Revenues and Expenditures
Budget and Actual
From Inception and the Year Ended June 30, 2016

Schedule 4

	Project Authorization	Prior Years	Actual Current Year	Total to Date
Revenues				
Restricted intergovernmental revenues:				
Aging grants:				
HCC block grant	\$ 8,582,888	\$ -	\$ 8,559,779	\$ 8,559,779
USDA supplement	452,916	-	469,372	469,372
Title III-B legal	84,318	-	84,318	84,318
Family caregiver	464,115	-	457,499	457,499
Disease prevention/health promotion	42,900	-	33,345	33,345
State senior center general purpose	117,800	-	117,714	117,714
Heat fan relief	16,284	-	15,292	15,292
Total revenues	9,761,221	-	9,737,319	9,737,319
Expenditures				
Grant-related expenditures:				
Aging grants:				
HCC block grant	8,582,888	-	8,559,779	8,559,779
USDA supplement	452,916	-	469,372	469,372
Title III-B legal	84,318	-	84,318	84,318
Family caregiver	464,115	-	457,499	457,499
Disease prevention/health promotion	42,900	-	33,345	33,345
Senior center general purpose	117,800	-	117,714	117,714
Heat fan relief	16,284	-	15,292	15,292
Total expenditures	9,761,221	-	9,737,319	9,737,319
Revenues over expenditures	\$ -	\$ -	\$ -	\$ -

Preliminary Draft

Preliminary Draft

Component Unit

Centralina Council of Governments
Component Unit
Centralina Workforce Development Consortium
Schedule of Revenues and Expenditures
Budget and Actual
From Inception and the Year Ended June 30, 2016

Schedule 5
(2 pages)

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>
Revenues				
WIA / WIOA / WTW Grants:				
WIA 10%				
Administrative Cost Pool - 2014	\$ 621,526	\$ 287,177	\$ 334,348	\$ 621,525
WIA 13-2020				
Adult services - 2014	1,841,747	1,533,779	307,968	1,841,747
WIA 13-2030				
Dislocated worker - 2014	1,974,039	877,131	1,096,908	1,974,039
WIA 13-2031				
Special Grants Collaboration - 2014	119,150	15,617	99,023	114,640
WIA 13-2040				
Youth services - 2014	1,777,943	1,691,968	85,957	1,777,925
WIOA 10%				
Administrative Cost Pool - 2015	511,729	-	250,901	250,901
WIOA 14-2020				
Adult services - 2015	2,378,948	-	2,367,762	2,367,762
WIOA 14-2030				
Dislocated worker - 2015	701,478	-	405,344	405,344
WIOA 14-2031				
Special Grants Collaboration - 2015	103,583	-	17,850	17,850
WIOA 14-2040				
Youth services - 2015	1,525,137	-	1,325,465	1,325,465
SP 15-7013				
Sector Partnership NEG	30,000	-	-	-
Total revenues	11,585,280	4,405,672	6,291,526	10,697,198

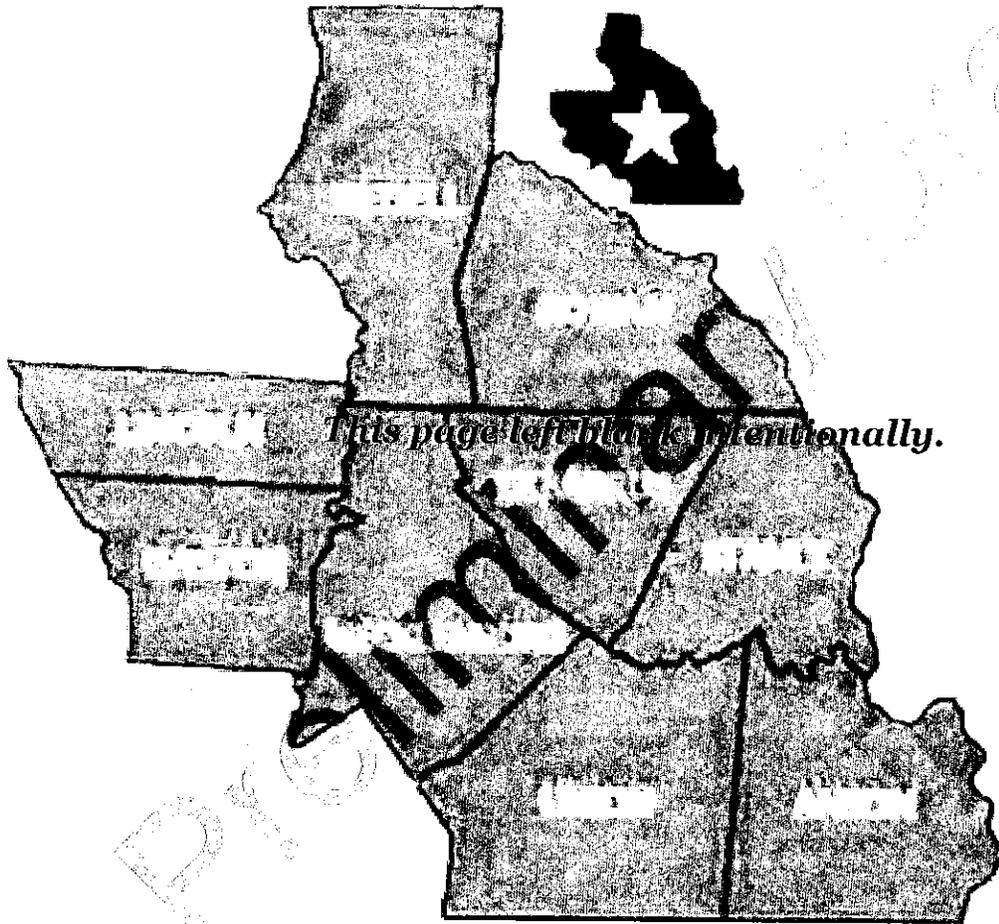
Centralina Council of Governments
Component Unit
Centralina Workforce Development Consortium
Schedule of Revenues and Expenditures
Budget and Actual
From Inception and the Year Ended June 30, 2016

Schedule 5
(2 pages)

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>
Expenditures				
WIA / WIOA / WTW Grants:				
WIA 10%	\$ 621,526	\$ 287,177	\$ 334,348	\$ 621,525
WIA 13-2020	1,841,747	1,533,779	307,968	1,841,747
WIA 13-2030	1,974,039	877,131	1,096,908	1,974,039
WIA 13-2031	119,150	15,617	99,023	114,640
WIA 13-2040	1,777,943	1,691,968	85,957	1,777,925
WIOA 10%	511,729	-	250,901	250,901
WIOA 14-2020	2,378,948	-	2,367,762	2,367,762
WIOA 14-2030	701,476	-	405,344	405,344
WIOA 14-2031	103,583	-	17,850	17,850
WIOA 14-2040	1,525,137	-	1,325,465	1,325,465
SP 15-7013	30,000	-	-	-
Total expenditures	<u>11,585,280</u>	<u>4,405,672</u>	<u>6,291,526</u>	<u>10,697,198</u>
Revenues over expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Preliminary Draft

Compliance Section



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

Board of Delegates
Centralina Council of Governments
Charlotte, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to 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 (the "Council") as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Council's basic financial statements, and have issued our report thereon dated October 24, 2016.

Internal Control over Financial Reporting

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

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. 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 Council's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Council's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Dixon Hughes Goodman LLP

**Asheville, North Carolina
October 24, 2016**

Preliminary Draft

Independent Auditors' Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance; in Accordance with OMB Uniform Guidance and the State Single Audit Implementation Act

Board of Delegates
Centralina Council of Governments
Charlotte, North Carolina

Report on Compliance for Each Major Federal Program

We have audited the Centralina Council of Governments' (the "Council") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the Council's major federal programs for the year ended June 30, 2016. 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations*, Part 200, *Uniform Administrative Requirements, Costs Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the State Single Audit Implementation Act. Those standards, the Uniform Guidance and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Council's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the Council complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.



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 applicable sections of Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Council's internal control over compliance.

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

Dixon Hughes Goodman LLP

**Asheville, North Carolina
October 24, 2016**

Independent Auditors' Report on Compliance for Each Major State Program and Report on Internal Control over Compliance; in Accordance with Applicable Sections of OMB Uniform Guidance and the State Single Audit Implementation Act

Board of Delegates
Centralina Council of Governments
Charlotte, North Carolina

Report on Compliance for Each Major State Program

We have audited the Centralina Council of Governments' (the "Council") compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, which could have a direct and material effect on each of the Council's major state programs for the year ended June 30, 2016. 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; applicable sections of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, Uniform Guidance and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state 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, 2016.

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 Uniform Guidance and the State Single Audit Implementation Act, but not for the purpose of expressing an opinion on the effectiveness of 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 Uniform Guidance and the State Single Audit Implementation Act. Accordingly, this report is not suitable for any other purpose.

Dixon Hughes Goodman LLP

Asheville, North Carolina
October 24, 2016

Schedule of Findings and Questioned Costs

Section I: Summary of Auditors' Results

Financial statements

Type of report the auditors issued on whether the financial statements audited were prepared in accordance with accounting principles generally accepted in the United States of America: 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 200.516(a)? Yes No

Identification of major federal programs:

CFDA Number
 93.044
 93.045
 93.053

Names of Federal Program or Cluster

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

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

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

Auditee qualified as low-risk auditee? Yes No

State Awards

Internal control over major state programs:

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

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

Any audit findings disclosed that are required to be reported in accordance with the State Single Audit Implementation Act? Yes 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

Section II: Financial Statement Findings

None reported.

Section III: Federal Award Findings and Questioned Costs

None reported.

Section IV: State Award Findings and Questioned Costs

None reported.

Summary Schedule of Prior Year Audit Findings

Finding: 2015-001

Status: Corrected.

Finding: 2015-002

Status: Corrected.

Finding: 2015-003

Status: Corrected.

Preliminary Draft

Centralina Council of Governments
 Schedule of Expenditures of Federal and State Awards
 Year Ended June 30, 2016

Schedule 8
 (4 pages)

Grantor/Pass-through Grantor/Program Title	CFDA Number	Pass-Through Grantor Number	Federal (Pass-Through) Expenditures	State Expenditures	Pass-Through to Subrecipients
Federal Awards					
Cash programs:					
U.S. Department of Commerce:					
Economic Development Administration:					
Direct program:					
Strategic Planning Grant	11.303		\$ 60,172	\$ -	-
EDA Regional Freight Study Partnership Planning Grant	11.302		53,366	-	-
	11.302		32,133	-	-
Total U.S. Department of Commerce			145,671	-	-
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		329,472	-	-
Senior Services of America Incorporated:					
Senior community service employment program	17.235		377,837	-	-
Total senior community service employment program			707,309	-	-
Passed through North Carolina Department of Commerce:					
Division of employment and training:					
Workforce Investment Act Cluster:					
WIA - adult programs	17.258		2,675,730	-	2,504,762
WIA - youth activities	17.259		1,411,423	-	1,325,465
WIA - dislocated workers	17.278		1,619,125	-	1,404,429
WIA - administrative cost pool incentives/capital and special grants	17.258		585,250	-	-
Total workforce investment act cluster			6,291,528	-	5,234,656
Total U.S. Department of Labor			6,998,837	-	5,234,656

Centralina Council of Governments
 Schedule of Expenditures of Federal and State Awards
 Year Ended June 30, 2016

Schedule 8
 (4 pages)

Grantor/Pass-through Grantor/Program Title	CFDA Number	Pass-Through Grantor Number	Federal (Pass-Through) Expenditures	State Expenditures	Pass-Through to Subrecipients
U.S. Department of Energy: Clean Cities Coalition Programmatic Support Program NC PEV readiness initiative: Plugging in from Mountains to Sea Passed through North Carolina State University: Alternative fuel implementation team for North Carolina	81.086	11EE0077389	\$ 7,966 29,523	- -	\$ - -
Total U.S. Department of Energy	81.086	DE-EE00006083	19,730	-	-
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	93.044		20,759	1,221	-
Special Programs for the Aging, Title VII, Chapter 2 Programs for Long-term Ombudsman Services for Older Individuals	93.042		43,816	2,577	-
Special Programs for the Aging, Title III F Disease prevention and health promotion services	93.043		103,396	6,082	33,345
Aging cluster: Special Programs for the Aging - Title III B: Grants for supportive services and service centers: Legal services Ombudsman Access In home services	93.044		79,632	4,684	84,316
Special Programs for the Aging - Title III C: Nutrition services: Congregate nutrition In home support Home delivered meals Family Caregiver	93.044		346,093	20,358	-
	93.044		546,232	32,131	578,363
	93.044		730,792	42,988	773,780
Total aging cluster			3,765,914	386,453	3,358,451

Centralina Council of Governments
 Schedule of Expenditures of Federal and State Awards
 Year Ended June 30, 2016

Schedule 8
 (4 pages)

Grantor/Pass-through Grantor/Program Title	CFDA Number	Pass-Through Grantor Number	Federal (Pass-Through) Expenditures	State Expenditures	Pass-Through to Subrecipients
Special Programs for the Aging - Title III E: National family caregiver support program	93.052		\$ 556,981	\$ 37,132	\$ 457,499
Nutrition services incentive program (USDA)	10.570	NC-06	469,372	-	469,372
MIPPA	93.071		68,706	-	-
Senior Medicare Patrol	93.048		5,500	-	-
Local Contact Agency	93.791		90,100	-	-
Total U.S. Department of Health and Human Services			5,124,544	433,465	4,318,667
U.S. Department of Transportation: Passed through North Carolina Department of Transportation: Charlotte FHWA Freight Study	20.205 20.513	5310	167,116 139,815	- 34,954	- -
Nonurbanized Area Public Transportation Grant Passed through North Carolina State University: Clean Fuel Advanced Technology 2013-2015	20.205	2010-0499-05	56,825	-	-
Total U.S. Department of Transportation			363,756	34,954	-
Total federal awards			12,690,027	468,419	9,553,323
State Grants Cash awards: N.C. Department of Environmental and Natural Resources Land Monitoring Services		N/A	-	33,475	-
Total N.C. Department of Environmental and Natural Resources		6499	-	33,475	-

Centralina Council of Governments
 Schedule of Expenditures of Federal and State Awards
 Year Ended June 30, 2016

Schedule 8
 (4 pages)

Grantor/Pass-through Grantor/Program Title	CFDA Number	Pass-Through Grantor Number	Federal (Pass-Through) Expenditures	State Expenditures	Pass-Through to Subrecipients
N.C. Department of Health and Human Services:					
Division of Aging:					
90% State Funds - Ombudsman			\$ -	\$ 129,011	\$ -
90% State Funds - Access			-	589,581	589,581
90% State Funds - In Home Services			-	4,042,544	4,042,544
90% State Funds - Home Delivered Meals			-	653,558	653,558
AAA Administration			-	48,261	-
Fans programs			-	15,292	15,292
Senior center development			-	117,719	117,719
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Total N.C. Department of Health and Human Services			-	5,595,966	5,418,694
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Total state awards			-	5,629,441	5,418,694
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Total federal and state awards			\$ 12,690,027	\$ 6,097,860	\$ 14,972,017

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

Basis of presentation

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal and state awards (the "Schedule") includes federal and state award activity of Centralina Council of Governments (the "Council") under programs of the federal and North Carolina state governments for the year ended June 30, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Council, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Council.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Note 3 - Indirect Cost Rate

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

