

CENTRALINA COUNCIL OF GOVERNMENTS

FINANCIAL STATEMENTS AND COMPLIANCE REPORTS

As of and for the Year Ended June 30, 2018

And Report of Independent Auditor



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CENTRALINA COUNCIL OF GOVERNMENTS

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Financial Section



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Report of Independent Auditor

Board of Delegates
Centralina Council of Governments
Charlotte, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, and each major fund of the Centralina Council of Governments (the "Council") as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Council's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, and each major fund of the Council as of June 30, 2018, and the respective changes in financial position and the respective budgetary comparison for the General and Special Revenue Funds for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 18 to the financial statements, the Council adopted Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pensions*. As a result, net position as of June 30, 2017 of the governmental activities has been restated. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statement of the Council. The Individual Fund Schedules as listed in the table of contents as well as the Schedule of Expenditures of Federal and State Awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the State Single Audit Implementation Act, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Individual Fund Schedules and the Schedule of Expenditures of Federal and State Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 16, 2018, on our consideration of the Council's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Council's internal control over financial reporting and compliance.

 LLP

Charlotte, North Carolina
October 16, 2018



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CENTRALINA COUNCIL OF GOVERNMENTS MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2018

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, 2018. 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. Within the past (3) three years, The Centralina WDB has opened new, modern NCWorks Career Centers in Cabarrus (Concord), Iredell (Mooresville), Anson (Wadesboro), and Stanly (Albemarle) counties to better serve career seekers and employers looking for the best talent.

The eight (8) NCWorks Career Centers in the region collectively served 29,038 career seekers (of which 1,662 Veterans received priority services) looking for the right talent match for their skills with 236,605 services. Career seekers received an average of eight (8) services from NCWorks activities. The centers provided 2,067 employers and businesses in the region with 47,256 services during the past fiscal year. Text based survey results for first-time visitors of the Centralina NCWorks Career Centers averaged a 4.51 customer satisfaction rating out of a possible 5. For more information on the NCWorks Career Centers, visit www.centralinaworks.com.

Business Engagement – The Centralina WDB, in partnership with the NC Department of Commerce, launched a new statewide partnership to bring accredited professional development to the North Carolina workforce system's employer-facing staff to help them better serve businesses' workforce needs. The nationally recognized organization, Business U, Inc. partnered with the Centralina WDB, NC Commerce, and other local workforce boards to provide this new training as part of the Governor's NC Job Ready priorities. The training support locals outreach initiatives integrating a consistent, cohesive strategy for workforce development across the state among workforce, education, and economic development organizations.

Business U is the only institutionally accredited organization in the nation that focuses on business engagement within three vertical markets, including workforce, education, and economic development. Through professional development, business engagement strategic plans and customer relationship management technology, Business U certifies public organizations to effectively meet industry's workforce needs resulting in jobseeker and student success.

"Our state's workforce system includes many employer-facing public entities, and this training will help us become more efficient and better able to contribute to business and industry growth," said N.C. Deputy Secretary of Workforce Solutions and Rural Development Napoleon Wallace. "This partnership with Business U will educate our hard-working workforce professionals on how to best engage businesses to meet their needs."

Business U has demonstrated clear outcomes in helping workforce and education organizations across the nation increase their capacity to improve their reach and engagement with employers. Business U has developed a blend of onsite and online classroom instruction to support a transformational relationship approach critical to success with business engagement. Business U's signature curriculum was delivered in six (6) regional onsite sessions across the state in February 2018, with follow-up train-the-trainer sessions continuing throughout the remainder of calendar year 2018.

CENTRALINA COUNCIL OF GOVERNMENTS MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2018

Celina Shands, co-founder of Business U said, "North Carolina has tremendous opportunity with business engagement to align the work among its many partners with coordinated strategies that result in an expanded reach and elimination of duplicative efforts, while building credibility with business and industry." The Centralina WDB served as the administrator and coordinator of the contract with Business U for this innovative and needed training for NC's workforce system.

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

- Over 1,200 attendees of Discovery Sessions held since May 2015 have been directly exposed to the importance of manufacturing and the availability of good, well-paying jobs in that sector.
- A total of 30 eight-week training classes have been held from May 2015 to Sept 2018 with 9 more scheduled for 2019 in Cabarrus, Rowan, and Iredell counties.
- A total of 190 individuals have completed the NCMI course with 170 Certified Production Technicians graduating from the eight-week training program (90% graduation rate); another 22 are currently in training. That means we will surpass 200 graduates in November 2018!
- A total of 140 out of 170 graduates (82%) accepted employment in their related training field (as of August 2018) and 10 additional recent graduates are currently interviewing with NCMI employers.
- NCMI partner businesses have employed 76% of the graduates.
- Employer partners total 46 in all 3 counties.
- Each of the 30 interview fairs held have provided NCMI graduates with a minimum of 6 and up to 16 company interviews in one day.

For more information, please visit www.ncmanufacturinginstitute.com.

Area agency on aging highlights

The Centralina Area Agency on Aging (CAAA) continues to grow programs such as the evidence-based health programs for self-management of chronic diseases such as diabetes, chronic pain, falls prevention, and caregiver support. Funding diversification continues to be a priority as federal and state funds remain flat.

This year's program highlights include:

Annual Aging Conference – In its 19th year, the CAAA Conference continues to provide education and training to hundreds of professionals and caregivers in the field of aging, healthcare, long-term care, social services, home health, and other direct services. The Annual Aging Conference is the largest conference on aging anywhere in the state it featured over 45 exhibitors and sponsors, multiple nationally recognized speakers, 14 breakout sessions, and over 425 attendees. This year's keynote speaker was Greg Levoy who discussed retirement and encore careers.

Volunteer Transportation Services (VTS) – The Volunteer Transportation Services program delivered services throughout the year but met with many challenges including volunteer recruitment, retention, and training as well as developing partnerships in the community that would assist with program sustainability.

CENTRALINA COUNCIL OF GOVERNMENTS MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2018

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

Senior Community Services Employment Program (SCSEP) – Despite jeopardized funding and funding reductions, SCSEP continues to thrive. Providing on the job training opportunities for low-income, unemployed seniors over age 55 at host agency locations in the community. Over 130 participants were served this year and all programmatic goals but unsubsidized job placement goals were met. SCSEP serves Anson, Cabarrus, Stanly, Mecklenburg and Union Counties.

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

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. More than 125 workshops were provided in Centralina's nine-county region. Centralina is the first region in the nation to train leaders for the new Building Better Caregivers workshops.

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

Regional Long-Term Care Ombudsman – The Ombudsman program works to resolve complaints by or on behalf of residents in long-term care facilities. Ombudsman provide education on long-term care and residents' rights issues to residents, facility staff, family members and the general public. This past year, the Ombudsman provided multiple workshops on such issues as ADA issues, Alzheimer's disease and dementia, and elder abuse awareness. The Ombudsman hold a Resident's Rights Celebration and awareness campaign each October during National Resident's Rights Week. This includes events for almost 2,000 residents throughout the region.

Nutrition Summit – The third annual Nutrition Summit was held with 100 people in attendance. Focusing on senior nutrition issues such as diabetes, osteoporosis, malnutrition and senior hunger, the summit was well-received and reached a wide audience of long-term care staff, healthcare partners, dieticians, and nutrition providers.

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

Elder Abuse Coalition – The Ombudsman Program continues to develop a strong Elder Abuse Coalition in Cabarrus County with members from long-term care, local police and justice programs, healthcare representatives, and the community.

Local Contact Facility-based Options Counselor – Centralina continues to receive the most referrals in the state to assess those identified in long-term care facilities who wish to be transitioned back into the community to live. This program is funded through the NC Division of Medical Assistance.

CENTRALINA COUNCIL OF GOVERNMENTS MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2018

Community and economic development highlights

Community and Economic Department (CED) – CED provided municipal management and grant administration services to our local jurisdictions and served as a regional conduit for federal and state grants, including public facilities, water and wastewater improvements, and housing rehabilitation to help promote local and regional economic growth and quality of life that include:

HUD Five-Year Consolidated Plan Implementation Administrative Services – The department provided administration services for the HUD Community Development Block Grant (CDBG) Entitlement grant funding for Mecklenburg County and Union County for the July 1, 2017 to June 30, 2018 fiscal year. These HUD CDBG programs focus on low and moderate-income population housing and community development needs designated by activities and projects within each county's five-year consolidated plans. Grants cover three annual year periods.

Code Enforcement and Drug-Alcohol Testing Program (DATP) – Multiple jurisdictions engaged CED to provide approximately 20 code enforcement and minimum housing standards operations as well as DATP testing for city and county workforce regulatory requirements. Notably, code services were expanded for Salisbury, Albemarle, and Troutman as well as administration of a NCHFA Essential Single-Family Housing Rehab grant for Lincoln County.

Downtown Redevelopment Project Administration and Capacity Assistance – Provided admin services to the City of Monroe for a NC Commerce Downtown Revitalization \$500K grant to restore and repurpose a vacant historical building. Developer management capacity services were provided in Bessemer City on a \$30 million rehab project for 170 plus apartments with commercial ground floor space in an old industrial mill on Main Street.

Developer management, feasibility analysis, and public engagement services were provided to the City of Statesville on the historic Vance Hotel rehab project as well as identical services set to the City of Salisbury on their historic Empire Hotel revitalization project.

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

Centralina Regional Economic Development District's CEDS Plan – The CEDC Board with added CEDS Advisory members completed the EDA required 5-year update process for a new Comprehensive Economic Development Strategy (CEDS). The 2017-2022 "Prosperity for Greater Charlotte" CEDS was submitted to EDA in September 2017. Implementation began immediately and an updated CEDC FY18\19 Work Plan was adopted at the April 2018 CEDC Annual meeting. Goal priorities continue to promote alignment of regional infrastructure, talent, and business clusters for economic growth with increased emphasis on quality of life assets.

Centralina Manufacturing Ecosystem Development Strategy (CMEDS) – The CEDC and CED staff supported the integration of economic strategies and analysis within the Centralina Freight Mobility Plan completed for the region that promulgated support and integral strategies of a Regional Transit Summit in May 2018. The US Commerce EDA provided a participating grant for strategic alignment of the Freight Mobility Plan outcomes and recommendations with the regional economic priorities of the new regional 2017-2022 CEDS that also features the Regional Transit plan objective.

CENTRALINA COUNCIL OF GOVERNMENTS MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2018

Regional planning and local technical assistance highlights

CCOG staff supports communities by coordinating, assisting, introducing, and implementing activities relating to all aspects of growth management and planning including: comprehensive land use plans, local and regional transportation projects (freight planning, transit planning, bike and pedestrian planning, walkability, etc.), small area and corridor plans, healthy community design, public engagement, mapping, and street, landscaping, and park design. CCOG trains local government elected officials and staff, providing continuing education credits, close to home, with topics focused on emerging issues and identified local challenges. 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 FY18 activities included:

Regional Transit Engagement Series – A product of CONNECT Our Future, this engagement identified how the region should move forward together as it creates a regional transit system. Engagement in eight counties, including over 50 forums and stakeholder meetings, showed that the region was ready for a Regional Transit Plan that looks at near-term solutions for mobility across county lines and long-term projects that include extensions of the LYNX light rail system. Engagement of local government elected officials and staff, economic development officials, major employers, etc. produced clear guidance. Engagement culminated in a Regional Transit Summit in May 2018, where there was a call to action for a Regional Transit Plan.

LYNX System Expansion Plan – CCOG serves on the consultant team to identify future corridors and transit stop locations for the LYNX light rail system. Specifically, CCOG is looking at the health impacts of corridors and stops and providing policy guidance to make sure that public health is considered in all phases of the project. This project dovetails with the Regional Transit Engagement Series and allows CCOG to provide a holistic view of transit efforts.

Greater Charlotte Regional Freight Mobility Plan – An outgrowth of the CONNECT Our Future project, this bi-state 14-county project brings together public and private sector stakeholders, four Metropolitan Planning Organizations and two rural planning organizations to develop this region's first comprehensive freight plan. The plan integrates truck and rail transportation with land use and economic development and will be coordinated with the NC and SC State Freight Plans. The regional freight plan technical analysis was completed in December 2016. FY18 activities included a regional freight summit to wrap up the planning stage, meetings of the private sector Freight Advisory Committee to share early implementation activities, and the creation of a champion group to identify the top recommendations from the plan that should be implemented in the near future. Additional activities included the creation of educational materials related to Intelligent Transportation Systems and Traffic Incident Management (the top two recommendations from the plan) and the development of a media kit to highlight the regional freight public service announcement, which was designed to highlight the importance of freight to local communities and the importance of coordinating transportation, land use, and economic development. The Freight Plan won two awards this year: 2018 Best Broadcast PSA by the best local PSA by the NC Association of Government Information Officers and best multi-jurisdictional planning effort, from the NC Chapter of the American Planning Association.

Charlotte Douglas International Airport, CLT Aviation Academy – CCOG provided planning and logistics assistance in support of the airport's community academy. The purpose of the academy is to grow knowledge of airport services and its economic, transportation, land use impacts on the region. CCOG's role has increased participation and widened the audience to include regional local government partners.

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

CENTRALINA COUNCIL OF GOVERNMENTS MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2018

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

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

Community Engagement – An outgrowth of the CONNECT Our Future project public engagement effort, communities of all sizes are using Centralina's expertise to engage their own public around issues such as housing, transportation, general land use, downtown streetscape projects, or general government services. Centralina is helping communities achieve good results by providing a venue for community conversations. FY18 engagement projects were held in Stallings, Salisbury, Huntersville, Troutman, Indian Trail/Union County, Stanly and Anson counties, and regional engagements took place in all counties.

Regional Collaboration and Training – The Regional Conference of Mayors, city and county managers, solid waste professionals, and regional planners meet regularly to receive updates on issues 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. In FY18, CCOG University was unveiled to provide training for local government staff and offer required continuing education credits to planners certified through the American Institute of Certified Planners (AICP). Training efforts included:

- Autonomous and Connected Vehicle Workshop Series – A three-part series to inform/engage transportation and land use planners on this emerging technology.
- Planning for Healthy Communities Conference held in Mooresville, NC.
- Community Policing Through Environmental Design's (CPTED) week-long training series.
- Legislative/Quasi-Judicial Board Training.
- CCOG University workshops on transit, gentrification, solar energy, walkability, public engagement, etc.
- CCOG Annual Conference in Charlotte.

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. FY18 activities have included preparation for the 2050 MTP through contracting and scope development work.

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 program 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 engagement with regional stakeholders and a continued dialog with water "thought leaders".

CENTRALINA COUNCIL OF GOVERNMENTS MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2018

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 is focused on air quality education and support of air quality improvements through funding for clean fuels and advanced technology vehicle projects. Those projects help remove nearly 60 metric tons of pollutants annually from the air in counties not meeting air quality standards.

Technical Assistance – The Planning Department provided direct assistance to multiple communities during FY18. A few examples include: serving as the on-call planner for Bessemer City and Marshville, assisting the Town of Stanley with a new zoning ordinance, helping Stanly County identify a new location for a new senior center, assisting Stanly and Anson counties connect land use, transportation, and economic development strategies, assisting Salisbury and Statesville with downtown redevelopment efforts, hosting public engagement events for Troutman, Huntersville, Indian Trail/Union County, Statesville, and Salisbury, and facilitating board retreats in several communities.

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 \$358,172 (*net position*).
- Centralina's total net position decreased by \$197,597 including a cumulative change in accounting principle related to the adoption of GASB 75 of \$246,212.
- As of the close of the current fiscal year, Centralina's governmental funds reported a combined ending fund balances of \$494,978, an increase of \$92,213 from the prior year. Approximately \$622,756 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 \$380,843.

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 statement for the 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.

CENTRALINA COUNCIL OF GOVERNMENTS MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2018

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

Government-Wide Statements

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

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

The government-wide statements are divided into two categories:

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

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

Fund Financial Statements

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

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

**CENTRALINA COUNCIL OF GOVERNMENTS
MANAGEMENT'S DISCUSSION AND ANALYSIS**

June 30, 2018

The governmental fund statements are shown as Exhibits C, D, E, F, G & H of this report.

Government-Wide Financial Analysis

**Table 1
Condensed Statement of Net Position for Governmental Activities
As of June 30, 2018 and 2017**

	2018	2017
Current and other assets	\$ 1,593,864	\$ 2,596,389
Capital assets	91,272	113,621
Total assets	<u>1,685,136</u>	<u>2,710,010</u>
Deferred outflows of resources	<u>521,089</u>	<u>693,694</u>
Current liabilities	1,089,802	2,062,380
Noncurrent liabilities	<u>1,413,317</u>	<u>1,397,070</u>
Total liabilities	<u>2,503,119</u>	<u>3,459,450</u>
Unearned revenue	9,084	74,569
Pension deferrals	18,859	30,260
OPEB deferrals	<u>33,335</u>	<u>-</u>
Total deferred inflows of resources	<u>61,278</u>	<u>104,829</u>
Net investment in capital assets	55,626	64,049
Restricted	622,756	620,690
Unrestricted net position	<u>(1,036,554)</u>	<u>(845,314)</u>
Total net position	<u>\$ (358,172)</u>	<u>\$ (160,575)</u>

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The liabilities and deferred inflows of Centralina exceeded assets and deferred outflows by \$358,172 as of June 30, 2018. The liabilities and deferred inflows of Centralina exceeded assets and deferred outflows by \$160,575 as of June 30, 2017. Centralina's net position decreased by \$197,597 and increased \$378,984 for the fiscal years ended June 30, 2018 and 2017, respectively. Centralina implemented GASB Statement 75 this fiscal year and continued the disclosure of GASB 68. With the new reporting change, Centralina recorded the total liability of Other Postemployment Benefits (OPEB) and its proportionate share of the Local Government Employees' Retirement System's net pension liability and deferred outflows of resources and deferred inflows of resources related to OPEB and the Pension plan. Decisions for the Pension plan regarding the allocations are made by the administrators of the plan, not by Centralina's management. However, OPEB expense allocations are management driven.

CENTRALINA COUNCIL OF GOVERNMENTS
MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2018

Table 2
Centralina Changes in Net Position for Governmental Activities
For the Years Ended June 30, 2018 and 2017

	2018	2017
Revenues:		
Charges for services	\$ 110,959	\$ 112,018
Operating grants and contributions	15,198,094	15,194,872
Member dues and contributions	829,142	767,272
Unrestricted investment earnings	722	429
Miscellaneous, unrestricted	50	681
Total revenues	<u>16,138,967</u>	<u>16,075,272</u>
Expenses:		
General government	108,770	(26,361)
Transportation	915,483	780,177
Environmental protection	133,013	90,420
Economic and physical development	1,305,874	1,370,223
Human services	12,734,116	12,550,372
Workforce development	893,096	931,457
Total expenses	<u>16,090,352</u>	<u>15,696,288</u>
Increase in net position	48,615	378,984
Beginning net position	(160,575)	(539,559)
Cumulative change in accounting principle	<u>(246,212)</u>	<u>-</u>
Ending net position	<u>\$ (358,172)</u>	<u>\$ (160,575)</u>

Implementation of GASB 75 for OPEB allocations accounted primarily for Centralina's decrease in net position.

Financial Analysis of Centralina's Funds

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

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

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 \$(217,048), while total fund balance amounted to \$494,978. 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 for FY ending 2018 represents 8.2% of total General Fund expenditures which is an increase over fiscal year ending 2017 which was 6.9% of June 30, 2017 total General Fund expenditures. According to Centralina's fund balance policy, the Executive Board and Executive Director will take immediate steps to reduce expenses and/or increase revenues in order to rebuild the fund balance to 10% of General Fund expenditures.

CENTRALINA COUNCIL OF GOVERNMENTS MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2018

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

Capital Assets

Centralina's investment in capital assets for its governmental activities as of June 30, 2018 totals \$91,272 (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, 2019

A specific plan was developed to guide budget development and address the significant financial challenges facing Centralina beginning in FYE 2016. Those actions including increased revenues, expenditure control and rigorous pre-audit monitoring to assure budget targets are met have proven effective and will continue that specific framework includes the following:

- Increasing revenue by requesting direct payment of the match required from core Area Agency on Aging programs provided to member counties (approximately \$190,000).
- Increasing revenue by basing dues payment on updated (2016) population estimates (approximately \$80,000 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.
- 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.
- Specific attention to restoring a target ratio of fund balance as a percentage of expenditures to a minimum of 10% per our adopted Fund Balance Policy. That ratio has increased from 6.9% in FYE 2017 to 8.2% in FYE 2018.

The results from these actions continue to provide improvements annually in budget projections over the FYE 2016.

Other efforts to balance budget have been systematically reviewed. One primary option is a reduction of employees. This option works contrary to our business model since reduction of staff will result in fewer hours available to complete grant work assigned to Centralina. Since the billed hours are fully reimbursed, no savings would be achieved. The financial impact hours billed to these grants also allow for charge of indirect costs (permitted expenses that are necessary to operate CCOG that cannot be directly associated with a project). Because these costs are relatively fixed, decreasing the base to distribute fixed costs is counterproductive.

The Budget for fiscal year ending June 30, 2019 (FYE 2019) 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 budget process, the range of anticipated changes was reasonably accommodated. With the indeterminate implications of legislation at the

CENTRALINA COUNCIL OF GOVERNMENTS MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2018

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 FY19, the Centralina Workforce Development Board (WDB) will focus its energies and resources on specific goals and strategies/actions that will drive the Board's future work direction. These include the following:

Focus on Career Seeker Services at NCWorks Career Centers

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

Focus on Business Services

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

Focus on NEXTGEN Youth Services

- Ensure 85% of NEXTGEN youth services completers are ready for work and are hired by local employers.
- Have at least 25% of NEXTGEN youth services funds used for work-based learning activities for youth.
- Establish outreach and recruitment of young people for NEXTGEN services in all parties of seven county region, not just in concentrated population centers.

Communications and marketing of Centralina WDB and its services/products

- Relaunch Centralina WDB website (www.centralinaworks.com) with new features.
- 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, 2019.
- Increase registrations to NCWorks online through Centralina WDB sponsored NCWorks Career Centers by 25%.
- Increase social media outreach by 30% via Twitter and Facebook posts from WDB events and live video feeds and YouTube uploads.
- Fully develop and populate Facebook pages for each local NCWorks Career Center.

During FYE 2019 Centralina Area Agency on Aging (CAAA) will work on the following initiatives:

- Increase workshops for Medicare beneficiaries who enroll in Diabetes Self-Management Training (DSMT). CAAA will bill for at least 5 workshops this year along with required accompanying Nutrition Therapy Counseling and ensure that at least 8 AADE certified leaders are eligible to teach the DSMT.
- Develop Medicare Nutrition Therapy benefit in-house with new staff who is a certified RD.

CENTRALINA COUNCIL OF GOVERNMENTS MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2018

- Have a Building Better Caregivers (BBC) workshop in each of the nine counties in cooperation with the regional Family Caregiver Support Program. Train 13-15 leaders who will conduct workshops in the community.
- Mobility Management will continue to conduct community Walk Audits and will conduct at least 4 ADA Training events for transportation and aging service providers.
- Hold the 2018 Annual CAA Aging Conference "Aging Better Together" on October 25, 2018.
- Conduct at least 10 other education events in the community including the Fourth Annual Nutrition Summit.
- Conduct a Resident's Rights events for long-term care residents in each of the nine counties.
- Expand opportunities to diversify funding and increase revenue such as applying for additional grants, seeking private pay opportunities for services, and partnerships and sponsors to assist in costs for conferences and evidenced-based health programs.
- Develop role with Medicaid Managed Care Providers as the RFP and transformation roles out during 2019.
- Submit RFP for Medicaid Ombudsman Program to be developed in 2019.
- Develop and expand offerings to agencies, business, and governmental entities for training on services such as the Aging Communications and Sensitivity Training, Aging Business Certification, and Senior Friendly Certification.
- Meet goals for both Senior Community Services Employment Programs funded through Senior Service America, Inc.
- Serve as lead support for both the Metrolina Falls Prevention Coalition, the Charlotte-Mecklenburg Dementia Capable Initiative and the Cabarrus Elder Abuse Task Force.
- Continue work with University of NC Asheville for a new grant from Centers for Disease Control on arthritis and Chronic Disease Self-Management.
- Develop new line of private pay service through Critical Signal Technologies (CST) for personal emergency response concierge system.

The Community and Economic Development Department (CED) will continue to implement its local and regional activities in FYE 2019 and provide integral economic analysis and strategies support to Centralina departments on comprehensive regional projects during the coming year in collaboration with Centralina Economic Development Commission Economic Development District initiatives.

Anticipated focus and activities include the following:

- Promote and expand access for NC Department of Environmental Quality (DEQ) CDBG infrastructure grants and funding for qualifying member jurisdictions and provide grant application and administrative services (if awarded) for new NC Commerce HUD \$750K Catalyst project programming.
- Expand Code Enforcement staffing capacity and services coverage in response to FYE 2018 demand growth.
- Provide economic impact analysis and downtown redevelopment project administration capacity to cities and towns as requested.
- Operationalize the new 2017-2022 "Prosperity for Greater Charlotte" regional Comprehensive Economic Development Strategy (CEDS) Plan and administer the Centralina EDD under US Commerce Economic Development Administration guidelines.
- Facilitate increase of federal economic funding of grants and investments for the region in our US Commerce EDA Economic Development District (EDD).
- Grow and strengthen partnership network with regional county and city Economic Development entities and Workforce Boards through managing and implementing economic components of the NC Department of Commerce NC Tomorrow strategy and new "CONNECT Our Future" related initiatives specifically surrounding Freight Mobility and Regional Transit economic components of CCOG consulting engagements.

CENTRALINA COUNCIL OF GOVERNMENTS MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2018

- Maintain and support our regional advanced manufacturing initiative, "Minds That Manufacture," and the Centralina Manufacturing Ecosystem Development Strategy (CMEDS).
- Build strong relationships with federal and state officials through events, meetings, and fact-finding trips and collaborate on projects with neighboring EDDs where regional issues are relevant to economic growth of our region.

The Planning Department will continue to implement and expand its local and regional planning activities in FY19 and will be heavily involved in a number of regional initiatives during the coming year. Primary activities include the following:

- Continue the Regional Transit Engagement Series to develop a scope, secure funding, and broaden the coalition for the Regional Transit Plan. Develop an RFQ and secure a transit planning consultant, coordinate with the NC and SC state legislators, develop a legislative agenda, develop core messaging for transit, develop a regional transit resource guide, and partner with rural and business interests.
- Continue implementation of the region's first Regional Freight Plan, by facilitating meetings of the Freight Advisory Committee and through coordination with transportation planning organizations, land use planners, and economic development organizations. Develop a scope with partners in NC and SC for the regional Intelligent Transportation System plan.
- Administer the Centralina Mobility Management Agency for the region, implement the expansion of services into the Charlotte urbanized areas, and incorporate public health into mobility efforts.
- Assist the Charlotte Area Transit System with its efforts to analyze future light rail corridors to the north and west of uptown Charlotte, and develop plans for transit integration in uptown.
- Provide training to local government officials and staff on emerging issues, through two annual conferences and CCOG University.
- Provide public engagement services for local governments to support initiatives and planning efforts on the local level.
- Continue to staff and coordinate the Regional Conference of Mayors and Regional Planner meetings and programs.
- Provide professional development, networking, and training opportunities for local government staff based on identified needs.
- Continue the agency's efforts to reduce dependence on petroleum through the US Department of Energy's Clean Cities Program, which is locally represented by the Centralina Clean Fuels Coalition.
- Continue to provide solid waste planning services and further seek opportunities to provide education and networking opportunities for regional solid waste officials as topics and needs emerge around recycling, composting, and multi-jurisdictional collaboration.
- Provide local government technical assistance for facilitation, board retreats, process analysis, and LEAN continuous improvement.
- Continue to serve as staff to the Lake Wylie Marine Commission.
- Manage the American Planning Association's Planners4Health (NC) initiative, including a state-wide task force aimed at building cross-sector collaboration around planning and public health.
- Develop, market, and implement technical services aligned with the CONNECT strategies.
- Seek funding to continue CONNECT implementation and align the CONNECT vision with other region-wide planning initiatives.

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

**CENTRALINA COUNCIL OF GOVERNMENTS
MANAGEMENT'S DISCUSSION AND ANALYSIS**

June 30, 2018

Request for Information

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

Marsha G. Sutton, Finance Director
Centralina Council of Governments
9815 David Taylor Drive, Suite 100
Charlotte, North Carolina 28262

Basic Financial Statements



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Government-Wide Financial Statements



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CENTRALINA COUNCIL OF GOVERNMENTS
STATEMENT OF NET POSITION
June 30, 2018

	<u>Primary Government</u>	<u>Component Unit</u>
	<u>Governmental Activities</u>	<u>Workforce Development Consortium</u>
ASSETS		
Current assets:		
Cash and investments	\$ 240,331	\$ -
Receivables	54,421	-
Due from primary government	-	2,513
Due from other governments	1,209,842	399,961
Prepayments	89,270	-
Total current assets	<u>1,593,864</u>	<u>402,474</u>
Noncurrent assets:		
Capital assets:		
Equipment, net of depreciation	<u>91,272</u>	<u>-</u>
Total assets	<u>1,685,136</u>	<u>402,474</u>
DEFERRED OUTFLOWS OF RESOURCES		
Contributions to pension plan in current fiscal year	213,490	-
Contributions to OPEB plan in current fiscal year	12,008	-
OPEB deferrals	7,744	-
Pension deferrals	<u>287,847</u>	<u>-</u>
Total deferred outflows of resources	<u>521,089</u>	<u>-</u>

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

EXHIBIT A

	<u>Primary Government</u>	<u>Component Unit</u>
	<u>Governmental Activities</u>	<u>Workforce Development Consortium</u>
LIABILITIES		
Current liabilities:		
Accounts and grants payable	\$ 843,015	\$ 402,474
Accrued liabilities	147,161	-
Due to component unit	2,513	-
Unearned revenue	97,113	-
Total current liabilities	<u>1,089,802</u>	<u>402,474</u>
Noncurrent liabilities:		
Net pension liability	574,577	-
Total OPEB liability	334,809	-
Current portion of long-term obligations	334,408	-
Noncurrent portion of long-term obligations	169,523	-
	<u>1,413,317</u>	<u>-</u>
Total liabilities	<u>2,503,119</u>	<u>402,474</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred membership dues	9,084	-
Pension deferrals	18,859	-
OPEB deferrals	33,335	-
	<u>61,278</u>	<u>-</u>
Total deferred inflows of resources	<u>61,278</u>	<u>-</u>
NET POSITION		
Net investment in capital assets	55,626	-
Restricted		
Stabilization by State Statute	622,756	-
Unrestricted	(1,036,554)	-
	<u>(358,172)</u>	<u>-</u>
Total net position	<u>\$ (358,172)</u>	<u>\$ -</u>

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

CENTRALINA COUNCIL OF GOVERNMENTS
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2018

<u>Functions / Programs</u>	<u>Expenses</u>	<u>Indirect Expenses Allocation</u>
PRIMARY GOVERNMENT		
Governmental activities:		
General government	\$ 1,886,329	\$ (1,777,559)
Transportation	632,032	283,451
Environmental protection	85,362	47,651
Economic and physical development	910,724	395,150
Human services	11,989,540	744,576
Workforce development	<u>586,365</u>	<u>306,731</u>
Total primary government	<u>\$ 16,090,352</u>	<u>\$ -</u>
COMPONENT UNIT		
Workforce Development Consortium	<u>\$ 4,514,061</u>	<u>\$ -</u>
Total component unit	<u>\$ 4,514,061</u>	<u>\$ -</u>

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

EXHIBIT B

Program Revenues		Net (Expense) Revenue and Changes in Net Position	
		Primary Government	Component Unit
Charges for Services	Operating Grants and Contributions	Governmental Activities	Workforce Development Consortium
\$ 110,959	\$ -	\$ 2,189	\$ -
-	748,909	(166,574)	-
-	66,022	(66,991)	-
-	865,664	(440,210)	-
-	12,624,403	(109,713)	-
-	893,096	-	-
<u>\$ 110,959</u>	<u>\$ 15,198,094</u>	<u>(781,299)</u>	<u>-</u>
<u>\$ -</u>	<u>\$ 4,514,061</u>	<u>-</u>	<u>-</u>
<u>\$ -</u>	<u>\$ 4,514,061</u>	<u>-</u>	<u>\$ -</u>
General revenues			
Member dues and contributions		829,142	-
Unrestricted investment earnings		722	-
Miscellaneous, unrestricted		50	-
Total general revenues		<u>829,914</u>	<u>-</u>
Change in net position		<u>48,615</u>	<u>-</u>
Net position - beginning		(160,575)	-
Restatement (Note 18)		<u>(246,212)</u>	<u>-</u>
Net position - beginning, restated		<u>(406,787)</u>	<u>-</u>
Net position - ending		<u>\$ (358,172)</u>	<u>\$ -</u>

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

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

EXHIBIT C

	<u>Major Funds</u>		<u>Total Governmental Funds</u>
	<u>General</u>	<u>Special Revenue Fund</u>	
ASSETS			
Cash and investments	\$ 240,331	\$ -	\$ 240,331
Receivables	54,421	-	54,421
Due from other governments	568,335	641,507	1,209,842
Due from general fund	-	6,855	6,855
Prepayments	89,270	-	89,270
	<u>89,270</u>	<u>-</u>	<u>89,270</u>
Total assets	<u>\$ 952,357</u>	<u>\$ 648,362</u>	<u>\$ 1,600,719</u>
LIABILITIES			
Accounts and grants payable	\$ 194,669	\$ 648,346	\$ 843,015
Accrued liabilities	147,161	-	147,161
Due to special revenue fund	6,855	-	6,855
Due to component unit	2,513	-	2,513
Unearned revenue	97,097	16	97,113
Total liabilities	<u>448,295</u>	<u>648,362</u>	<u>1,096,657</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred membership dues	9,084	-	9,084
Total deferred inflows of resources	<u>9,084</u>	<u>-</u>	<u>9,084</u>
FUND BALANCES			
Nonspendable:			
Prepayments	89,270	-	89,270
Restricted:			
Stabilization by State Statute	622,756	-	622,756
Unassigned	(217,048)	-	(217,048)
Total fund balances	<u>494,978</u>	<u>-</u>	<u>494,978</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 952,357</u>	<u>\$ 648,362</u>	<u>\$ 1,600,719</u>

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

CENTRALINA COUNCIL OF GOVERNMENTS
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
June 30, 2018

EXHIBIT D

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

Ending fund balance - governmental funds	\$ 494,978
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	91,272
Contributions to pension plans in the current fiscal year are deferred outflows of resources on the Statement of Net Position.	213,490
Contributions to OPEB plans in the current fiscal year are deferred outflows of resources on the Statement of Net Position.	12,008
Pension related deferrals	268,988
OPEB related deferrals	(25,591)
Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	
Net pension liability	(574,577)
Obligations under capital lease	(35,646)
Total OPEB liability	(334,809)
Accrued vacation and sick leave	(380,843)
Other long-term liability	<u>(87,442)</u>
Net position of governmental activities	<u>\$ (358,172)</u>

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

CENTRALINA COUNCIL OF GOVERNMENTS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
For the Year Ended June 30, 2018

EXHIBIT E

	<u>Major Funds</u>		<u>Total Governmental Funds</u>
	<u>General</u>	<u>Special Revenue Fund</u>	
REVENUES			
Restricted intergovernmental revenues	\$ 3,721,301	\$ 10,092,781	\$ 13,814,082
Technical assistance contracts	687,607	-	687,607
Contracts and fees	18,000	-	18,000
Other program revenue	720,581	-	720,581
Interest and other	112,359	-	112,359
Member dues and contributions	829,142	-	829,142
Total revenues	<u>6,088,990</u>	<u>10,092,781</u>	<u>16,181,771</u>
EXPENDITURES			
General government	121,847	-	121,847
Transportation	915,483	-	915,483
Environmental protection	133,013	-	133,013
Economic and physical development	1,305,874	-	1,305,874
Human services	2,627,464	10,092,781	12,720,245
Workforce development	893,096	-	893,096
Total expenditures	<u>5,996,777</u>	<u>10,092,781</u>	<u>16,089,558</u>
Revenues over expenditures and net change in fund balance	<u>92,213</u>	<u>-</u>	<u>92,213</u>
FUND BALANCES - JULY 1	<u>402,765</u>	<u>-</u>	<u>402,765</u>
FUND BALANCES - JUNE 30	<u>\$ 494,978</u>	<u>\$ -</u>	<u>\$ 494,978</u>

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

CENTRALINA COUNCIL OF GOVERNMENTS**EXHIBIT F****RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2018**

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

Net change in fund balances - total governmental funds	\$ 92,213
Governmental funds report capital outlays as expenditures, however, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeds capital outlays and disposals in the current period.	(22,349)
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities.	213,490
Pension expense reported in the Statement of Activities does not require the use of current financial resources and, therefore, is not reported as an expenditure in the governmental funds.	(205,407)
OPEB benefit payments made in current fiscal year are not included on the Statement of Activities	12,008
Recording of the net adjustment to the obligation for compensated absences	25,176
OPEB expense reported in the Statement of Activities does not require the use of current financial resources and, therefore, is not reported as an expenditure in the governmental funds.	(28,767)
Payment on accrued litigation	5,000
Unavailable resources	(56,675)
The incurrence of capital lease obligations provides current financial resources to governmental funds, while the repayment of the principal of capital lease obligations consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. This is the amount by which capital lease obligations incurred exceed total principal payments made under capital lease obligations.	<u>13,926</u>
Change in net position of governmental activities	<u>\$ 48,615</u>

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

CENTRALINA COUNCIL OF GOVERNMENTS **EXHIBIT G**
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
ANNUAL BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended June 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Restricted intergovernmental revenues	\$ 4,100,000	\$ 4,438,776	\$ 3,721,301	\$ (717,475)
Technical assistance contracts	550,000	788,736	687,607	(101,129)
Contracts and fees	18,000	18,000	18,000	-
Other program revenue	632,000	650,408	720,581	70,173
Fund Balance Appropriated	-	25,580	-	(25,580)
Interest and other	146,000	353,719	112,359	(241,360)
Member dues and contributions	775,000	829,140	829,142	2
Total revenues	<u>6,221,000</u>	<u>7,104,359</u>	<u>6,088,990</u>	<u>(1,015,369)</u>
EXPENDITURES				
Current				
General government				
Board, executive committee, and committees	145,000	106,160	97,507	8,653
Management and business operations	1,775,000	1,989,216	1,713,874	275,342
Information technology and data service	101,000	110,000	88,025	21,975
Indirect costs representation	(1,870,000)	(1,923,926)	(1,777,559)	(146,367)
Total general government	<u>151,000</u>	<u>281,450</u>	<u>121,847</u>	<u>159,603</u>
Transportation				
Planning assistance and administration	950,000	1,246,615	915,483	331,132
Total transportation	<u>950,000</u>	<u>1,246,615</u>	<u>915,483</u>	<u>331,132</u>
Environmental protection				
Planning assistance and administration	150,000	134,352	133,013	1,339
Total environmental protection	<u>150,000</u>	<u>134,352</u>	<u>133,013</u>	<u>1,339</u>
Economic and physical development				
Planning assistance and administration	600,000	645,590	593,410	52,180
Economic program initiative	770,000	884,124	712,464	171,660
Total economic and physical development	<u>1,370,000</u>	<u>1,529,714</u>	<u>1,305,874</u>	<u>223,840</u>
Human services				
Area agency on aging	2,600,000	2,935,865	2,627,464	308,401
Workforce development				
	1,000,000	976,363	893,096	83,267
Total expenditures	<u>6,221,000</u>	<u>7,104,359</u>	<u>5,996,777</u>	<u>1,107,582</u>
Revenues over expenditures	<u>\$ -</u>	<u>\$ -</u>	92,213	<u>\$ 92,213</u>
FUND BALANCES - JULY 1			<u>402,765</u>	
FUND BALANCES - JUNE 30			<u>\$ 494,978</u>	

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

CENTRALINA COUNCIL OF GOVERNMENTS **EXHIBIT H**
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
ANNUAL BUDGET AND ACTUAL - SPECIAL REVENUE FUND
For the Year Ended June 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Restricted intergovernmental revenues				
Aging pass-through funds				
HCC Block Grant	\$ 8,600,000	\$ 8,975,669	\$ 8,897,940	\$ (77,729)
USDA/NSIP Supplement	450,000	650,000	504,482	(145,518)
Title III-B legal	75,000	96,192	105,267	9,075
Family Caregiver	500,000	466,490	431,489	(35,001)
Disease Prevention/Health Promotion	45,000	46,400	29,833	(16,567)
State Senior Center General Purpose	115,000	120,333	109,367	(10,966)
Heat Fan Relief	18,000	14,520	14,403	(117)
Total Aging Revenue	<u>9,803,000</u>	<u>10,369,604</u>	<u>10,092,781</u>	<u>(276,823)</u>
EXPENDITURES				
Grant-related expenditures				
Aging pass-through funds				
HCC Block Grant	8,600,000	8,975,669	8,897,940	77,729
USDA/NSIP Supplement	450,000	650,000	504,482	145,518
Title III-B legal	75,000	96,192	105,267	(9,075)
Family Caregiver	500,000	466,490	431,489	35,001
Disease Prevention/Health Promotion	45,000	46,400	29,833	16,567
State Senior Center General Purpose	115,000	120,333	109,367	10,966
Heat Fan Relief	18,000	14,520	14,403	117
Total Aging Expenditures	<u>9,803,000</u>	<u>10,369,604</u>	<u>10,092,781</u>	<u>276,823</u>
Revenues over expenditures	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>
FUND BALANCES - JULY 1			-	
FUND BALANCES - JUNE 30			<u>\$ -</u>	

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

CENTRALINA COUNCIL OF GOVERNMENTS
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2018

Notes to Financial Statements

1. Summary of Significant Accounting Policies

The accounting policies of Centralina Council of Government (the “Council” or “CCOG”) 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 is a public authority which is governed by a Board of Delegates composed of over 60 elected officials. As required by generally accepted accounting principles, these financial statements present the Council and its component units, as legally separate entities for which the Council is financially accountable. The Centralina Workforce Development Consortium, a discretely presented component unit, is reported in a separate column in the Council’s financial statements in order to emphasize that it is legally separate from the Council. Centralina Foundation, Inc., Centralina Economic Development Commission, Inc., and Centralina Connection, Inc. are presented as blended component units. The blended presentation method presents component units as a department of the Council and offers no separate presentation as with the discrete method.

Centralina Workforce Development Consortium

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

Centralina Foundation, Inc.

Centralina Foundation, Inc. (the “Foundation”) is a North Carolina nonprofit corporation that promotes improved health and welfare through innovative, collaborative, and inclusive community-based programs directly impacting people and communities in the southern piedmont region of North Carolina. The governing board of the Foundation includes nine Trustees, five of which are the officers and Executive Director of CCOG. The other four are elected by the Board of Trustees and include civic leaders from many walks of life. The Foundation contracts with CCOG for provision of its administrative support and fiscal management, and does not issue separate financial statements.

Centralina Economic Development Commission, Inc.

The governing board of Centralina Economic Development Commission, Inc. (the “Commission”) is appointed by the Executive Committee of the Council. The Commission is a nonprofit corporation organized to facilitate, plan, and coordinate innovative regional economic development, promote new and effective thinking and action, including federal, state, and local legislation and 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 services to and engagement of primarily older adults, persons with disabilities and veterans, and to provide access to resources in the community through collaborating with existing agents. Centralina Connection does not issue separate financial statements.

CENTRALINA COUNCIL OF GOVERNMENTS
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2018

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, and 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.

CENTRALINA COUNCIL OF GOVERNMENTS

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2018

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

The Council considers all revenues available if they are collected within 90 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.

For the fiscal year ended June 30, 2018, expenditures made in the Council's Special Revenue Fund exceeded the authorized appropriations made by the governing board for the Title III-B Legal by \$9,075. Implementations of expenditure controls along with additional monitoring processes have been implemented to prevent this from occurring in the future.

Allocation of indirect costs

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

CENTRALINA COUNCIL OF GOVERNMENTS
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2018

State law [G.S. 159-30(c)] authorizes the Council to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the state of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high-quality issues of commercial paper and banker's acceptances; and the North Carolina Capital Management Trust ("NCCMT"). The Council's investments are reported at amortized cost or at fair value as determined by either quoted market prices or a matrix pricing model. Bank deposits and the NCCMT are measured at amortized cost, which is the NCCMT's share price. The securities of the NCCMT Government Portfolio, a SEC-registered (2a-7) external investment pool, is measured at amortized cost, which is the NCCMT's share price. The NCCMT Term Portfolio's securities are valued at fair value.

Allowances for doubtful accounts

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

Prepayments

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

Capital assets

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

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

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

Long-term obligations

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

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

CENTRALINA COUNCIL OF GOVERNMENTS
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2018

Compensated absences

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

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

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

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

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

Deferred outflows/inflows of resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. The separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Council has two items that meet the criterion for this category, contributions made to the pension and OPEB plan in the 2018 fiscal year. In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Council has three 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 deferred pension and OPEB expense.

Net position/fund balances

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

In the governmental fund financial statements, fund balance is composed of three classifications designed to disclose the hierarchy of constraints placed on how the 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 the 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 the fund balance that is restricted by State Statute [G.S. 159-8(a)].

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

CENTRALINA COUNCIL OF GOVERNMENTS
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2018

The General Fund's fund balance was \$494,978 at June 30, 2018, 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 the fund balance classification expenditures are to be spent from the 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 the 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 the "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 liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Local Governmental Employees' Retirement System ("LGERS") and additions to/deductions from LGERS' fiduciary net position have been determined on the same basis as they are reported by LGERS. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The Council's employer contributions are recognized when due and the Council has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of LGERS. Investments are reported at fair value.

2. Deposits

All of the Council's deposits are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage are collateralized with securities held by the Council's agent in the Council's name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Council for the Council, these deposits are considered to be held by the Council's agent in the Council's name. The amount of the pledged collateral is based on an approved averaging method for non-interest-bearing deposits and the actual current balance for 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, 2018, the Council's deposits had a carrying amount of \$238,393 and a bank balance of \$1,558,870. 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.

CENTRALINA COUNCIL OF GOVERNMENTS
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2018

3. Investments

At June 30, 2018, the Council had \$1,938 invested with the North Carolina Capital Management Trust’s Government Portfolio, which carried a credit rating of AAAM by Standard and Poor’s. The Council has no policy on credit risk.

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

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

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

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

4. Receivables

Receivables at the government-wide level consisted of the following at June 30, 2018:

	<u>Due from Other Governments</u>	<u>Other</u>
Governmental activities:		
General	\$ 568,335	\$ 54,421
Special revenue	<u>641,507</u>	<u>-</u>
	<u>\$ 1,209,842</u>	<u>\$ 54,421</u>
Workforce Development Consortium	<u>\$ 399,961</u>	<u>\$ 2,513</u>

Due from other governments consisted of the following at June 30, 2018:

	<u>Governmental Activities</u>	<u>Workforce Development Consortium</u>
Receivables under expenditure-driven grants	\$ 1,130,395	\$ 402,474
Technical assistance contracts	<u>79,447</u>	<u>-</u>
	<u>\$ 1,209,842</u>	<u>\$ 402,474</u>

CENTRALINA COUNCIL OF GOVERNMENTS
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2018

5. Capital Assets

The following is a summary of capital asset activity for the year ended June 30, 2018:

	<u>Balance June 30, 2017</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance, June 30, 2018</u>
Capital assets being depreciated				
Furniture, fixtures, and equipment and leasehold improvements	\$ 841,012	\$ 24,157	\$ -	\$ 865,169
Less accumulated depreciation	<u>727,391</u>	<u>46,506</u>	<u>-</u>	<u>773,897</u>
Governmental activities capital assets, net	<u>\$ 113,621</u>	<u>\$ 22,349</u>	<u>\$ -</u>	<u>\$ 91,272</u>

Depreciation expense was charged to indirect cost in the amount of \$46,506.

6. Accounts and Grants Payable

Accounts and grants payable at the government-wide level consisted of the following at June 30, 2018:

	<u>Vendors</u>	<u>Subrecipients</u>	<u>Total</u>
Governmental activities:			
General	\$ 194,669	\$ -	\$ 194,669
Special revenue	<u>-</u>	<u>648,346</u>	<u>648,346</u>
	<u>\$ 194,669</u>	<u>\$ 648,346</u>	<u>\$ 843,015</u>
Workforce Development Consortium	<u>\$ -</u>	<u>\$ 402,474</u>	<u>\$ 402,474</u>

7. Accrued Liabilities

Accrued liabilities for governmental activities and the General Fund at June 30, 2018 consisted of accrued salaries and salary related accounts in the amount of \$147,161.

8. Pension Plan Obligations

Local governmental employees' retirement system

Plan description. Centralina Council of Governments is a participating employer in the statewide 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.

CENTRALINA COUNCIL OF GOVERNMENTS
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2018

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 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, 2018, was 7.50% 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 \$213,490 for the year ended June 30, 2018.

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, 2018, the Council reported a liability of \$574,577 for its proportionate share of the net pension asset. The net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2016. The total pension liability was then rolled forward to the measurement date of June 30, 2017 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, 2017, the Council’s proportion was 0.03761%, which was an increase of 0.00163% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the Council recognized pension expense of \$205,407. At June 30, 2018, 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	\$ 33,101	\$ 16,264
Changes of assumptions	82,057	-
Net difference between projected and actual earnings on pension plan investments	139,508	-
Changes in proportion and differences between Council contributions and proportionate share of contributions	33,181	2,595
Total contributions subsequent to the measurement date	<u>213,490</u>	<u>-</u>
Total	<u>\$ 501,337</u>	<u>\$ 18,859</u>

CENTRALINA COUNCIL OF GOVERNMENTS
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2018

\$213,490 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, 2019. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ending June 30:

2019	\$	42,029
2020		173,361
2021		89,804
2022		(36,206)
2023		-
Total	<u>\$</u>	<u>268,988</u>

Actuarial assumptions. The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0%
Salary increases	3.50% to 8.10%, including inflation and productivity factor
Investment rate of return	7.20%, 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, 2016 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

Future ad hoc cost of living adjustment (“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, 2017 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed income	29.0%	1.4%
Global equity	42.0%	5.3%
Real estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation protection	6.0%	4.0%
Total	<u>100.0%</u>	

CENTRALINA COUNCIL OF GOVERNMENTS
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2018

The information above is based on 30-year expectations developed with the consulting actuary for the 2016 asset liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

Discount rate. The discount rate used to measure the total pension liability was 7.20%. 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 liability to changes in the discount rate. The following presents the Council’s proportionate share of the net pension liability calculated using the discount rate of 7.20%, 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 (6.20%) or one percentage point higher (8.20%) than the current rate:

	<u>1% Decrease (6.20%)</u>	<u>Discount Rate (7.20%)</u>	<u>1% Increase (8.20%)</u>
Council’s proportionate share of the net pension liability (asset)	\$ <u>1,724,892</u>	\$ <u>574,577</u>	\$ <u>(385,574)</u>

Pension plan fiduciary net position. Detailed information about the pension plan’s fiduciary net position is available in the separately issued CAFR for the State of North Carolina.

9. 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 Board of Trustees. The SRI Plan provides retirement benefits to all permanent, full-time Council employees. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

Funding policy. The Council contributes each month 3.0% of each employee’s salary. All amounts contributed are vested immediately. Also, employees may make voluntary contributions to the SRI Plan. Contributions from employees and the Council for the year ended June 30, 2018 and 2017 amounted to \$192,329 and \$213,490, respectively.

10. 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 Board of Trustees. The deferred compensation plan provides retirement benefits to full-time, part-time, and temporary employees. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

Funding policy. The Council does not contribute to the plan, but submits contributions on behalf of employees through payroll deductions. Contributions from employees for the year ended June 30, 2018 amounted to \$18,940.

CENTRALINA COUNCIL OF GOVERNMENTS
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2018

11. 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 LGERS and have at least five years of creditable service with the Council. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75. There are no authoritative requirements to pay OPEB as benefits come due.

The Council will continue to make group hospitalization insurance available 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.

Prior to retirement, dependent coverage may also be added at the option and cost of the employee.

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 Blue Cross and Blue Shield. Dental and vision coverage are covered through the Municipal Insurance Trust administered by the North Carolina League of Municipalities. Two retirees were eligible for postretirement healthcare benefits. One was for the full year and one for six months.

Membership of the HCB Plan consisted of the following at June 30, 2017, the date of the latest actuarial valuation:

	General Employees
Retirees and dependents receiving benefits	5
Active plan members	<u>44</u>
Total	<u><u>49</u></u>

CENTRALINA COUNCIL OF GOVERNMENTS
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2018

Total OPEB liability

Centralina’s total OPEB liability of \$334,809 was measured as of June 30, 2017 and was determined by an actuarial valuation as of that date.

Actuarial assumptions and other inputs. The total OPEB liability on the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Inflation	2.5%
Real wage growth	1.0%
Wage inflation	3.5%
Salary increases, including wage inflation:	
General Employees	3.5% to 7.75%
Municipal Bond Index Rate:	
Prior Measurement Date	3.01%
Measurement Date	3.56%

The discount rate used to measure the Total OPEB Liability was based on the June average of the Bond Buyer General Obligation 20-year Municipal Bond Index published weekly by the Bond Buyer.

Changes in the Total OPEB liability

	Total OPEB Liability
Balance at June 30, 2017	\$ 356,740
Changes for the year	
Service cost	22,933
Interest	10,363
Changes of benefit terms	-
Differences between expected and actual experience	9,115
Changes in assumptions or other inputs	(39,235)
Benefit payments	(25,107)
Total OPEB Liability	(21,931)
Balance at June 30, 2018	\$ 334,809

There was a change in the Total OPEB Liability arising from the change in the Discount Rate from 3.01% on the Prior Measurement Date to 3.56% on the Measurement Date.

Mortality rates were based on the RP-2014 mortality tables, with adjustments for LGERS experience and generational mortality improvements using Scale MP-2015.

The demographic actuarial assumptions for retirement, disability incidence, withdrawal, and salary increase used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period January 1, 2010 – December 31, 2014, adopted by the LGERS.

The remaining actuarial assumptions (e.g., initial per capita costs, healthcare cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2017 valuation were based on a review of recent plan experience done concurrently with the June 30, 2017 valuation.

CENTRALINA COUNCIL OF GOVERNMENTS
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2018

Sensitivity of the total OPEB liability to changes in the discount rate. The following exhibit presents the total OPEB liability of Centralina's Plan, calculated using the discount rate of 3.56%, as well as what Centralina's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.56%) or 1-percentage-point higher (4.56%) than the current discount rate:

	Discount Rate Sensitivity		
	1% Decrease (2.56%)	Discount Rate (3.56%)	1% Increase (4.56%)
Total OPEB liability	\$ 365,272	\$ 334,809	\$ 306,892

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates. The following exhibit presents the total OPEB liability of Centralina's Plan, calculated using the healthcare cost trend rates, as well as what Centralina's total OPEB liability would be if it were calculated using healthcare cost trend rate that is 1-percentage point lower or 1-percentage point higher than the current healthcare cost trend rate:

	Healthcare Cost Trend Rate Sensitivity		
	1% Decrease	Current	1% Increase
Total OPEB liability	\$ 296,115	\$ 334,809	\$ 380,574

OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2018, Centralina recognized OPEB expense of \$28,767. At June 30, 2018, Centralina reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 7,744	\$ -
Changes of assumptions	-	33,335
Benefit payments made subsequent to the measurement date	12,008	-
Total	<u>\$ 19,752</u>	<u>\$ 33,335</u>

\$12,008 reported as deferred outflows of resources related to pensions, resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date, will be recognized as a decrease of the total OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Years Ending June 30:</u>	
2019	\$ (4,529)
2020	(4,529)
2021	(4,529)
2022	(4,529)
2023	(4,529)
Thereafter	(2,946)
	<u>\$ (25,591)</u>

CENTRALINA COUNCIL OF GOVERNMENTS
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2018

12. Deferred Outflows/Inflows of Resources

Deferred outflows of resources are comprised of contributions to the pension plan and OPEB of \$213,490 and \$12,008, respectively, and other pension and OPEB deferrals in the current fiscal year in the amount of \$287,847 and \$7,744, respectively.

The following is a summary of deferred inflows of resources at June 30, 2018:

	<u>Governmental Activities</u>	<u>Workforce Development Consortium</u>
Deferred membership dues	\$ 9,084	\$ -
OPEB deferrals	33,335	-
Pension deferrals	<u>18,859</u>	<u>-</u>
	<u>\$ 61,278</u>	<u>\$ -</u>

13. Risk Management

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

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

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

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

14. Long-Term Obligations

Capital leases

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

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

CENTRALINA COUNCIL OF GOVERNMENTS
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2018

The following is a summary of assets recorded under capital leases at June 30, 2018:

	<u>Accumulated Cost</u>	<u>Net Book Depreciation</u>	<u>Value</u>
Copier	\$ 35,679	\$ 28,543	\$ 7,136
Copier	<u>33,725</u>	<u>9,555</u>	<u>24,170</u>
	<u>\$ 69,404</u>	<u>\$ 38,098</u>	<u>\$ 31,306</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2018 were as follows:

Years Ending June 30,

2019	\$ 17,544
2020	9,444
2021	7,824
2022	<u>4,564</u>
Total minimum lease payments	39,376
Less amount representing interest	<u>(3,730)</u>
Present value of minimum lease payments	<u>\$ 35,646</u>

Changes in long-term liabilities

	<u>Restated Balance July 1, 2017</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2018</u>	<u>Current Portion of Balance</u>
Governmental activities:					
Capitalized leases	\$ 49,572	\$ -	\$ 13,926	\$ 35,646	\$ 15,555
Accrued vacation and sick leave	406,019	288,677	313,853	380,843	313,853
Net pension liability (LGERS)	763,616	-	189,039	574,577	-
Total OPEB liability	356,740	-	21,931	334,809	-
Other liabilities	<u>92,442</u>	<u>-</u>	<u>5,000</u>	<u>87,442</u>	<u>5,000</u>
	<u>\$ 1,668,389</u>	<u>\$ 288,677</u>	<u>\$ 543,749</u>	<u>\$ 1,413,317</u>	<u>\$ 334,408</u>

15. Operating Leases

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

The following is a schedule by year of future minimum payments required under operating leases that have initial or remaining noncancelable lease terms in excess of one year as of June 30, 2018:

<u>Years Ended June 30,</u>	<u>Office Space</u>
2019	\$ 294,487
2020	303,321
2021	312,421
2022	<u>239,549</u>
Total	<u>\$ 1,149,778</u>

Total rental expenditures for all operating leases except those with terms of one month or less amounted to \$288,309 for the year ended June 30, 2018.

CENTRALINA COUNCIL OF GOVERNMENTS
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2018

16. 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 \$893,096 and the Council reported revenues in the General Fund of the same amount for the year ended June 30, 2018.

17. 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 ("Aging"), 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, 2018, 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.

18. Restatements

Changes in accounting principle

The Council implemented Governmental Accounting Standards Board (GASB) Statement 75, *Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pensions*, in the fiscal year ending June 30, 2018. The implementation of the statement required the Council to restate its beginning total OPEB liability and the effects on net position of contributions made by the Council during the measurement period (fiscal year ending June 30, 2017). As a result, net position for the governmental activities decreased by \$246,212. The restatement includes the effects of amounts paid for OPEB subsequent to the measurement date but does not include the effects of other deferred outflows or deferred inflows, for which amounts were not practical to determine.



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Required Supplementary Information

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

- Schedule of Changes in the Total OPEB Liability and Related Ratios
- Local Governmental Employees' Retirement System – Schedule of the City's Proportionate Share of the Net Position
- Local Governmental Employees' Retirement System – Schedule of the City's Contributions

Centralina Council of Governments
Schedule of Changes in the Total OPEB Liability and Related Ratios
Required Supplementary Information
As of Fiscal Year End June 30, 2018

Total OPEB Liability

Service cost	\$ 22,933
Interest	10,363
Changes of benefit terms	-
Differences between expected and actual experience	9,115
Changes of assumptions	(39,235)
Benefit payments	(25,107)
Other	-
Net change in total OPEB liability	<u>(21,931)</u>
Total OPEB liability - beginning	356,740
Total OPEB liability - ending	<u><u>\$ 334,809</u></u>

Covered payroll	<u><u>\$ 2,580,488</u></u>
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Total OPEB liability as a percentage of covered payroll	12.97%
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Notes to Schedule

Changes of assumptions: Changes of assumptions and other inputs reflect the effects of changes in the discount rate of each period. The following are the discount rates used in each period:

<u>Fiscal Year</u>	<u>Rate</u>
2018 Municipal Bond Index Rate at Prior Measurement Date	3.01%
2018 Municipal Bond Index Rate at Measurement Date	3.56%

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Centralina's proportion of the net pension liability (asset) (%)	0.0376%	0.0360%	0.0390%	0.0410%	0.0410%
Centralina's proportion of the net pension liability (asset) (\$)	\$ 574,577	\$ 763,616	\$ 175,523	\$ (240,911)	\$ 490,591
Centralina's covered payroll	\$ 2,652,802	\$ 2,476,046	\$ 2,532,892	\$ 2,580,938	\$ 2,486,778
Centralina's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	21.66%	30.84%	6.93%	(9.33%)	19.73%
Plan fiduciary net position as a percentage of the total pension liability	94.18%	91.47%	98.09%	102.64%	94.35%

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

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 213,490	\$ 192,329	\$ 165,153	\$ 181,071	\$ 182,472
Contributions in relation to the contractually required contribution	<u>213,490</u>	<u>192,329</u>	<u>165,153</u>	<u>181,071</u>	<u>182,472</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Centralina's covered payroll	\$ 2,846,538	\$ 2,652,802	\$ 2,476,046	\$ 2,532,892	\$ 2,580,938
Contributions as a percentage of covered payroll	7.50%	7.25%	6.67%	7.15%	7.07%

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

Individual Fund Schedules



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General Fund

CENTRALINA COUNCIL OF GOVERNMENTS
GENERAL FUND
COMPARATIVE BALANCE SHEETS
June 30, 2018
With Comparative Totals for June 30, 2017

SCHEDULE 1

	<u>2018</u>	<u>2017</u>
ASSETS		
Cash and investments	\$ 240,331	\$ 1,302,566
Receivables	54,421	20,907
Due from other governments	568,335	599,783
Prepayments	<u>89,270</u>	<u>88,724</u>
 Total assets	 <u>\$ 952,357</u>	 <u>\$ 2,011,980</u>
 LIABILITIES		
Liabilities:		
Accounts and grants payable	\$ 194,669	\$ 103,627
Accrued liabilities	147,161	152,288
Due to special revenue fund	6,855	1,028,388
Due to component unit	2,513	3,504
Unearned revenue	<u>97,097</u>	<u>190,164</u>
Total liabilities	<u>448,295</u>	<u>1,477,971</u>
 Deferred Inflows of Resources:		
Unavailable resources	-	56,675
Deferred membership dues	<u>9,084</u>	<u>74,569</u>
Total deferred inflows of resources	<u>9,084</u>	<u>131,244</u>
 Fund balances:		
Nonspendable		
Prepayments	89,270	88,724
Restricted		
Stabilization by State Statute	622,756	620,690
Assigned		
Unassigned	<u>(217,048)</u>	<u>(306,649)</u>
Total fund balances	<u>494,978</u>	<u>402,765</u>
 Total liabilities and fund balances	 <u>\$ 952,357</u>	 <u>\$ 2,011,980</u>

CENTRALINA COUNCIL OF GOVERNMENTS
GENERAL FUND
INDIRECT COST CENTER - COMPUTATION OF INDIRECT COST ALLOCATION RATE

SCHEDULE 2

For the Year Ended June 30, 2018

PERSONNEL EXPENDITURES	
Salaries	\$ 590,159
Fringe benefits	323,460
	<u>913,619</u>
OPERATING EXPENDITURES	
Audit	52,500
Auto expenditures	5,910
Consultants	975
Contracted services	113,017
Equipment leases	34,801
Insurance	71,730
Computers and software	6,600
Legal	16,284
Meeting related expenditures	14,809
Memberships and dues	17,464
Postage	7,064
Printing and publications	6,512
Repairs and maintenance	7,909
Rent	286,777
Retiree healthcare costs	12,008
Supplies	24,221
Telephone	31,459
Training	2,004
Travel	19,980
	<u>732,024</u>
Total indirect costs - unadjusted	1,645,643
Adjustment for depreciation expense	46,506
	<u>1,692,149</u>
Total personnel expenditures	\$ 3,634,444
Less personnel expenditures in indirect cost pool	<u>913,619</u>
	<u>\$ 2,720,825</u>

**CENTRALINA COUNCIL OF GOVERNMENTS
GENERAL FUND
INDIRECT COST CENTER - COMPUTATION OF INDIRECT COST ALLOCATION RATE**

**SCHEDULE 2
(Continued)**

For the Year Ended June 30, 2018

	<u>Adjusted</u>
ALLOCATION RATE COMPUTATION	
Indirect costs	\$ 1,692,149
Divided by personnel expenditures earning indirect costs	<u>\$ 2,720,825</u>
Allocation rate - as computed	<u>62%</u>
INDIRECT COSTS COMPARED TO CALCULATED INDIRECT AMOUNT	
Personnel expenditures earning indirect costs	\$ 2,720,825
Personnel expenditures earning indirect costs	2,552,006
Federally approved rate	<u>68.37%</u>
Federally approved indirect amount	1,744,807
Personnel expenditures earning indirect costs - Annual	7,417
State University Grant Cap	<u>10.00%</u>
State University Grant Cap indirect amount - Annual	742
Personnel expenditures earning indirect costs - Annual	131,976
Private Foundation Grant Cap	<u>20.00%</u>
Private Foundation Grant Cap indirect amount - Annual	26,395
Personnel expenditures earning indirect costs - Annual	8,005
Private Professional Membership Organization	<u>30.00%</u>
Private Professional Membership Organization Cap indirect amount - Annual	2,402
Personnel expenditures earning indirect costs - Annual	21,421
Transportation Grants Cap	<u>15.00%</u>
Transportation Grants Cap indirect amount - Annual	3,213
Total indirect costs calculated	1,777,559
Total indirect actual expense costs	<u>1,692,149</u>
Calculated indirect costs over (under) adjusted indirect costs	<u>\$ 85,410</u>

Special Revenue Fund

CENTRALINA COUNCIL OF GOVERNMENTS
SPECIAL REVENUE FUND
COMPARATIVE BALANCE SHEETS
June 30, 2018
With Comparative Totals for June 30, 2017

SCHEDULE 3

	<u>2018</u>	<u>2017</u>
ASSETS		
Cash	\$ -	\$ 386
Due from other governments	641,507	584,023
Due from general fund	<u>6,855</u>	<u>1,028,388</u>
Total assets	<u><u>\$ 648,362</u></u>	<u><u>\$ 1,612,797</u></u>
LIABILITIES		
Accounts and grants payable	\$ 648,346	\$ 1,612,411
Unearned revenue	<u>16</u>	<u>386</u>
Total liabilities	<u><u>\$ 648,362</u></u>	<u><u>\$ 1,612,797</u></u>

Component Unit

CENTRALINA COUNCIL OF GOVERNMENTS

SCHEDULE 4

COMPONENT UNIT

CENTRALINA WORKFORCE DEVELOPMENT CONSORTIUM

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -

BUDGET AND ACTUAL

From Inception and for the Year Ended June 30, 2018

	Grant Award	Actual		Total to Date
		Prior Years	Current Year	
REVENUES				
WIA / WIOA GRANTS				
WIOA 15-4031 Youth Services - 2015	\$ 1,424	\$ -	\$ 1,424	\$ 1,424
WIA 15-3130 SP Career Path Implementation - 2015	135,666	-	100,980	100,980
WIOA 15-4050 Business Engagement - 2015	59,325	-	59,325	59,325
WIOA 16-4050 Maximize Carolina Program - 2016	46,836	-	46,836	46,836
WIOA 16-4010 Administrative Cost Pool - 10% - 2016	428,231	356,809	71,422	428,231
WIOA 16-4020 Adult Services - 2016	1,978,968	1,893,879	85,089	1,978,968
WIOA 16-4030 Dislocated Worker - 2016	601,266	551,745	49,521	601,266
WIOA 16-4040 Youth Services - 2016	1,273,842	1,135,001	138,841	1,273,842
WIOA 16- 4050 Infrastructure Cost - 2016	72,225	-	2,500	2,500
WIOA 16-4050 DWS Brochures - 2016	8,441	-	5,552	5,552
WIOA 17-4010 Administrative Cost Pool - 10% - 2017	455,019	-	409,193	409,193
WIOA 17-4020 Adult Services - 2017	1,772,164	-	1,710,977	1,710,977
WIOA 17-4030 Dislocated Worker - 2017	960,078	-	755,208	755,208
WIOA 17-4040 Youth Services - 2017	1,362,934	-	1,077,193	1,077,193
Total revenues	9,156,419	3,937,434	4,514,061	8,451,495
EXPENDITURES				
WIA / WIOA GRANTS				
WIOA 15-4031 Youth Services - 2015	\$ 1,424	\$ -	\$ 1,424	1,424
WIA 15-3130 SP Career Path Implementation - 2015	135,666	-	100,980	100,980
WIOA 15-4050 Business Engagement - 2015	59,325	-	59,325	59,325
WIOA 16-4050 Maximize Carolina Program - 2016	46,836	-	46,836	46,836
WIOA 16-4010 Administrative Cost Pool - 10% - 2016	428,231	356,809	71,422	428,231
WIOA 16-4020 Adult Services - 2016	1,978,968	1,893,879	85,089	1,978,968
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WIOA 16-4050 DWS Brochures - 2016	8,441	-	5,552	5,552
WIOA 17-4010 Administrative Cost Pool - 10% - 2017	455,019	-	409,193	409,193
WIOA 17-4020 Adult Services - 2017	1,772,164	-	1,710,977	1,710,977
WIOA 17-4030 Dislocated Worker - 2017	960,078	-	755,208	755,208
WIOA 17-4040 Youth Services - 2017	1,362,934	-	1,077,193	1,077,193
Total expenditures	9,156,419	3,937,434	4,514,061	8,451,495
Revenues over expenditures	-	-	-	-
FUND BALANCES - JULY 1	-	-	-	-
FUND BALANCES - JUNE 30	\$ -	\$ -	\$ -	\$ -

Compliance Section



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

Board of Delegates
Centralina Council of Governments
Charlotte, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Centralina Council of Governments (the "Council"), as of and for the year ended June 30, 2018, 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 16, 2018.

Internal Control over Financial Reporting

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

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

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider 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 grants agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Cherry Roubert LLP

Charlotte, North Carolina
October 16, 2018

**Report of Independent Auditor on Compliance with Requirements Applicable to
Each Major Federal Program and Internal Control over Compliance in
Accordance with the OMB Uniform Guidance and the
State Single Audit Implementation Act**

Board of Delegates
Centralina Council of Governments
Charlotte, North Carolina

Report on Compliance for Each Major Federal Program

We have audited the Centralina Council of Governments (the “Council”), compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the Council’s major federal programs for the year ended June 30, 2018. The Council’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

Management’s Responsibility

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

Auditor’s Responsibility

Our responsibility is to express an opinion on compliance for each of the Council’s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the State Single Audit Implementation Act. Those standards, the Uniform Guidance, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Council’s compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the Council complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Report on Internal Control over Compliance

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

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

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

Purpose of this Report

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

Cherry R. Ricketts LLP

Charlotte, North Carolina
October 16, 2018

**Report of Independent Auditor on Compliance with Requirements
Applicable to Each Major State Program and Internal Control over
Compliance in Accordance with the OMB Uniform Guidance and the
State Single Audit Implementation Act**

Board of Delegates
Centralina Council of Governments
Charlotte, North Carolina

Report on Compliance for Each Major State Program

We have audited the Centralina Council of Governments (the “Council”), compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the Council’s major State programs for the year ended June 30, 2018. The Council’s major State programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

Management’s Responsibility

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

Auditor’s Responsibility

Our responsibility is to express an opinion on compliance for each of the Council’s major State programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and applicable sections of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, Uniform Guidance and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the Council’s compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

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

Opinion on Each Major State Programs

In our opinion, the Council complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2018.

Report on Internal Control over Compliance

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

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

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

Purpose of this Report

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

Chauney R. Rindt LLP

Charlotte, North Carolina
October 16, 2018

CENTRALINA COUNCIL OF GOVERNMENTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2018

Section I—Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted: yes no

Federal Awards

Internal control over major federal programs:

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

Noncompliance material to federal awards yes no

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? yes no

Identification of major federal programs:

<u>CFDA#</u>	<u>Program Name</u>
	Aging Cluster
93.044	Special Programs for the Aging - Title III B
93.045	Special Programs for the Aging - Title III C
93.053	Nutrition Services Incentive Program

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

Auditee qualified as low-risk auditee? yes no

CENTRALINA COUNCIL OF GOVERNMENTS
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2018

Grantor/Pass-Through Grantor/ Program Title	CFDA Number	State/Pass-Through Grantor's Number	Federal Expenditures	State Expenditures	Passed through to Subrecipients
FEDERAL AWARDS					
<u>U.S. DEPARTMENT OF COMMERCE</u>					
Economic Development Administration					
Direct program					
Strategic Planning Grant	11.303	ED16ATL3020014	\$ 63,354	\$ -	\$ -
Total U.S. Department of Commerce			63,354	-	-
<u>U.S. DEPARTMENT OF LABOR</u>					
Employment and Training Administration					
Passed through North Carolina Department of Health and Human Services					
Division of Aging and Adult Services					
Senior Community Service Employment Program	17.235	36343	266,521	-	-
Total Senior Community Service Employment Program			266,521	-	-
Passed through Senior Service America, Inc.					
Senior Community Service Employment Program	17.235	331	318,901	-	-
Total Senior Service America, Inc.			318,901	-	-
Passed through North Carolina Department of Commerce					
Division of Employment and Training					
Workforce Innovation and Opportunity Act Cluster					
WIOA - Adult Programs	17.258	AA-28327-16-55-A-37	85,089	-	-
WIOA - Adult Programs	17.258	AA-30962-17-55-A-37	1,710,977	-	1,694,217
WIOA - Youth Activities	17.259	AA-28327-16-55-A-37	138,841	-	-
WIOA - Youth Activities	17.259	AA-30962-17-55-A-37	1,077,193	-	1,066,815
WIOA - Cost sharing DWS brochures	17.259	AA-28327-16-55-A-37	5,552	-	-
WIOA - Business Engagement Training	17.259	AA-26791-15-55-A-37	59,325	-	-
WIOA - Dislocated Workers	17.278	AA-28327-16-55-A-37	49,521	-	-
WIOA - Dislocated Workers	17.278	AA-30962-17-55-A-37	755,208	-	740,372
WIOA - DW Rapid Response	17.278	AA-26791-15-55-A-37	1,424	-	1,424
WIOA - Maximize Carolina Program	17.278	AA-28327-16-55-A-37	46,836	-	40,592
WIOA - Infrastructure Cost	17.278	AA-28327-16-55-A-37	2,500	-	-
WIOA - Administrative Cost Pool/Incentives/Capital and Special Grants	17.258 17.259 17.278	AA-28327-16-55-A-37 / AA-30962- 17-55-A-37	480,615	-	-
Total Workforce Innovation and Opportunity Act Cluster			4,413,081	-	3,543,420
WIA - SPCP Implementation	17.277	EM-27361-15-60-A-37	100,980	-	81,289
Total U.S. Department of Labor			5,099,483	-	3,624,709
<u>U.S. DEPARTMENT OF ENERGY</u>					
NC PEV Readiness Initiative: Plugging in from Mountains to Sea	81.086	11EE007389	49,680	-	-
Southeast Alternative Fuels	81.086	DE-EE0007018	2,976	-	-
Total U.S. Department of Energy			52,656	-	-

**CENTRALINA COUNCIL OF GOVERNMENTS
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2018**

(continued)

Grantor/Pass-Through Grantor/ Program Title	CFDA Number	State/Pass-Through Grantor's Number	Federal Expenditures	State Expenditures	Passed through to Subrecipients
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>					
Administration on Aging					
Passed through North Carolina Department of Health and Human Services					
Division of Aging and Adult Services					
Special Programs for the Aging, Title VII, Chapter 3					
Programs for the Prevention of Elder Abuse, Neglect, and Exploitation	93.041	NC-06	\$ 21,206	\$ 1,247	\$ -
Special Programs for the Aging, Title VII, Chapter 2					
Programs for Long-term Ombudsman Services for Older Individuals	93.042	NC-06	127,125	7,478	-
Social Service Block Grant					
In Home/Support SVC	93.667	NC-06	275,669	-	275,669
Special Programs for the Aging, Title III F					
Disease Prevention and Health Promotion Services	93.043	NC-06	90,966	5,351	29,833
Aging Cluster					
Special Programs for the Aging - Title III B					
Grants for Supportive Services and Senior Centers					
Legal services	93.044	NC-06	94,740	10,527	105,267
Ombudsman	93.044	NC-06	274,723	16,160	-
Access	93.044	NC-06	1,003,154	70,271	1,067,525
In Home Services	93.044	NC-06	123,586	6,773	-
Special Programs for the Aging - Title III C					
Nutrition Services-Planning and Administration					
Congregate Nutrition	93.045	NC-06	1,482,132	86,323	1,342,709
Home Delivered Meals	93.045	NC-06	603,613	35,507	639,120
Special Programs for the Aging - Title III E					
Nutrition Services Incentive Program	93.053	NC-06	504,482	-	504,482
Total Aging Cluster			4,086,430	225,561	3,659,103
Special Programs for the Aging - Title III E					
National Family Caregiver Support Program	93.052	NC-06	656,507	42,812	431,489
MIPPA	93.071	1701NCMIAA-01/1701NCMIDR-01	65,505	-	-
Senior Medicare Patrol	93.048	90MP0210-02-01	5,500	-	-
Local Contact Agency	93.791	34507	90,000	-	-
Total U.S. Department of Health and Human Services			5,418,908	282,449	4,396,094

**CENTRALINA COUNCIL OF GOVERNMENTS
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2018**

(continued)

<u>Grantor/Pass-Through Grantor/ Program Title</u>	<u>CFDA Number</u>	<u>State/Pass-Through Grantor's Number</u>	<u>Federal Expenditures</u>	<u>State Expenditures</u>	<u>Passed through to Subrecipients</u>
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>					
Passed through North Carolina Department of Transportation					
Charlotte UZA Grant	20.513	2017000648	\$ 22,545	\$ -	\$ -
Charlotte UZA Grant	20.513	2018000173	58,730	-	-
Concord UZA Grant	20.513	6288-2017-1-P2	36,566	-	-
CMAQ-Regional Passenger Pail Promotion Project	20.205		4,808	-	-
Regional FHWA Freight Study and Freight Mobility Plan	20.205	2016000668	80,676	-	-
NCDOT ACV FHWA	20.205	7464	31,250	-	-
Nonurbanized Area Public Transportation Grant	20.513	17-ED-912	223,819	27,976	-
Passed through North Carolina State University					
Clean Fuels Advanced Technology 2014-2018	20.205	2010-0499-05	63,045	-	-
Total U.S. Department of Transportation			<u>521,439</u>	<u>27,976</u>	<u>-</u>
Total Federal Awards Expended			<u>11,155,840</u>	<u>310,425</u>	<u>8,020,803</u>
<u>STATE AWARDS</u>					
<u>N. C. Department of Environment and Natural Resources</u>					
Land Monitoring Services		6499	-	39,922	-
Total N. C. Department of Environment and Natural Resources			<u>-</u>	<u>39,922</u>	<u>-</u>
<u>N. C. Department of Health and Human Services</u>					
Division of Aging					
90% State Funds - Ombudsman		NC-06	-	136,881	-
90% State Funds - Access		NC-06	-	394,261	394,261
90% State Funds - In Home Services		NC-06	-	4,652,479	4,652,479
90% State Funds - Home Delivered Meals		NC-06	-	526,177	526,177
AAA Plan & Administration		NC-06	-	48,261	-
Fans Programs		NC-06	-	14,403	14,403
Senior Center General Purpose		NC-06	-	109,367	109,367
Total N.C. Department of Health and Human Services			<u>-</u>	<u>5,881,829</u>	<u>5,696,687</u>
Total State Awards Expended			<u>-</u>	<u>5,921,751</u>	<u>5,696,687</u>
Total Federal and State Awards Expended			<u>\$ 11,155,840</u>	<u>\$ 6,232,176</u>	<u>\$ 13,717,490</u>

CENTRALINA COUNCIL OF GOVERNMENTS
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2018

(continued)

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

1. Basis of Presentation

The accompanying schedule of expenditures of federal and State awards (SEFSA) includes the federal and state grant activity of Centralina Council of Governments under the programs of the federal government and the State of North Carolina for the year ended June 30, 2018. The information in this SEFSA is presented in accordance with the requirements of *Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles*, and Audit Requirements for Federal Awards and the State Single Audit Implementation Act. Because the schedule presents only a selected portion of the operations of Council, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Council.

2. Summary of Significant Accounting Policies

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

3. Indirect Cost Rate

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