

MID-CAROLINA COUNCIL OF GOVERNMENTS, INC.
Fayetteville, North Carolina
Financial Statements
For the Year Ended June 30, 2016

Mid-Carolina Council of Governments, Inc.
Table of Contents
June 30, 2016

<u>Exhibit</u>		<u>Page(s)</u>
	Financial Section:	
	Independent Auditors' Report	1 - 3
	Management's Discussion and Analysis	4 - 10
	Basic Financial Statements:	
	Government-wide Financial Statements:	
1	Statement of Net Position	11
2	Statement of Activities	12
	Fund Financial Statements:	
3	Balance Sheet - Governmental Funds	13
3	Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position	13
4	Statement of Revenues, Expenditures, and Changes in Fund Balances -- Governmental Funds	14
5	Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of the Governmental Funds to the Statement of Activities	15
6	Statement of Revenues, Expenditures, and Changes in Fund Balances -- Annual Budget and Actual -- General Fund	16
	Notes to Financial Statements	17-32
	Required Supplementary Information	
A-1	Other Postemployment Benefits - Schedule of Funding Progress	33
A-2	Other Postemployment Benefits - Schedule of Employer Contributions	34
A-3	Schedule of the Proportionate Share of the Net Pension (Liability) Asset - Local Government Employees' Retirement System	35
A-4	Schedule of Contributions - Local Government Employees' Retirement System	36

Mid-Carolina Council of Governments, Inc.
Table of Contents
June 30, 2016

<u>Exhibit</u>		<u>Page(s)</u>
	Individual Fund Statements and Schedules:	
B-1	Schedule of Revenues, Expenditures, and Changes in Fund Balances -- Budget and Actual -- General Fund	37-40
B-2	Schedule of Revenues, Expenditures, and Changes in Fund Balances -- Budget and Actual -- Middle Cape Fear Basin Association	41
	Compliance Section:	
	Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With <u>Government Auditing Standards</u>	42-43
	Report on Compliance with Requirements Applicable to Each Major Federal Program and Internal Control Over Compliance in Accordance With OMB Uniform Guidance and the State Single Audit Implementation Act	44-45
	Report on Compliance with Requirements Applicable to Each Major State Program and Internal Control Over Compliance in Accordance With Applicable Sections of OMB Uniform Guidance and the State Single Audit Implementation Act	46-47
	Schedule of Findings and Questioned Costs	48-50
	Corrective Action Plan	51
	Summary Schedule of Prior Audit Findings	52
C-1	Schedule of Expenditures of Federal and State Awards	53-55



Alan W. Thompson, CPA
R. Bryon Scott, CPA
Gregory S. Adams, CPA

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Mid-Carolina Council of Governments, Inc.
Fayetteville, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Mid-Carolina Council of Governments, Inc. as of and for the year then ended June 30, 2016, and the related notes to the financial statements which collectively comprise the Mid-Carolina Council of Governments, Inc.'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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Members

American Institute of CPAs - N.C. Association of CPAs - AICPA Division of Firms

Opinions

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Mid-Carolina Council of Governments, Inc. as of June 30, 2016, and the respective changes in financial position and the respective budgetary comparison for the General Fund and Middle Cape Fear River Association for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 10, and the Other Postemployment Benefits' Schedules of Funding Progress and the Schedule of Employer Contributions on pages 33 and 34, respectively, and the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Asset and Contributions on pages 35 and 36, respectively, 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 statements of the Mid-Carolina Council of Governments, Inc. The combining and individual fund statements, budgetary schedules, and other schedules as well as the accompanying Schedule of Expenditures of Federal and State Awards, as required by *Title 2 U.S. Code of Federal Regulations (CFR) 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 combining and individual fund financial statements, budgetary schedules, other schedules, and the Schedule of Expenditures of Federal and State Awards are the responsibility of management and were derived from and relates 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 by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, the combining and individual fund statements, budgetary schedules, other schedules, and the Schedule of Expenditures of Federal and State Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 21, 2016 on our consideration of the Mid-Carolina Council of Governments, Inc.'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 the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Mid-Carolina Council of Governments, Inc.'s internal control over financial reporting and compliance.

J. Thompson, Rice, Scott, Adams & Co., P.A.

Whiteville, NC
October 21, 2016

Management's Discussion and Analysis

As management of the Mid-Carolina Council of Governments, Inc. (the Council), we offer readers of the Council's financial statements this narrative overview and analysis of the financial activities of the Council for the fiscal year ended June 30, 2016. The information presented here can be read in conjunction with additional information that we have furnished in the Council's financial statements, which follow this narrative.

Financial Highlights

The assets of the Council exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$822,087 (net position).

The government's total net position increased by \$21,564.

As of the close of the current fiscal year, the Council's governmental funds reported combined ending fund balances of \$992,595 an increase of \$18,454 in comparison with the prior year. Approximately 72% of this total amount, or \$716,767, is non-spendable or restricted.

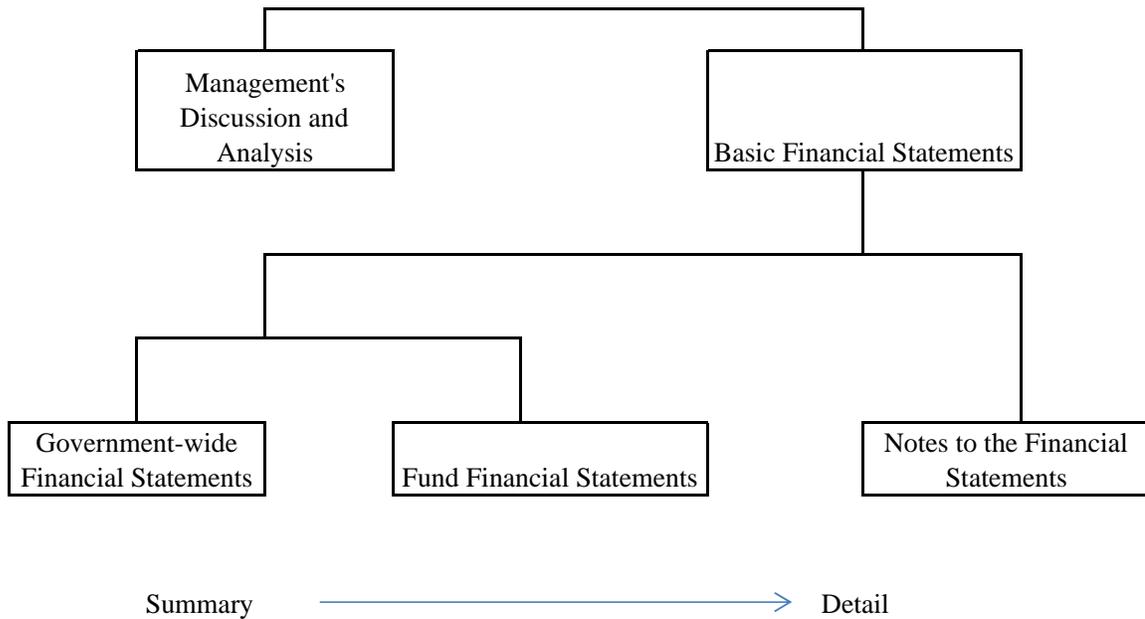
At the end of the current fiscal year, unassigned fund balance for the General Fund was a balance of (\$157,518), or 3.64% of general fund expenditures.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Council's basic financial statements which consist of three components; 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements (see Figure 1). The basic financial statements present two different views of the Council's finances through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of the Council.

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

The first two statements (Exhibits 1 and 2) in the basic financial statements are the Government-wide Financial Statements. They provide both short and long-term information about the Council's financial status.

The next statements (Exhibits 3 through 6) are Fund Financial Statements. These statements focus on the activities of the individual parts of the Council's government. These statements provide more detail than the government-wide statements. There are two parts to the Fund Financial Statements: 1) the governmental funds statements; and 2) the budgetary comparison statements.

The next section of the basic financial statements is the notes. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, supplemental information is provided to show details about the Council's governmental funds. Budgetary information required by the General Statutes also can be found in this part of the statements.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the Council's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the Council's financial status as a whole.

The two government-wide statements report the Council's net position and how they have changed. Net position is the difference between the Council's total assets and total liabilities and deferred inflows of resources. Measuring net position is one way to gage the Council's financial condition.

The government-wide statements consist of governmental activities. The governmental activities include most of the Council's basic services such as economic development and planning, human services, including the Aging Program and workforce development and general administration. State and federal grant funds and appropriations from counties finance most of these activities offered by the Council.

The government-wide financial statements are on Exhibits 1 and 2 of this report.

Fund Financial Statements

The fund financial statements provide a more detailed look at the Council's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Council, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the Council's budget ordinance. All Council funds are governmental funds.

Governmental Funds – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. All of the Council’s basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called modified accrual accounting, which provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the Council’s programs. The relationship between government activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

The Council adopts an annual budget for its General Fund and Special Revenue Funds, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the member local governments of the Council, the management of the Council, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the Council to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the Council complied with the budget ordinance and whether or not the Council succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the board; 2) the final budget as amended by the board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information - In addition to the basic financial statements and accompanying notes, this report includes other information to aide in analyzing the Council's financial position.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as one useful indicator of a government’s financial condition. The assets and deferred outflows of the Council exceeded liabilities and deferred inflows of resources by \$822,087 as of June 30, 2016.

A portion of the Council's net position (0.1%) reflects its net investment in capital assets (land, buildings, machinery and equipment). There was no debt outstanding at June 30, 2016 related to the purchase of these capital assets. The Council uses these capital assets to provide services to the citizens in its coverage area; consequently, these assets are not available for future spending.

An additional portion of the Council's net position (87.19%) are subject to external restrictions. These funds are available to provide services, but are restricted to certain categories of service and/or patients. The remaining balance of unrestricted net position, \$104,464, may be used to meet the Council's ongoing obligations to citizens and creditors.

The net position of the Council are presented below (Figure 2):

The Council's Net Position

Figure 2

	<u>6/30/16</u>	<u>6/30/15</u>
Current and other assets	\$ 1,347,424	\$ 1,488,448
Capital asset	856	3,059
Deferred outflows of resources	45,251	45,201
Total assets and deferred outflows of resources	<u>1,393,531</u>	<u>1,536,708</u>
Long-term liabilities outstanding	166,074	158,138
Other liabilities	345,993	465,817
Defererd inflows of resources	26,121	112,230
Total liabilities and deferred inflows of resources	<u>538,188</u>	<u>736,185</u>
Net position:		
Net investment in capital assets	856	3,059
Restricted	716,767	771,032
Unrestricted	104,464	26,432
Total Net Position	<u>\$ 822,087</u>	<u>\$ 800,523</u>

The Council's changes in net position are presented in Exhibit 2.

The Council's Changes in Net Position

Figure 3

	<u>6/30/16</u>	<u>6/30/15</u>
Revenues:		
Program revenues:		
Charges for services	\$ 660,420	\$ 654,630
Operating grants and contributions	3,789,882	3,860,161
General revenues:		
Investment earnings	1,768	819
Other	10,162	5,627
Total Revenues	4,462,232	4,521,237
Expenses:		
General government	133,495	148,148
Environmental protection	117,654	167,869
Economic and physical development	155,749	126,585
Human services	4,033,770	4,138,177
Total Expenses	4,440,668	4,580,779
Increase (Decrease) in Net Position	21,564	(59,542)
Net position, July 1	800,523	909,662
Net position, beginning, restated	-	860,065
Net position, June 30	\$ 822,087	\$ 800,523

Governmental Activities. Governmental activities increased the Council's net position by \$21,564.

Financial Analysis of the Council's Funds

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

Governmental Funds. The focus of the Council's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. 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 the Council. At the end of the current fiscal year, fund balance available in the General Fund was \$275,828, while total fund balance reached \$815,914.

General Fund Budgetary Highlights: During the fiscal year, the Council amended 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. Most of the budget amendments were made to adjust federal and State revenues and the associated expenses.

Capital Assets

Capital assets. The Council’s investment in capital assets for its governmental activities as of June 30, 2016, totals \$856 (net of accumulated depreciation). These assets include furniture, equipment, and computers.

**The Council's Capital Assets
(net of depreciation)**

Figure 4

	<u>6/30/16</u>	<u>6/30/15</u>
Machinery and Equipment	\$ 856	\$ 3,059
Computers and software	-	-
Total (after accumulated depreciation)	<u>\$ 856</u>	<u>\$ 3,059</u>

Additional information on the Council’s capital assets can be found in the Notes to the Financial Statements.

Economic Factors and Next Year’s Budgets and Rates

The following key economic indicators reflect the growth and prosperity of the Council during the past fiscal year and the new budget for this year.

Mid-Carolina has continued a relationship with all grant programs in the current year for the following year. No new grants are expected in the fiscal year ending 2017.

Budget Highlights for the Fiscal Year Ending June 30, 2017

Mid-Carolina will continue all relationships with grant programs, therefore keep the same during the year ending June 30, 2017.

Requests for Information

This report is designed to provide an overview of the Council’s finances. Questions concerning any of the information found in this report or requests for additional information should be directed to the Executive Director James E. Caldwell or Mrs. Tami Lovell, P.O. Drawer 1510, Fayetteville, NC 28302, 910-323-4191.

BASIC FINANCIAL STATEMENTS

MID-CAROLINA COUNCIL OF GOVERNMENTS, INC.
Statement of Net Position
June 30, 2016

	Governmental Activities
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 810,990
Receivables, net	536,434
Prepaid expenses	-
Total current assets	1,347,424
Non-current assets:	
Capital assets, net of depreciation	856
Total capital assets	856
Total Assets	1,348,280
DEFERRED OUTFLOWS OF RESOURCES	
Contributions to pension plan in current fiscal year	34,609
Differences between contributions and proportional share of contributions and change in proportion	10,642
Total deferred outflows of resources	45,251
LIABILITIES	
Current liabilities:	
Accounts Payable and Accrued Expenses	345,993
Long-term liabilities:	
Other post employment benefits	134,836
Net Pension Liability	33,256
Compensated absences	31,238
Total liabilities	545,323
DEFERRED INFLOWS OF RESOURCES	
Funds Advanced	8,836
Pension deferrals	17,285
Total deferred inflows of resources	26,121
NET POSITION	
Net investment in capital assets	856
Restricted for:	
Stabilization by State Statute	540,086
Environmental protection	176,681
Unrestricted	104,464
Total Net Position	\$ 822,087

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

MID-CAROLINA COUNCIL OF GOVERNMENTS, INC.
 Statement of Activities
 For the Year Ended June 30, 2016

Functions/Programs	Program Revenues				Net (Expense)
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Position
Governmental Activities:					
General government	\$ 133,495	\$ 124,123	\$ -	\$ -	(9,372)
Environmental protection	117,654	137,500	-	-	19,846
Economic and physical development	155,749	52,493	166,971		63,715
Human services	4,033,770	346,304	3,622,911		(64,555)
Total governmental activities	\$ 4,440,668	\$ 660,420	\$ 3,789,882	\$ -	9,634
General revenues:					
Investment earnings, unrestricted					1,768
Miscellaneous, unrestricted					10,162
Total general revenues					11,930
Change in net position					21,564
Net position, beginning					800,523
Net position, ending					\$ 822,087

MID-CAROLINA COUNCIL OF GOVERNMENTS, INC.

Balance Sheet
Governmental Funds
June 30, 2016

	Major Fund		Total Governmental Funds
	General Fund	Middle Cape Fear Basin	
ASSETS			
Cash and cash equivalents	\$ 630,657	\$ 180,333	\$ 810,990
State and federal grant receivables	530,978	-	530,978
Local assessments and other receivables	5,456	-	5,456
Due from other funds	3,652	-	3,652
Total assets	<u>1,170,743</u>	<u>180,333</u>	<u>1,351,076</u>
LIABILITIES			
Accounts payable and accrued liabilities	345,993	-	345,993
Due to other funds	-	3,652	3,652
Total liabilities	<u>345,993</u>	<u>3,652</u>	<u>349,645</u>
DEFERRED INFLOWS OF RESOURCES			
Funds Advanced	8,836	-	8,836
Total deferred inflows of resources	<u>8,836</u>	<u>-</u>	<u>8,836</u>
FUND BALANCES			
Restricted:			
Stabilization by State Statute	540,086	-	540,086
Mid Cape Fear River Association	-	176,681	176,681
Assigned:			
Subsequent year's expenditures	433,346	-	433,346
Unassigned:	(157,518)	-	(157,518)
Total fund balances	<u>815,914</u>	<u>176,681</u>	<u>992,595</u>
Total liabilities, deferred inflows of resources, and fund balances	\$ <u>1,170,743</u>	\$ <u>180,333</u>	1,351,076

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position:

Total fund balances -- total governmental funds	992,595
---	---------

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

Capital assets used in governmental activities are not financial resources and therefore not reported in the funds:

Capital assets, net of depreciation	856
-------------------------------------	-----

Net pension asset (liability)	(33,256)
-------------------------------	----------

Contributions to the pension plan in the current fiscal year	34,609
--	--------

Pension related deferrals:

Differences between expected and actual experience	(7,817)
--	---------

Changes in proportion and differences between Commission contributions and proportionate share of contributions are deferred outflows of resources on the Statement of Net Position	10,642
---	--------

Net difference between projected and actual earnings on pension plan investments	(9,468)
--	---------

Some liabilities are not due and payable in the current period and therefore are not in the funds:

Other Post Employment Benefits	(134,836)
Compensated Absences	(31,238)

Total net position of governmental activities	\$ <u>822,087</u>
---	-------------------

MID-CAROLINA COUNCIL OF GOVERNMENTS, INC.
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2016

	Major Funds		Total Governmental Funds
	General	Middle Cape Fear Basin	
REVENUES			
Federal and State Grants	\$ 3,789,882	\$ -	\$ 3,789,882
Local assessments	338,892	-	338,892
Membership dues	13,200	137,500	150,700
Contract payments	159,739	-	159,739
Project income	11,089	-	11,089
Investment earnings	1,748	20	1,768
Other income	10,162	-	10,162
Total revenues	<u>4,324,712</u>	<u>137,520</u>	<u>4,462,232</u>
EXPENDITURES			
General Government	130,493	-	130,493
Economic and physical development	158,951	-	158,951
Human services	4,036,680	-	4,036,680
Environmental Protection	-	117,654	117,654
Total expenditures	<u>4,326,124</u>	<u>117,654</u>	<u>4,443,778</u>
Revenues over (under) expenditures	<u>(1,412)</u>	<u>19,866</u>	<u>18,454</u>
Transfers to other funds	-	-	-
Net change in fund balance	<u>(1,412)</u>	<u>19,866</u>	<u>18,454</u>
Fund balances, beginning	817,326	156,815	974,141
Fund balances, ending	<u>\$ 815,914</u>	<u>\$ 176,681</u>	<u>\$ 992,595</u>

MID-CAROLINA COUNCIL OF GOVERNMENTS, INC.
 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, 2016

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

Net changes in fund balances - total governmental funds	\$	18,454
<p>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 exceeded capital outlays in the current period.</p>		
		(2,203)
<p>Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities</p>		
		34,609
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:</p>		
Compensated absences		11,029
Pension Expense		(21,360)
Other postemployment benefits		(18,965)
		(18,965)
<p>Total changes in net position of governmental activities</p>		
	\$	21,564

MID-CAROLINA COUNCIL OF GOVERNMENTS, INC.
 General Fund and Annually Budgeted Major Special Revenue Fund
 Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 For the Year Ended June 30, 2016

	General Fund				Middle Cape Fear River Association			
	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Revenues:								
Federal and State Grants	\$ 3,919,411	\$ 4,315,097	\$ 3,805,912	\$ (509,185)	\$ -	\$ -	\$ -	\$ -
Local assessments	337,161	366,465	338,892	(27,573)	-	-	-	-
Membership Dues	14,025	14,025	13,200	(825)	137,500	137,500	137,500	-
Contract Payments	226,080	131,080	143,709	12,629	-	-	-	-
Project income	10,166	10,256	11,089	833	-	-	-	-
Investment earnings	750	1,757	1,748	(9)	20	20	20	-
Other income	2,011	2,482	10,162	7,680	-	-	-	-
Total Revenues	<u>4,509,604</u>	<u>4,841,162</u>	<u>4,324,712</u>	<u>(516,450)</u>	<u>137,520</u>	<u>137,520</u>	<u>137,520</u>	<u>-</u>
Expenditures:								
General government	102,750	310,585	130,493	180,092	-	-	-	-
Economic and physical development	836,424	688,301	158,951	529,350	-	-	-	-
Human services	3,889,144	4,099,435	4,036,680	62,755	-	-	-	-
Environmental Protection	-	-	-	-	289,428	294,335	117,654	-
Total Expenditures	<u>4,828,318</u>	<u>5,098,321</u>	<u>4,326,124</u>	<u>772,197</u>	<u>289,428</u>	<u>294,335</u>	<u>117,654</u>	<u>-</u>
Revenues Over (Under) Expenditures	<u>(318,714)</u>	<u>(257,159)</u>	<u>(1,412)</u>	<u>255,747</u>	<u>(151,908)</u>	<u>(156,815)</u>	<u>19,866</u>	<u>-</u>
Other Financing Sources (Uses):								
Fund Balance Appropriated	<u>318,714</u>	<u>257,159</u>	<u>-</u>	<u>(257,159)</u>	<u>151,908</u>	<u>156,815</u>	<u>-</u>	<u>(156,815)</u>
Total Other Financing Sources (Uses)	<u>318,714</u>	<u>257,159</u>	<u>-</u>	<u>(257,159)</u>	<u>151,908</u>	<u>156,815</u>	<u>-</u>	<u>(156,815)</u>
Net Change in fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>(1,412)</u>	<u>\$ (1,412)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>19,866</u>	<u>\$ (156,815)</u>
Fund Balances, Beginning of Year			817,326				156,815	
Fund Balances, End of Year			<u>\$ 815,914</u>				<u>\$ 176,681</u>	

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

MID-CAROLINA COUNCIL OF GOVERNMENTS, INC.
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2016

I. Summary of Significant Accounting Policies

The accounting policies of Mid-Carolina Council of Governments, Inc. (the Council) conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies:

A. Reporting Entity

The Council is a voluntary organization of local governments formed to deal with issues and problems of mutual concern within the area. The council is composed of representatives from Cumberland, Harnett, and Sampson counties in North Carolina and the cities and towns within those counties.

The Council is a separate and distinct reporting entity from the counties it represents. Its Board acts as an independent governing body in approval of budget, ownership of property, and fiscal responsibilities.

For financial reporting purposes, in accordance with the criteria in GASB Statement 14, Mid-Carolina Council of Governments, Inc., includes all funds, account groups, agencies, boards, commissions, and authorities which are controlled by or are financially dependent upon the Council. There were no organizations meeting the criteria of Statement 14 for the year ended June 30, 2016.

B. Basis of Presentation – Fund Accounting

Government-wide Statements: The statement of net position and the statement of activities display nonfiduciary information about the Council. 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 local governmental dues, grants and fees for services.

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 operation requirements of a particular program. Revenues that are not classified as program revenues, including member dues, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the Council's funds, all of which are governmental since the Council has no proprietary or fiduciary funds. The emphasis of fund financial statements is on major governmental, each displayed in a separate column.

The Council reports the following major governmental funds:

General Fund – This is the Council's primary operating fund. It accounts for all financial resources of the general government, except those that are required to be accounted for in another fund.

Middle Cape Fear Association – These funds account for specific revenue sources that are legally restricted to expenditures for specified purposes.

C. 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. Revenue from grants, entitlements, and donations 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 services, (2) operating grants and contributions, and (3) special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. General revenues included local governmental dues.

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. The Council considers all revenues reported in the governmental funds to be available if the revenues are collected within ninety days after year-end. Expenditures are recorded when the related fund liability is incurred, except for 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.

Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been satisfied.

D. 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 and Special Revenue Funds. All annual appropriations lapse at program year-end. All budgets are prepared using the modified accrual basis of accounting.

Expenditures may not legally exceed appropriations at the departmental level for all annually budgeted funds. The board of directors must approve any revisions that alter total expenditures of any fund. 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.

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity

1. Deposits and Investments

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

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

2. Cash and Cash Equivalents

The Council pools money from several funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents.

3. Capital Assets

The Council's general capital assets are recorded at original cost or at appraised value at the time of donation.

It is the policy of the Council to capitalize all assets costing more than \$2,000 with an estimated useful life of two or more years. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

4. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Council has one item that meet this criterion, contributions made to the pension plan in the 2016 fiscal year. In addition to liabilities, the statement of financial 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 two items that meets this category - Funds Advanced and deferrals of pension expense that result from the implementation of GASB Statement 68.

5. Long-Term Debt

The Council has no long-term debt other than compensated absences and other post employment benefits.

6. Compensated Absences

The vacation policy of the Council provides for the accumulation of up to 300 hours of earned vacation leave with such leave being fully vested when earned. Accrued annual leave in excess of 240 hours on June 30 is automatically transferred to sick leave. A maximum of 60 hours of annual leave will be transferred to sick leave per year. The current portion of the accumulated vacation pay is not considered to be material; therefore, no expenditure or liability has been reported in the governmental funds. The Council's liability for accumulated earned vacation as of June 30, 2016 is \$31,238.

The Council's sick leave policy provides for an unlimited accumulation of earned sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since the Council has no obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

7. Net Position/Fund Balances

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

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

The governmental fund types classify fund balances as follows:

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

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

 Restricted for Middle Cape Fear Basin Association - portion of fund balance that is restricted by agreements with the Middle Cape Fear Basin Association.

Committed Fund Balance - portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of the Council's governing body (highest level of decision-making authority). Any changes or removal of specific purpose required majority action by the governing body.

Assigned Fund Balance - portion of fund balance that the Council intends to use for specific purposes.

 Subsequent year's expenditures – portion of fund balance that is appropriated in the next year's budget that is not already classified in restricted or committed. The governing body approves the appropriation.

Unassigned fund balance – portion of fund balance that has not been restricted, committed, or assigned to specific purposes or other funds.

8. Pensions

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

II. Stewardship, Compliance and Accountability

Excess of Expenditures over Appropriations

None to Report.

III. Detail Notes on All Funds

A. Assets

1. Deposits

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

Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Council or the escrow agent. Because of the inability to measure the exact amounts 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 policy regarding custodial credit risk for deposits, but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The Council complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2016, the Council's deposits had a carrying amount of \$810,990 and a bank balance of \$843,521. Of the bank balance, \$250,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method.

2. Receivables

Receivables at the government-wide level at June 30, 2016, represented amounts due from other governments for reimbursement of grant monies spent and from local members as assessments for dues.

3. Capital Assets

Primary Government

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

Furniture and equipment	10 years
Computers	5 years

Capital asset activity for the year ended June 30, 2016, was as follows:

	Beginning Balance <u>7/1/15</u>	<u>Additions</u>	<u>Deletions</u>	Ending Balance <u>6/30/16</u>
Governmental Activities				
Depreciable capital assets:				
Furniture/equipment	\$ 85,286	\$ -	\$ -	\$ 85,286
Computers	<u>44,326</u>	<u>-</u>	<u>-</u>	<u>44,326</u>
Total other capital assets at historical cost	<u>129,612</u>	<u>-</u>	<u>-</u>	<u>129,612</u>
Less accumulated depreciation for:				
Furniture/equipment	82,227	2,203	-	84,430
Computers	<u>44,326</u>	<u>-</u>	<u>-</u>	<u>44,326</u>
Total Accumulated Depreciation	<u>126,553</u>	<u>2,203</u>	<u>-</u>	<u>128,756</u>
Governmental activities capital assets, net	<u>\$ 3,059</u>	<u>\$ (2,203)</u>	<u>\$ -</u>	<u>\$ 856</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

General Government	\$ 2,203
Economic and Physical Development	-
	<u>\$ 2,203</u>

B. Liabilities

1. Pension Plan and Postemployment Obligations

a. Local Governmental Employees' Retirement System

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

Benefits Provided. LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (age 55 for firefighters). 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 postretirement benefit increases. Increases are contingent upon actuarial gains of the plan.

LGERS plan members who are LEOs are eligible to retire with full retirement benefits at age 55 with five years of creditable service as an officer, or at any age with 30 years of creditable service. LEO plan members are eligible to retire with partial retirement benefits at age 50 with 15 years of creditable service as an officer. Survivor benefits are available to eligible beneficiaries of LEO members who die while in active service or within 180 days of their last day of service and who also have either completed 20 years of creditable service regardless of age, or have completed 15 years of service as a LEO and have reached age 50, or have completed five years of creditable service as a LEO and have reached age 55, or have completed 15 years of creditable service as a LEO if killed in the line of duty. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions.

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. The Council's contractually required contribution rate for the year ended June 30, 2016, was 6.72% 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 the Council were \$34,609 for the year ended June 30, 2016.

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

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2016, the Council reported a net pension liability of \$33,256 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014. The total pension liability was then rolled forward to the measurement date of June 30, 2015 utilizing update procedures incorporating the actuarial assumptions. The Council's proportion of the net pension liability was based on a projection of the Council's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2015, the Council's proportion was 0.0074%, which was an increase of 0.0001% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the Council recognized pension expense of \$21,361. At June 30, 2016, the Council reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 7,817
Net difference between projected and actual earnings on pension plan investments	-	9,468
Changes in proportion and differences between Council's Contributions and proportionate share of contributions	10,642	-
Council contributions subsequent to the measurement date	34,609	-
Total	<u>\$ 45,251</u>	<u>\$ 17,285</u>

\$34,609 reported as deferred outflows of resources related to pensions resulting from Council contributions subsequent to the measurement date will be recognized as an increase of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:	
2017	\$ (7,751)
2018	(7,751)
2019	(7,762)
2020	16,621
2021	-
Thereafter	-
	<u>\$ (6,643)</u>

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

Inflation	3.0 Percent
Salary Increases	4.25 to 8.55 percent, including inflation and productivity factor
Investment Rate of Return	7.25 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the December 31, 2013 valuation were based on the results of an actuarial experience study for the period January 1, 2005 through December 31, 2009.

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2015 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%	2.2%
Global Equity	42%	5.8%
Real Estate	8%	5.2%
Alternatives	8%	9.8%
Credit	7%	6.8%
Inflation Protection	6%	3.4%

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

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

Sensitivity of the Council's proportionate share of the net pension asset to changes in the discount rate . The following presents the Council's proportionate share of the net pension asset calculated using the discount rate of 7.25 percent, as well as what the Council's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Council's proportionate share of the net pension liability (asset)	\$ 231,899	\$ 33,256	\$ (134,096)

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

b. Supplemental Retirement Income Plan

Plan Description. The Council also participates in a supplemental retirement plan which is a defined contribution pension plan. All employees who are eligible to participate in the Local Governmental Employees' Retirement System, are eligible to participate in this pension plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The Council's plan requires that it contributes each month an amount equal to 1% of each eligible participant's salary and all amounts contributed are vested immediately, providing that the employees also make at least a 1% voluntary contribution to the Plan.

Funding Policy. The Council's contributions were calculated using a covered payroll amount of \$515,010. Total contributions for the year ended June 30, 2016 were \$20,313, which consisted of \$3,151 from the Council and \$17,162 from the employees. The Council's required contributions and the employees' voluntary contributions represented .61% and 3.33% of the covered payroll amount, respectively.

c. Other Post-Employment Benefits

Healthcare Benefits

Plan Description. Under the terms of a Council resolution, the Council's policy provides that retirees may participate in the Council's healthcare plan, provided they participate in the North Carolina Local Governmental Employees' Retirement System (System) for at least 10 years and have at least five years of creditable service with the Council. However, the retirees will pay 100% of the cost of their insurance.

Annual OPEB Cost and Net OPEB Obligation . The Council's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution* of the employer (ARC).

The Council has elected to calculate the ARC and related information using the alternative measurement method permitted by GASB Statement 45 for employers in plans with fewer than one hundred total plan members. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The following table shows the components of the Council's annual OPEB cost for the current year, the amount actually contributed to the plan, and changes in the Council's net OPEB obligation for the postemployment healthcare benefits:

Annual required contribution	\$ 9,410
Interest on net OPEB obligation	376
Adjustment to annual required contribution	<u>9,179</u>
Annual OPEB cost (expense)	18,965
Contributions made	<u>-</u>
Increase (decrease) in net OPEB obligation	18,965
Net OPEB obligation, beginning of year	<u>115,871</u>
Net OPEB obligation, end of year	<u><u>\$ 134,836</u></u>

The Council's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended June 30, 2016 were as follows:

For June	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2011	\$ 20,422	0.00%	\$ 40,058
2012	\$ 22,363	0.00%	\$ 62,421
2013	\$ 17,634	0.00%	\$ 80,055
2014	\$ 18,219	0.00%	\$ 98,274
2015	\$ 17,597	0.00%	\$ 115,871
2016	\$ 18,965	0.00%	\$ 134,836

Funded Status and Funding Progress. As of June 30, 2016, the actuarial accrued liability for benefits was \$134,836, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$515,010, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 26.35%.

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future.

Examples include assumptions about future employment, mortality, and healthcare trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents information about the actuarial value of plan assets and the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions . Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members at that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value assets, consistent with the long-term perspective of the calculations.

The following simplifying assumptions were made:

Retirement age for active employees - Based on the historical average retirement age for the covered group, active plan members were assumed to retire at age 62, or at the first subsequent year in which the member would qualify for benefits.

Mortality - Life expectancies were based on mortality tables from the National Center for Health Statistics. The 2005 United States Life Tables for Males and for Females were used.

Turnover - Non-group-specific age-based turnover data from GASB Statement 45 were used as the basis for assigning active members a probability of remaining employed until the assumed retirement age and for development of an expected future working lifetime assumption for purposes of allocating to periods the present value of total benefits to be paid.

Healthcare cost trend rate - The expected rate of increase in healthcare insurance premiums was based on projections of the Office of the Actuary at the Centers for Medicare and Medicaid services. A rate of 12.00% initially, reduced to an ultimate rate of 5.60% after 6 years, was used.

Health insurance premiums - The Council is not responsible for paying the cost of retiree's health insurance. However, because retirees are allowed to stay on the Council's plan, an age-adjusted premium was used to calculate the benefit.

Inflation rate - The expected long-term inflation assumption of 3.8% was based on projected changes in the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) in *The 2013 Annual Report of the Board of Trustees of Federal Old-Age and Survivors Insurance and Disability Insurance Trust Funds* for an intermediate growth scenario.

Payroll growth rate - The expected long-term payroll growth rate was assumed to equal the rate of inflation.

Based on the historical and expected returns of the Council's short-term investment portfolio, a discount rate of 4.00 percent was used. In addition, a simplified version of the entry age actuarial cost method was used. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2016, was thirty years.

3. Other Employment Benefit

The Council has elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, state-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months salary in a row during the 24 months prior to the employee's death, but the benefit may not exceed \$50,000 or be less than \$25,000. All death benefit payments are made from the Death Benefit Plan. The Council has no liability beyond the payment of monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. The Council considers these contributions to be immaterial.

4. Deferred Outflows and Inflows of Resources

Deferred outflows of resources at year-end is comprised of the following:

<u>Source</u>	<u>Amount</u>
Contributions to pension plan in current fiscal year	\$ 34,609
Differences between contributions and proportional share of contributions and change in proportion	10,642
Total	<u>\$ 45,251</u>

Deferred inflows of resources at year-end is comprised of the following:

<u>Source</u>	<u>Amount</u>
Funds Advanced (General Fund)	\$ 8,836
Pension deferrals	17,285
Total	<u>\$ 26,121</u>

4. Risk Management

The Council is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Council carries commercial insurance for all risks. There have been no significant reductions in insurance coverage in the prior 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 is bonded for \$50,000. The remaining employees that have access to funds are bonded under a blanket bond for \$50,000.

5. Commitments

Operating Leases

The Council leases office space from Cumberland County on a month-to-month basis. Rental expenses are \$8,000 annually.

6. Capital Leases

The Council has no capital leases in effect as of June 30, 2016.

7. Changes in Long-Term Liabilities

	Beginning			Ending
	<u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u>
Compensated absences	\$ 42,267	\$ -	\$ 11,029	\$ 31,238
Net Pension Liability (LGERS)	-	33,256	-	33,256
Other postemployment benefits	115,871	18,965	-	134,836
Long-term liabilities	<u>\$ 158,138</u>	<u>\$ 52,221</u>	<u>\$ 11,029</u>	<u>\$ 199,330</u>

The LGERS plan had a net pension asset as of June 30, 2015; however, the plan had a net pension liability at the end of the fiscal year.

C. Interfund Balances and Activity

Interfund Receivables and Payables

Balances due to/from other funds at June 30, 2016, consist of the following:

	<u>Receivable</u>	<u>Payable</u>
General Fund	\$ 3,652	\$ -
Middle Cape Fear Basin Association	-	3,652
	<u>\$ 3,652</u>	<u>\$ 3,652</u>

All interfund receivables and payables resulted from transfers used to supplement other funding sources.

D. Fund Balance

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

Total fund balance - General Fund	\$ 815,914
Less:	
Prepaid Expenses	-
Stabilization by State Statute	540,086
Appropriated Fund Balance in 2017 Budget	433,346
<u>Remaining Fund Balance</u>	<u>(157,518)</u>

The outstanding encumbrances are amounts needed to pay any commitments related to purchase orders and contracts that remain unperformed at year-end:

Encumbrances	<u>General Fund</u>	<u>Non-Major Funds</u>
	\$ -	\$ -

IV. 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.

V. Significant Effects of Subsequent Events

Management has evaluated subsequent events through October 21, 2016, the date on which the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Funding Progress for Other Postemployment Benefits

Schedule of Employer Contributions for the Other Postemployment Benefits

Schedule of Proportionate Share of Net Pension (Liability) Asset for Local
Government Employees' Retirement System

Schedule of Contributions to Local Government Employees' Retirement System

MID-CAROLINA COUNCIL OF GOVERNMENTS, INC.
Other Postemployment Benefits
Required Supplementary Information
Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Projected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b - a) / c)
12/31/2009	\$ -	\$ 124,867	\$ 124,867	0.00%	\$ 531,822	23.48%
12/31/2010	\$ -	\$ 136,691	\$ 136,691	0.00%	\$ 494,226	27.66%
12/31/2011	\$ -	\$ 150,924	\$ 150,924	0.00%	\$ 507,644	29.73%
12/31/2012	\$ -	\$ 141,303	\$ 141,303	0.00%	\$ 513,850	27.50%
12/31/2013	\$ -	\$ 147,975	\$ 147,975	0.00%	\$ 500,606	29.56%
12/31/2014	\$ -	\$ 147,283	\$ 147,283	0.00%	\$ 511,799	28.78%
12/31/2015	\$ -	\$ 134,836	\$ 134,836	0.00%	\$ 515,010	26.18%

MID-CAROLINA COUNCIL OF GOVERNMENTS, INC.
Other Postemployment Benefits
Required Supplementary Information
Schedule of Employer Contributions

<u>Year Ended June 30</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
2011	\$ 20,422	0.00%
2012	\$ 21,535	0.00%
2013	\$ 17,634	0.00%
2014	\$ 18,218	0.00%
2015	\$ 17,597	0.00%
2016	\$ 18,965	0.00%

MID-CAROLINA COUNCIL OF GOVERNMENTS, INC.
Proportionate Share of Net Pension Liability (Asset)
Required Supplementary Information
Last Two Fiscal Years *

Local Government Employees' Retirement System

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Council's proportion of the net pension liability (asset) (%)	0.00741%	0.00752%	0.00710%
Council's proportion of the net pension liability (asset) (\$)	\$ 33,256	\$ (44,349)	\$ 85,582
Council's covered-employee payroll	\$ 510,816	\$ 508,986	\$ 500,606
Council's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	6.51%	-8.71%	17.10%
Plan fiduciary net position as a percentage of the total pension liability**	98.09%	102.64%	94.35%

*The amounts presented for each fiscal year were determined as of the prior fiscal year ending June 30.

**This will be the same percentage for all participant employers in the LGERS plan.

MID-CAROLINA COUNCIL OF GOVERNMENTS, INC.
Schedule of Contributions to Local Government Employees' Retirement System
Required Supplementary Information
Last Two Fiscal Years

Local Government Employees' Retirement System

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 34,609	\$ 36,115	\$ 35,985
Contributions in relation to the contractually required contribution	<u>\$ 34,609</u>	<u>\$ 36,115</u>	<u>\$ 35,985</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Commission's covered-employee payroll	\$ 515,010	\$ 510,816	\$ 508,986
Contributions as a percentage of covered-employee payroll	6.72%	7.07%	7.07%

INDIVIDUAL FUND STATEMENTS AND SCHEDULES

MID-CAROLINA COUNCIL OF GOVERNMENTS, INC.

General Fund

Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual

For the Fiscal Year Ended June 30, 2016

	2016		Variance Positive (Negative)
	Budget	Actual	
Revenues			
Unrestricted Intergovernmental:			
Counties, Cities and Town General			
Assessments	\$ 16,404	\$ 16,653	\$ 249
Fees / Zoning / Census	49,128	49,628	500
Total	65,532	66,281	749
Restricted Intergovernmental:			
Federal and State Grants	4,315,097	3,789,882	(525,215)
Counties, Cities, and Towns Special			
Assessments	270,170	249,348	(20,822)
Local Match	30,763	23,263	(7,500)
Contract Payments	131,080	159,739	28,659
Membership Dues	14,025	13,200	(825)
Total	4,761,135	4,235,432	(525,703)
Sales and Services:			
Project Income	10,256	11,089	833
Total	10,256	11,089	833
Investment Earnings			
	1,757	1,748	(9)
Miscellaneous			
Sales Tax Refund	2,462	2,462	-
Other Income	20	200	180
Miscellaneous	-	7,500	7,500
Total	2,482	10,162	7,680
Total Revenues	\$ 4,841,162	\$ 4,324,712	\$ (516,450)
Expenditures			
General Government:			
Local Technical Assistance:			
Salaries & Employee Benefits	\$ 105,825	\$ 96,292	\$ 9,533
Operating Expenses	204,260	34,201	170,059
Capital Outlay	500	-	500
Total	310,585	130,493	180,092
Total General Government	310,585	130,493	180,092

MID-CAROLINA COUNCIL OF GOVERNMENTS, INC.
 General Fund
 Statement of Revenues, Expenditures, and
 Changes in Fund Balances - Budget and Actual
 For the Fiscal Year Ended June 30, 2016

	2016		Variance Positive (Negative)
	Budget	Actual	
Economic & Physical Development			
Rural Planning Organization:			
Salaries & Employee Benefits	100,973	101,443	(470)
Operating Expenses	15,340	14,870	470
Total	116,313	116,313	-
Regional Land Use Advisory Council:			
Salaries & Employee Benefits	32,442	32,254	188
Operating Expenses	13,583	10,384	3,199
Total	46,025	42,638	3,387
All American Trail			
Operating Expenses	18,748	-	18,748
Total	18,748	-	18,748
CC / Fay Needs Survey			
Operating Expenses	2,123	-	2,123
Total	2,123	-	2,123
OEA Grant/RLUAC			
Other Awards	505,092	-	505,092
Total	505,092	-	505,092
Total Economic & Physical Development	688,301	158,951	529,350
Human Services:			
Older Adults Planning & Admin:			
Salaries & Employee Benefits	198,872	201,464	(2,592)
Operating Expenses	24,533	23,441	1,092
Capital Outlay	1,500	-	1,500
Total	224,905	224,905	-
Regional Ombudsman Project:			
Salaries & Employee Benefits	85,656	92,790	(7,134)
Operating Expenses	23,143	17,509	5,634
Capital Outlay	1,500	-	1,500
Total	110,299	110,299	-
Older Adult Care Management:			
Salaries & Employee Benefits	41,408	37,543	3,865
Operating Expenses	9,792	7,509	2,283
Sub-Grants	200,000	181,241	18,759
Total	251,200	226,293	24,907

MID-CAROLINA COUNCIL OF GOVERNMENTS, INC.

General Fund

Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual

For the Fiscal Year Ended June 30, 2016

	2016		Variance Positive (Negative)
	Budget	Actual	
Older Adults AAA Support:			
Salaries & Employee Benefits	42,367	39,345	3,022
Operating Expenses	5,896	8,918	(3,022)
Total	48,263	48,263	-
Older Adults Elder Abuse:			
Salaries & Employee Benefits	3,009	2,827	182
Operating Expenses	4,149	2,550	1,599
Total	7,158	5,377	1,781
Older Adults Preventive Health:			
Salaries & Employee Benefits	35,951	31,693	4,258
Operating Expenses	90,511	24,916	65,595
Sub-Grants	3,000	1,500	1,500
Total	129,462	58,109	71,353
Older Adults IIIB Social Services:			
Operating Expenses	20	2,744	(2,724)
Sub-Grants	2,882,622	3,066,205	(183,583)
Total	2,882,642	3,068,949	(186,307)
Family Caregiver:			
Salaries & Employee Benefits	76,199	73,057	3,142
Operating Expenses	60,754	63,298	(2,544)
Sub-Grants	64,000	61,305	2,695
Capital Outlay	500	-	500
Total	201,453	197,660	3,793
CRC / LCA Expansion			
Salaries & Employee Benefits	27,608	27,673	(65)
Operating Expenses	2,592	2,527	65
Total	30,200	30,200	-
Senior Center General Purpose:			
Sub-Grants	34,197	34,196	1
Total	34,197	34,196	1
Cumberland County Transportation			
Operating Expenses	152,596	12,777	139,819
Total	152,596	12,777	139,819

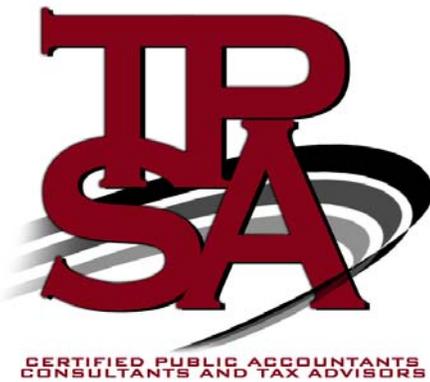
MID-CAROLINA COUNCIL OF GOVERNMENTS, INC.
 General Fund
 Statement of Revenues, Expenditures, and
 Changes in Fund Balances - Budget and Actual
 For the Fiscal Year Ended June 30, 2016

	2016		Variance Positive (Negative)
	Budget	Actual	
MIPPA11			
Salaries & Employee Benefits	-	14,599	(14,599)
Operating Expenses	27,060	5,053	22,007
	<u>27,060</u>	<u>19,652</u>	<u>7,408</u>
Total Human Services	<u>4,099,435</u>	<u>4,036,680</u>	<u>62,755</u>
Total Expenditures	\$ <u>5,098,321</u>	\$ <u>4,326,124</u>	\$ <u>772,197</u>
Revenues Over (Under) Expenditures	\$ <u>(257,159)</u>	\$ <u>(1,412)</u>	\$ <u>255,747</u>
Other Financing Sources (Uses):			
Transfers from (to) other funds	\$ -	\$ -	\$ -
Fund Balance Appropriated	<u>257,159</u>	<u>-</u>	<u>(257,159)</u>
Total Other Financing Sources (Uses)	\$ <u>257,159</u>	\$ <u>-</u>	\$ <u>(257,159)</u>
Net Change in Fund Balance	\$ <u>-</u>	\$ <u>(1,412)</u>	\$ <u>(1,412)</u>
Fund Balances:			
Beginning of Year, July 1		<u>817,326</u>	
End of Year, June 30		<u>\$ 815,914</u>	

MID-CAROLINA COUNCIL OF GOVERNMENTS, INC.
 Middle Cape Fear River Association Special Revenue Fund
 Schedule of Revenues, Expenditures and
 Changes in Fund Balance - Budget and Actual
 For the Fiscal Year Ended June 30, 2016

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues			
Federal Grants	\$ -	\$ -	\$ -
Interest Earned	20	20	-
Membership Dues	137,500	137,500	-
Miscellaneous	-	-	-
Total revenues	<u>137,520</u>	<u>137,520</u>	<u>-</u>
Expenditures			
Fees		1,200	
Board and Committee Meetings		-	
Dues and subscriptions		5,000	
Contractual - operations		2,300	
Contractual pass-through		106,211	
Insurance and Bonding		2,943	
Total expenditures	<u>294,335</u>	<u>117,654</u>	<u>176,681</u>
Revenues over (under) expenditures	<u>(156,815)</u>	<u>19,866</u>	<u>176,681</u>
Other financing sources (uses):			
Transfers from (to)	-	-	-
Fund balance appropriated	156,815	-	(156,815)
Total other financing sources (uses)	<u>156,815</u>	<u>-</u>	<u>(156,815)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	19,866	<u>\$ 19,866</u>
Fund Balances:			
Beginning of year, July 1		<u>156,815</u>	
End of year, June 30		<u>\$ 176,681</u>	

COMPLIANCE SECTION



**Alan W. Thompson, CPA
R. Bryon Scott, CPA
Gregory S. Adams, CPA**

Report On Internal Control Over Financial Reporting And On Compliance and
Other Matters Based On An Audit Of Financial Statements Performed In Accordance With
Government Auditing Standards

Independent Auditors' Report

To the Board of Directors
Mid-Carolina Council of Governments, Inc.
Fayetteville, 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 accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Mid-Carolina Council of Governments, Inc. as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprises the Mid-Carolina Council of Governments, Inc.'s basic financial statements, and have issued our report thereon dated October 21, 2016.

Internal Control Over Financial Reporting

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

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

Our consideration of 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 weakness 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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies. [2016-1].

Compliance and Other Matters

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

Mid-Carolina Council of Governments' Response to Findings

The Council's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The Council's response was not subjected to auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Thompson, Rice, Scott, Adams & Co., P.A.

Whiteville, NC
October 21, 2016



**Alan W. Thompson, CPA
R. Bryon Scott, CPA
Gregory S. Adams, CPA**

Report On Compliance With Requirements Applicable to Each Major Federal Program
and Internal Control Over Compliance in Accordance With OMB Uniform Guidance and the
State Single Audit Implementation Act

Independent Auditors' Report

To the Board of Directors
Mid-Carolina Council of Governments, Inc.
Fayetteville, North Carolina

Report on Compliance for Each Major Federal Program

We have audited the Mid-Carolina Council of Governments, Inc.'s 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 Mid-Carolina Council of Governments, Inc.'s major federal programs for the year ended June 30, 2016. Mid-Carolina Council of Governments, Inc.'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.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Mid-Carolina Council of Governments, Inc.'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 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, OMB 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 Mid-Carolina Council of Governments, Inc.'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 Mid-Carolina Council of Governments, Inc.'s compliance.

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

Management of the Mid-Carolina Council of Governments, Inc. is responsible for establishing and maintaining effective internal control over compliance with the typed of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Mid-Carolina Council of Governments, Inc.'s internal control over compliance with the types of requirements that could have direct and material effect on major federal program to determine the auditing procedures that are appropriate in the circumstance for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB 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.

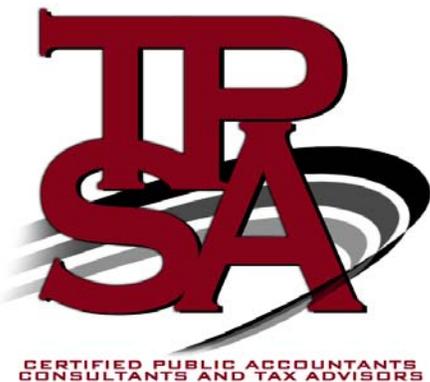
A deficiency *in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement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

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

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

Thompson, Rice, Scott, Adams & Co., P.A.

Whiteville, NC
October 21, 2016



Report On Compliance With Requirements Applicable to Each Major State Program And
Internal Control Over Compliance In Accordance With OMB Uniform Guidance and the
State Single Audit Implementation Act

Independent Auditors' Report

To the Board of Directors
Mid-Carolina Council of Governments, Inc.
Fayetteville, North Carolina

Report on Compliance for Each Major State Program

We have audited Mid-Carolina Council of Governments, Inc.'s 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 Mid-Carolina Council of Governments, Inc.'s major state programs for the year ended June 30, 2016. Mid-Carolina Council of Governments, Inc.'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.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Mid-Carolina Council of Governments, Inc.'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 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 Mid-Carolina Council of Governments, Inc.'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 Mid-Carolina Council of Governments, Inc.'s compliance.

Opinion on Each Major State Program

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

Report on Internal Control Over Compliance

Management of the Mid-Carolina Council of Governments, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Mid-Carolina Council of Governments, Inc.'s internal control over compliance with the types of requirements that could have 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 OMB 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 a 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 internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weakness may exist that have not been identified.

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

Thompson, Rice, Scott, Adams & Co., P.A.

Whiteville, NC
October 21, 2016

MID-CAROLINA COUNCIL OF GOVERNMENTS, INC.
Fayetteville, North Carolina
Schedule of Findings and Questioned Cost
For the Fiscal Year Ended June 30, 2016

Section I. Summary of Auditors' Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weaknesses identified? Yes No

Significant Deficiency(s) identified that are not considered to be material weaknesses? Yes None Reported

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major federal programs:

Material weaknesses identified? Yes No

Significant Deficiency(s) identified that are not considered to be material weaknesses? 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 Numbers</u>	<u>Names of Federal Program or Cluster</u>
	Aging Cluster
93.044	Title III- Part B Supportive Services
93.045	Title III - Part C Nutrition Services
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

MID-CAROLINA COUNCIL OF GOVERNMENTS, INC.
Fayetteville, North Carolina
Schedule of Findings and Questioned Cost
For the Fiscal Year Ended June 30, 2016

Section II. Financial Statement Findings

Finding: 2016-1

Criteria: In accordance with North Carolina General Statutes 159.28, if an obligation of the Council is evidenced by a contract or agreement requiring the payment of money or by a purchase order for supplies and materials, the contract or purchase order shall include on its face a certificate stating that the instruments has been preaudited to ensure that sufficient funds have been appropriated and available in the current fiscal year to cover the sums obligated by the transaction for the current fiscal year. The preaudit certificate, which shall be signed by the finance officer, shall take substantially the following form: "This instrument has been preaudited in the manner required by the Local Government Fiscal and Control Act. "

Condition: The Council did not preaudit purchase order documents that agreed to pay money for supplies and materials.

Effect: The Council was in violation of the statute, which could result in over-spending the current year budget. Purchase orders could be considered a void contract.

Cause: Personnel responsible for purchasing were not informed of the requirements and no internal controls were in place to ensure compliance.

Recommendation: The finance officer should implement internal control procedures that will educate staff on the requirements of the Local Government Fiscal and Control Act. All preprinted documents that require the preaudit certificate should contain the proper form described in the criteria above. A rubber stamp with the preaudit certificate should be available, if necessary, for the issuers of the documents. The stamp should be kept in custody to prevent unauthorized use.

Views of the responsible officials and planned corrective actions: The Council agrees with the finding and will use the preaudit certificate when documents are issued. Please refer to the corrective action plan on the following page.

Section III. Federal Award Findings and Question Costs

None Reported.

Section IV. State Award Findings and Question Costs

None Reported.

MID-CAROLINA COUNCIL OF GOVERNMENTS, INC.
Fayetteville, North Carolina
Corrective Action Plan
For the Fiscal Year Ended June 30, 2016

Section II. Financial Statement Findings

Finding: 2016-1

Name of the contact person: Tami Lovell, Finance Assistant

Corrective Action: All purchase orders issued will be preaudited.

Proposed Completion Date: June 30, 2017

Section III. Federal Award Findings and Question Costs

None Reported.

Section IV. State Award Findings and Question Costs

None Reported.

MID-CAROLINA COUNCIL OF GOVERNMENTS, INC.
Fayetteville, North Carolina
Summary Schedule of Prior Audit Findings
For the Fiscal Year Ended June 30, 2016

None Reported.

MID-CAROLINA COUNCIL OF GOVERNMENTS, INC.
 SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
 For the Year Ended June 30, 2016

Grantor Pass-through Grantor <u>Program Title</u>	Federal CFDA <u>Number</u>	State/ Pass-Through Grantor's <u>Number</u>	Federal (Direct & Pass-through) <u>Expenditures</u>	State <u>Expenditures</u>	Pass-through to <u>Subrecipients</u>	Local <u>Expenditures</u>
<u>Federal Awards</u>						
<u>U. S. Department of Health & Human Services</u>						
Passed through N. C. Dept. of Health and Human Services:						
Division of Aging and Adult Services						
Special Programs for the Aging - Title VII-B						
Programs for the Prevention of Elder Abuse, Neglect, and Exploitation						
	93.041		\$ 4,570	\$ 269	\$ -	\$ 538
Special Programs for the Aging - Title VII-E						
Programs for Long-term Ombudsman Services for Older Individuals						
	93.042		9,496	559	-	1,117
Special Programs for the Aging - Title III-F						
Disease Prevention and Health Promotion Services						
	93.043		41,979	2,469	1,500	4,939
Aging Cluster						
Special Programs for the Aging - Title III-B						
Grants for Supportive Services and Senior Centers						
- Legal Services						
	93.044		15,031	884	15,916	1,768
- Ombudsman						
	93.044		58,451	3,438	-	6,877
- Planning and Administration						
	93.044		49,861	2,732	-	13,888
- Access						
	93.044		232,786	13,693	192,500	27,387
- In-Home Services						
	93.044		364,716	21,454	386,170	42,908
Special Programs for the Aging - Title III-C						
Nutrition Services						
- Planning and Administration						
	93.045		86,346	4,732	-	24,050
- Congregate Nutrition						
	93.045		259,848	15,285	275,133	30,570
- Home-Delivered Meals						
	93.045		307,070	18,063	325,133	36,126
Nutrition Services Incentive Program						
	93.053		179,897	-	179,897	-
Total Aging Cluster						
			<u>1,554,007</u>	<u>80,282</u>	<u>1,374,749</u>	<u>183,574</u>
Social Services Block Grant (SSBG) - In-Home Services						
	93.667		96,400	2,754	99,154	11,017

MID-CAROLINA COUNCIL OF GOVERNMENTS, INC.
 SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
 For the Year Ended June 30, 2016

Grantor Pass-through Grantor Program Title	Federal CFDA Number	State/ Pass-Through Grantor's Number	Federal (Direct & Pass-through) Expenditures	State Expenditures	Pass-through to Subrecipients	Local Expenditures
Special Programs for the Aging - Title III-E						
Planning and Administration	93.052		32,470	1,779	-	9,044
Family Caregiver	93.052		<u>185,226</u>	<u>12,348</u>	<u>61,305</u>	<u>-</u>
			217,696	14,127	61,305	9,044
MIPPA Medicare Enrollment Assistance Program	93.518		17,094	-	-	-
Money Follows the Person Rebalancing Grant	93.791		<u>30,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total U.S. Department of Health and Human Services			<u>1,971,241</u>	<u>100,460</u>	<u>1,536,708</u>	<u>210,229</u>
U.S. Department of Transportation						
Passed through NC Department of Transportation						
Highway Planning and Construction	20.205-8		93,050	-	-	-
Capital Assistance Program for Elderly Persons	20.513		<u>71,703</u>	<u>2,218</u>	<u>73,921</u>	<u>-</u>
Total U.S. Department of Transportation			<u>164,753</u>	<u>2,218</u>	<u>73,921</u>	<u>-</u>
Total Federal Awards			<u>2,135,995</u>	<u>102,678</u>	<u>1,610,629</u>	<u>210,229</u>
State Awards						
<u>N.C. Department of Health and Human Services</u>						
Division of Aging and Adult Services						
AAA Administration	N/A		-	48,262	-	-
Fans/Heat Program	N/A		-	2,712	2,712	-
Senior Center Development	N/A		-	34,197	34,197	11,399
Aging Cluster:						
90% State Funds - Ombudsman	N/A		-	27,325	-	3,036
90% State Funds - Access	N/A		-	308,884	244,999	34,320
90% State Funds - In-Home Services	N/A		-	709,469	707,999	78,830
90% State Funds - Congregate Nutrition	N/A		-	-	-	-
90% State Funds - Home Delivered Meals	N/A		-	420,102	420,102	46,678
90% State Funds from CMP	N/A		-	-	-	-
90% State Funds / Caregiver Match	N/A		-	-	-	-
Total Aging Cluster			<u>-</u>	<u>1,465,780</u>	<u>1,373,100</u>	<u>162,864</u>
Total N.C. Department of Health and Human Services			<u>-</u>	<u>1,550,951</u>	<u>1,410,009</u>	<u>325,728</u>
Total State Awards			<u>-</u>	<u>1,550,951</u>	<u>1,410,009</u>	<u>325,728</u>
Total Federal and State Awards			<u>\$ 2,135,995</u>	<u>\$ 1,653,629</u>	<u>\$ 3,020,638</u>	<u>\$ 535,957</u>

MID-CAROLINA COUNCIL OF GOVERNMENTS, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2016

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

Note 1: Basis of Presentation

The accompanying schedule of expenditures of federal and State awards includes the federal and State grant activity of the Mid-Carolina Council of Governments under the programs of the federal government and the State of North Carolina for the year ended June 30, 2016. The information in this SEFSA is presented in accordance 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 SEFSA presents only a selected portion of the operations of the Council, it is not intended to and does not present the financial position, changes in net assets or cash flows of the Council.

Note 2: Summary of Significant Accounting Policies

Expenditures reported in the SEFSA are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursements. Pass-through entity identifying numbers are presented where available.

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

Note 3: Clusters of Programs

The following are clustered by the NC Department of Health and Human Services and are treated separately for state audit requirement purposes: Aging Cluster.