

MID-CAROLINA COUNCIL OF GOVERNMENTS, INC.
Fayetteville, North Carolina
Financial Statements
For the Year Ended June 30, 2015

Mid-Carolina Council of Governments, Inc.
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June 30, 2015

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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, 2015, 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.

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, 2015, 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 and the Other Postemployment Benefits' Schedules of Funding Progress and 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 U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State Single Audit Implementation Act, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund 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 November 19, 2015 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.

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

Whiteville, NC

November 19, 2015

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, 2015. 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 \$800,523 (net position).

The government's total net position decreased by \$59,542.

As of the close of the current fiscal year, the Council's governmental funds reported combined ending fund balances of \$974,141 a decrease of \$68,215 in comparison with the prior year. Approximately 79% of this total amount, or \$771,032, is non-spendable or restricted.

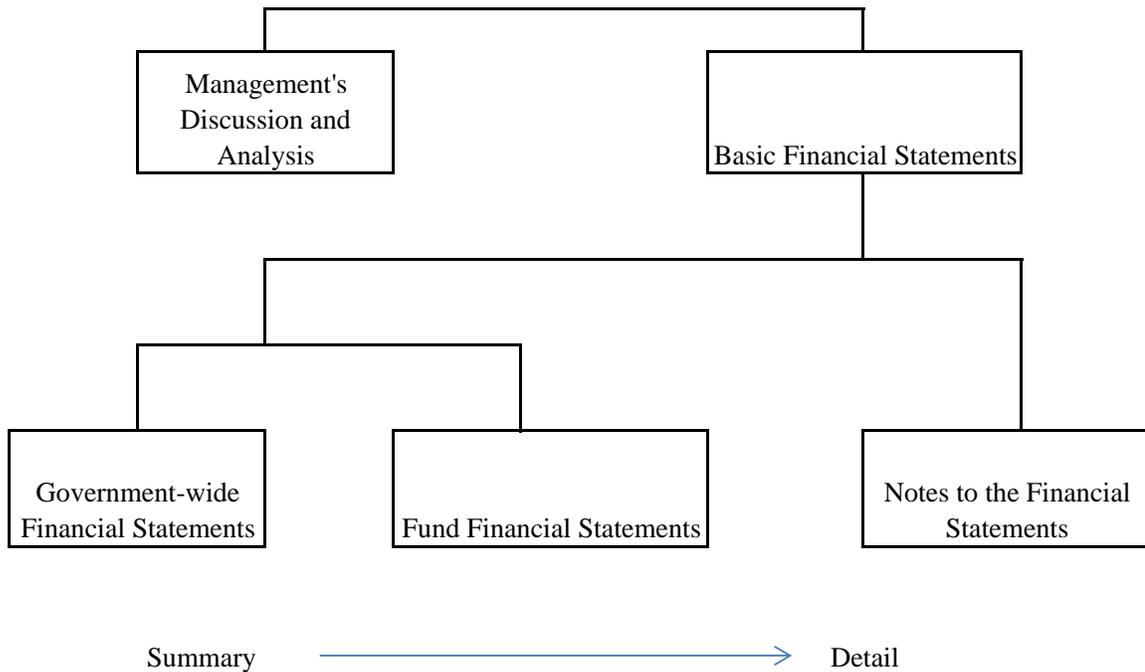
At the end of the current fiscal year, unassigned fund balance for the General Fund was a deficit balance of (\$77,627), or -1.74% of general fund expenditures.

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 \$800,523 as of June 30, 2015.

A portion of the Council's net position (0.38%) reflects its net investment in capital assets (land, buildings, machinery and equipment). There was no debt outstanding at June 30, 2015 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 (96.32%) 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, \$26,432, 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>6/30/15</u>	<u>6/30/14</u>
Current and other assets	\$ 1,488,448	\$ 1,407,002
Capital asset	3,059	5,262
Deferred outflows of resources	45,201	-
Total assets and deferred outflows of resources	<u>1,536,708</u>	<u>1,412,264</u>
Long-term liabilities outstanding	158,138	137,956
Other liabilities	465,817	357,973
Defererd inflows of resources	112,230	6,673
Total liabilities and deferred inflows of resources	<u>736,185</u>	<u>502,602</u>
Net position:		
Net investment in capital assets	3,059	5,262
Restricted	771,032	674,220
Unrestricted	26,432	230,180
Total Net Position	<u>\$ 800,523</u>	<u>\$ 909,662</u>

The Councils changes in net position are presented in Exhibit 2.

The Council's Changes in Net Position

Figure 3

	<u>6/30/15</u>	<u>6/30/14</u>
Revenues:		
Program revenues:		
Charges for services	\$ 654,630	\$ 525,803
Operating grants and contributions	3,860,161	3,684,881
General revenues:		
Investment earnings	819	904
Other	5,627	5,584
Total Revenues	4,521,237	4,217,172
Expenses:		
General government	148,148	123,445
Environmental protection	167,869	113,478
Economic and physical development	126,585	152,631
Human services	4,138,177	3,811,770
Total Expenses	4,580,779	4,201,324
Increase (Decrease) in Net Position	(59,542)	15,848
Net position, July 1	909,662	893,814
Net position, beginning, restated	860,065	-
Net position, June 30	\$ 800,523	\$ 909,662

Governmental Activities. Governmental activities decreased the Council's net position by \$59,542.

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 \$203,109, while total fund balance reached \$817,326.

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, 2015, totals \$3,059 (net of accumulated depreciation). These assets include furniture, equipment, and computers.

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

Figure 4

	<u>6/30/15</u>	<u>6/30/14</u>
Machinery and Equipment	\$ 3,059	\$ 5,262
Computers and software	-	-
Total (after accumulated depreciation)	<u>\$ 3,059</u>	<u>\$ 5,262</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 Cumberland County Transportation Program through a grant from NCDOT for \$400,000 for an Elderly Individuals and Individuals with

We continue to receive financial administration funds for the Regional Land Use Advisory Commission (RLUAC), Middle Cape Fear Basin Association (MCFBA), and zoning fees for contracts with Towns within Sampson County.

Budget Highlights for the Fiscal Year Ending June 30, 2016

Mid-Carolina will continue a relationship with the Cumberland County Transportation Program through a \$150,000 grant with the Fayetteville Area System of Transit (FAST) from the Federal Transit Administration for Elderly Individuals and Individuals with Disabilities.

The State budget restored the \$969,549 state funds that were previously cut from the HCCBG program. Mid-Carolina’s portion of this increase in HCCBG state funds is \$46,528.

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 Ms. Tami Wohlrab, 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, 2015

	Governmental Activities
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 829,882
Receivables, net	614,217
Prepaid expenses	-
Total current assets	1,444,099
Non-current assets:	
Net pension asset	44,349
Capital assets, net of depreciation	3,059
Total capital assets	3,059
Total Assets	1,491,507
DEFERRED OUTFLOWS OF RESOURCES	
Contributions to pension plan in current fiscal year	36,115
Differences between contributions and proportional share of contributions and change in proportion	9,086
Total deferred outflows of resources	45,201
LIABILITIES	
Current liabilities:	
Accounts Payable and Accrued Expenses	465,817
Long-term liabilities:	
Other post employment benefits	115,871
Compensated absences	42,267
Total liabilities	623,955
DEFERRED INFLOWS OF RESOURCES	
Funds Advanced	4,141
Pension deferrals	108,089
Total deferred inflows of resources	112,230
NET POSITION	
Net investment in capital assets	3,059
Restricted for:	
Stabilization by State Statute	614,217
Environmental protection	156,815
Unrestricted	26,432
Total Net Position	\$ 800,523

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, 2015

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	\$ 148,148	\$ 133,646	\$ -	\$ -	(14,502)
Environmental protection	167,869	133,355	-	-	(34,514)
Economic and physical development	4,138,177	72,918	93,050	-	(3,972,209)
Human services	126,585	314,711	3,767,111	-	3,955,237
Total governmental activities	\$ 4,580,779	\$ 654,630	\$ 3,860,161	\$ -	(65,988)
General revenues:					
Investment earnings, unrestricted					819
Miscellaneous, unrestricted					5,627
Total general revenues					6,446
Change in net position					(59,542)
Net position, beginning, previously reported					909,662
Restatement					(49,597)
Net position, beginning, restated					860,065
Net position, ending					\$ 800,523

MID-CAROLINA COUNCIL OF GOVERNMENTS, INC.
Balance Sheet
Governmental Funds
June 30, 2015

	Major Fund		Total Governmental Funds
	General Fund	Middle Cape Fear Basin	
ASSETS			
Cash and cash equivalents	\$ 673,563	\$ 156,319	\$ 829,882
State and federal grant receivables	530,978	-	530,978
Local assessments and other receivables	83,239	-	83,239
Due from other funds	-	496	496
Total assets	1,287,780	156,815	1,444,595
LIABILITIES			
Accounts payable and accrued liabilities	465,817	-	465,817
Due to other funds	496	-	496
Total liabilities	466,313	-	466,313
DEFERRED INFLOWS OF RESOURCES			
Funds Advanced	4,141	-	4,141
Total deferred inflows of resources	4,141	-	4,141
FUND BALANCES			
Restricted:			
Stabilization by State Statute	614,217	-	614,217
Mid Cape Fear River Association	-	156,815	156,815
Assigned:			
Subsequent year's expenditures	280,736	-	280,736
Unassigned:			
Total fund balances	817,326	156,815	974,141
Total liabilities, deferred inflows of resources, and fund balances	\$ 1,287,780	\$ 156,815	1,444,595

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

Total fund balances -- total governmental funds	974,141
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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	3,059
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Net pension asset	44,349
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Pension related deferred outflows of resources

Contributions to the pension plan in the current fiscal year	36,115
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Differences between contributions and proportional share of contributions and changes in proportion	9,086
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Some liabilities are not due and payable in the current period and therefore are not in the funds:

Other Post Employment Benefits	(115,871)
Compensated Absences	(42,267)

Pension related deferrals	(108,089)
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Total net position of governmental activities	\$ 800,523
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MID-CAROLINA COUNCIL OF GOVERNMENTS, INC.
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2015

	Major Funds		Total Governmental Funds
	General	Middle Cape Fear Basin	
REVENUES			
Federal and State Grants	\$ 3,860,161	\$ -	\$ 3,860,161
Local assessments	336,455	-	336,455
Membership dues	9,625	133,355	142,980
Contract payments	163,636	-	163,636
Project income	11,559	-	11,559
Investment earnings	800	19	819
Other income	5,627	-	5,627
Total revenues	<u>4,387,863</u>	<u>133,374</u>	<u>4,521,237</u>
EXPENDITURES			
General Government	147,372	-	147,372
Economic and physical development	167,685	-	167,685
Human services	4,147,810	-	4,147,810
Environmental Protection	-	126,585	126,585
Total expenditures	<u>4,462,867</u>	<u>126,585</u>	<u>4,589,452</u>
Revenues over (under) expenditures	<u>(75,004)</u>	<u>6,789</u>	<u>(68,215)</u>
Transfers to other funds	-	-	-
Net change in fund balance	<u>(75,004)</u>	<u>6,789</u>	<u>(68,215)</u>
Fund balances, beginning	892,330	150,026	1,042,356
Fund balances, ending	<u>\$ 817,326</u>	<u>\$ 156,815</u>	<u>\$ 974,141</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, 2015

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

Net changes in fund balances - total governmental funds	\$ (68,215)
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.	(2,203)
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	36,115
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:	
Compensated absences	(2,585)
Pension Expense	(5,057)
Other postemployment benefits	<u>(17,597)</u>
Total changes in net position of governmental activities	<u>\$ (59,542)</u>

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, 2015

	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	\$ 3,944,979	\$ 4,032,599	\$ 3,860,161	\$ (172,438)	\$ -	\$ -	\$ -	\$ -
Local assessments	320,652	339,657	336,455	(3,202)	-	-	-	-
Membership Dues	30,429	14,025	9,625	(4,400)	137,500	133,355	133,355	-
Contract Payments	211,080	131,080	163,636	32,556	-	-	-	-
Project income	10,166	11,609	11,559	(50)	-	-	-	-
Investment earnings	750	750	800	50	30	19	19	-
Other income	20	2,936	5,627	2,691	-	-	-	-
Total Revenues	<u>4,518,076</u>	<u>4,532,656</u>	<u>4,387,863</u>	<u>(144,793)</u>	<u>137,530</u>	<u>133,374</u>	<u>133,374</u>	<u>-</u>
Expenditures:								
General government	247,806	310,585	147,372	163,213	-	-	-	-
Economic and physical development	590,611	185,797	167,685	18,112	-	-	-	-
Human services	3,871,014	4,317,981	4,147,810	170,171	-	-	-	-
Environmental Protection	-	-	-	-	282,630	283,400	126,585	-
Total Expenditures	<u>4,709,431</u>	<u>4,814,363</u>	<u>4,462,867</u>	<u>351,496</u>	<u>282,630</u>	<u>283,400</u>	<u>126,585</u>	<u>-</u>
Revenues Over (Under) Expenditures	<u>(191,355)</u>	<u>(281,707)</u>	<u>(75,004)</u>	<u>206,703</u>	<u>(145,100)</u>	<u>(150,026)</u>	<u>6,789</u>	<u>-</u>
Other Financing Sources (Uses):								
Fund Balance Appropriated	191,355	281,707	-	(281,707)	145,100	150,026	-	(150,026)
Total Other Financing Sources (Uses)	<u>191,355</u>	<u>281,707</u>	<u>-</u>	<u>(281,707)</u>	<u>145,100</u>	<u>150,026</u>	<u>-</u>	<u>(150,026)</u>
Net Change in fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>(75,004)</u>	<u>\$ (75,004)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>6,789</u>	<u>\$ (150,026)</u>
Fund Balances, Beginning of Year			892,330				150,026	
Fund Balances, End of Year			<u>\$ 817,326</u>				<u>\$ 156,815</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, 2015

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, 2015.

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 2015 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, 2015 is \$42,267.

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, 2015, the Council's deposits had a carrying amount of \$829,882 and a bank balance of \$856,980. 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, 2015, 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, 2015, was as follows:

	Beginning Balance <u>7/1/14</u>	<u>Additions</u>	<u>Deletions</u>	Ending Balance <u>6/30/15</u>
Governmental Activities				
Depreciable capital assets:				
Furniture/equipment	\$ 85,286	\$ -	\$ -	\$ 85,286
Computers	44,326	-	-	44,326
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	80,024	2,203	-	82,227
Computers	44,326	-	-	44,326
Total Accumulated Depreciation	<u>124,350</u>	<u>2,203</u>	<u>-</u>	<u>126,553</u>
Governmental activities capital assets, net	<u>\$ 5,262</u>	<u>\$ (2,203)</u>	<u>\$ -</u>	<u>\$ 3,059</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, 2015, was 7.07% for general employees, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Council were \$36,115 for the year ended June 30, 2015.

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, 2015, the Council reported an asset of \$44,349 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2014. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2013. The total pension liability was then rolled forward to the measurement date of June 30, 2014 utilizing update procedures incorporating the actuarial assumptions. The Council's proportion of the net pension asset was based on a projection of the Council's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2014, the Council's proportion was 0.0075%, which was an increase of 0.0004% from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the Council recognized pension expense of \$5,058. At June 30, 2015, 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	\$ -	\$ 4,846
Net difference between projected and actual earnings on pension plan investments	-	103,243
Changes in proportion and differences between Council's Contributions and proportionate share of contributions	9,086	-
County contributions subsequent to the measurement date	36,115	-
Total	<u>\$ 45,201</u>	<u>\$ 108,089</u>

\$36,115 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 asset in the year ended June 30, 2016. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:	
2016	\$ (24,748)
2017	(24,748)
2018	(24,748)
2019	(24,759)
2020	-
Thereafter	-
	<u><u>\$ (99,003)</u></u>

Actuarial Assumptions. The total pension liability in the December 31, 2013 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, 2014 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	36%	2.5%
Global Equity	41%	6.1%
Real Estate	8%	5.7%
Alternatives	7%	10.5%
Credit	5%	6.8%
Inflation Protection	5%	3.7%

The information above is based on 30 year expectations developed with the consulting actuary for the 2013 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 3.19%. All rates of return and inflation are annualized.

A new asset allocation policy was finalized during the fiscal year ended June 30, 2014 to be effective July 1, 2014. The new asset allocation policy utilizes different asset classes, changes in the structure of certain asset classes, and adopts new benchmarks. Using the asset class categories in the preceding table, the new long-term expected arithmetic real rates of return are: Fixed Income 2.2%, Global Equity 5.8%, Real Estate 5.2%, Alternatives 9.8%, Credit 6.8% and Inflation Protection 3.4%.

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 County's proportionate share of the net pension asset to changes in the discount rate . The following presents the County's proportionate share of the net pension asset calculated using the discount rate of 7.25 percent, as well as what the County'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%)
County's proportionate share of the net pension liability (asset)	\$ 150,539	\$ (44,349)	\$ (208,439)

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 \$510,816. Total contributions for the year ended June 30, 2015 were \$20,136, which consisted of \$3,068 from the Council and \$17,068 from the employees. The Council's required contributions and the employees' voluntary contributions represented .60% and 3.34% 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	\$ 8,248
Interest on net OPEB obligation	330
Adjustment to annual required contribution	<u>9,019</u>
Annual OPEB cost (expense)	<u>17,597</u>
Contributions made	<u>-</u>
Increase (decrease) in net OPEB obligation	17,597
Net OPEB obligation, beginning of year	<u>98,274</u>
Net OPEB obligation, end of year	<u><u>\$ 115,871</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, 2015 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

Funded Status and Funding Progress. As of June 30, 2015, the actuarial accrued liability for benefits was \$147,283, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$500,606, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 28.78%.

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 9.50% 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 3.30% was based on projected changes in the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) in The 2007 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, 2015, was twenty-nine 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	\$ 36,115
Differences between contributions and proportional share of contributions and change in proportion	<u>9,086</u>
Total	<u>\$ 45,201</u>

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

<u>Source</u>	<u>Amount</u>
Funds Advanced (General Fund)	\$ 4,141
Pension deferrals	<u>108,089</u>
Total	<u>\$ 112,230</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, 2015.

7. Changes in Long-Term Liabilities

	Beginning			Ending
	<u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u>
Compensated absences	\$ 39,682	\$ 2,585	\$ -	\$ 42,267
Net Pension Liability (LGERS)	85,582	-	85,582	-
Other postemployment benefits	98,274	17,597	-	115,871
Long-term liabilities	<u>\$ 223,538</u>	<u>\$ 20,182</u>	<u>\$ 85,582</u>	<u>\$ 158,138</u>

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

C. Interfund Balances and Activity

Interfund Receivables and Payables

Balances due to/from other funds at June 30, 2015, consist of the following:

	<u>Receivable</u>	<u>Payable</u>
General Fund	\$ -	\$ 496
Middle Cape Fear Basin Association	496	-
	<u>\$ 496</u>	<u>\$ 496</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	\$ 817,326
Less:	
Prepaid Expenses	-
Stabilization by State Statute	614,217
Appropriated Fund Balance in 2016 Budget	280,736
Remaining Fund Balance	(77,627)

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 November 19, 2015, the date on which the financial statements were available to be issued.

VII. Change in Accounting Principles / Restatement

The Council implemented Governmental Accounting Standards Board (GASB) statement 68, *Accounting and Financial Reporting for Pensions (an amendment of GASB Statement No. 27)*, in the fiscal year ending June 30, 2015. The implementation of the statement required the Council to record beginning net pension liability and the effects on net position of contributions made by the Council during the measurement period (fiscal year ending June 30, 2014). As a result, net position for the governmental activities decreased by \$49,597.

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%

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%

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>2015</u>	<u>2014</u>
Commission's proportion of the net pension liability (asset) (%)	0.00752%	0.00710%
Commission's proportion of the net pension liability (asset) (\$)	\$ (44,349)	\$ 85,582
Commission's covered-employee payroll	\$ 510,816	\$ 508,986
Commission's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	-8.68%	16.81%
Plan fiduciary net position as a percentage of the total pension liability**	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.
Contributions
Required Supplementary Information
Last Two Fiscal Years

Local Government Employees' Retirement System

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

	2015		Variance Positive (Negative)
	Budget	Actual	
Revenues			
Unrestricted Intergovernmental:			
Counties, Cities and Town General			
Assessments	\$ 16,404	\$ 16,403	\$ (1)
Fees / Zoning / Census	49,578	59,206	9,628
Total	65,982	75,609	9,627
Restricted Intergovernmental:			
Federal and State Grants	4,032,599	3,860,161	(172,438)
Counties, Cities, and Towns Special			
Assessments	250,412	237,583	(12,829)
Local Match	23,263	23,263	-
Planning	-	-	-
Contract Payments	131,080	163,636	32,556
Membership Dues	14,025	9,625	(4,400)
Total	4,451,379	4,294,268	(157,111)
Sales and Services:			
Project Income	11,609	11,559	(50)
Total	11,609	11,559	(50)
Investment Earnings			
	750	800	50
Miscellaneous			
Sales Tax Refund	1,991	1,991	-
Refunds - Other	-	-	-
Miscellaneous	945	3,636	2,691
Total	2,936	5,627	2,691
Total Revenues	\$ 4,532,656	\$ 4,387,863	\$ (144,793)
Expenditures			
General Government:			
Local Technical Assistance:			
Salaries & Employee Benefits	\$ 92,469	\$ 97,372	\$ (4,903)
Operating Expenses	218,116	50,000	168,116
Total	310,585	147,372	163,213
Total General Government	310,585	147,372	163,213

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, 2015

	2015		Variance Positive (Negative)
	Budget	Actual	
Economic & Physical Development			
Rural Planning Organization:			
Salaries & Employee Benefits	96,446	99,877	(3,431)
Operating Expenses	19,867	16,436	3,431
Total	116,313	116,313	-
Regional Land Use Advisory Council:			
Salaries & Employee Benefits	32,442	32,254	188
Operating Expenses	16,171	19,118	(2,947)
Total	48,613	51,372	(2,759)
All American Trail			
Operating Expenses	18,748	-	18,748
Total	18,748	-	18,748
CC / Fay Needs Survey			
Operating Expenses	2,123	-	2,123
	2,123	-	2,123
Total Economic & Physical Development	185,797	167,685	18,112
Human Services:			
Older Adults Planning & Admin:			
Salaries & Employee Benefits	200,164	199,073	1,091
Operating Expenses	24,289	25,368	(1,079)
Total	224,453	224,441	12
Regional Ombudsman Project:			
Salaries & Employee Benefits	101,802	104,195	(2,393)
Operating Expenses	23,118	20,725	2,393
Total	124,920	124,920	-
Older Adult Care Management:			
Salaries & Employee Benefits	40,594	42,901	(2,307)
Operating Expenses	10,606	9,152	1,454
Sub-Grants	200,000	176,305	23,695
Total	251,200	228,358	22,842

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, 2015

	2015		Variance Positive (Negative)
	Budget	Actual	
Older Adults AAA Support:			
Salaries & Employee Benefits	41,336	40,781	555
Operating Expenses	6,927	7,482	(555)
Total	48,263	48,263	-
Older Adults Elder Abuse:			
Salaries & Employee Benefits	2,411	2,472	(61)
Operating Expenses	4,747	3,511	1,236
Total	7,158	5,983	1,175
Older Adults Preventive Health:			
Salaries & Employee Benefits	19,224	18,517	707
Operating Expenses	85,856	18,244	67,612
Sub-Grants	2,000	2,000	-
Total	107,080	38,761	68,319
Older Adults IIIB Social Services:			
Operating Expenses	2,171	2,742	(571)
Sub-Grants	2,829,877	2,919,391	(89,514)
Total	2,832,048	2,922,133	(90,085)
Family Caregiver:			
Salaries & Employee Benefits	77,659	71,194	6,465
Operating Expenses	67,077	75,136	(8,059)
Sub-Grants	63,000	58,519	4,481
Total	207,736	204,849	2,887
CRC / LCA Expansion			
Salaries & Employee Benefits	26,338	23,602	2,736
Operating Expenses	3,662	3,941	(279)
Total	30,000	27,543	2,457
Senior Center General Purpose:			
Sub-Grants	42,825	42,824	1
Total	42,825	42,824	1
Cumberland County Transportation			
Operating Expenses	409,525	256,929	152,596
	409,525	256,929	152,596

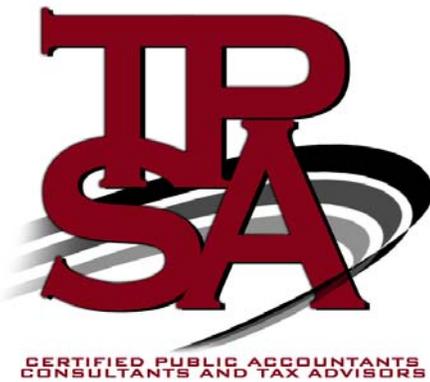
MID-CAROLINA COUNCIL OF GOVERNMENTS, INC.
 General Fund
 Statement of Revenues, Expenditures, and
 Changes in Fund Balances - Budget and Actual
 For the Fiscal Year Ended June 30, 2015

	2015		Variance Positive (Negative)
	Budget	Actual	
MIPPA11			
Salaries & Employee Benefits	-	16,866	(16,866)
Operating Expenses	32,773	5,940	26,833
	<u>32,773</u>	<u>22,806</u>	<u>9,967</u>
Total Human Services	<u>4,317,981</u>	<u>4,147,810</u>	<u>170,171</u>
Total Expenditures	<u>4,814,363</u>	<u>4,462,867</u>	<u>351,496</u>
Revenues Over (Under) Expenditures	\$ <u>(281,707)</u>	\$ <u>(75,004)</u>	\$ <u>206,703</u>
Other Financing Sources (Uses):			
Transfers from (to) other funds	\$ -	\$ -	\$ -
Fund Balance Appropriated	<u>281,707</u>	<u>-</u>	<u>(281,707)</u>
Total Other Financing Sources (Uses)	\$ <u>281,707</u>	\$ <u>-</u>	\$ <u>(281,707)</u>
Net Change in Fund Balance	\$ <u>-</u>	\$ <u>(75,004)</u>	\$ <u>(75,004)</u>
Fund Balances:			
Beginning of Year, July 1		<u>892,330</u>	
End of Year, June 30		<u>\$ <u>817,326</u></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, 2015

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues			
Federal Grants	\$ -	\$ -	\$ -
Interest Earned	19	19	-
Membership Dues	133,355	133,355	-
Miscellaneous	-	-	-
Total revenues	<u>133,374</u>	<u>133,374</u>	<u>-</u>
Expenditures			
Fees		2,400	
Board and Committee Meetings		292	
Dues and subscriptions		5,000	
Contractual - operations		4,702	
Contractual pass-through		114,191	
Insurance and Bonding		-	
Total expenditures	<u>283,400</u>	<u>126,585</u>	<u>156,815</u>
Revenues over (under) expenditures	<u>(150,026)</u>	<u>6,789</u>	<u>156,815</u>
Other financing sources (uses):			
Transfers from (to)	-	-	-
Fund balance appropriated	<u>150,026</u>	-	<u>(150,026)</u>
Total other financing sources (uses)	<u>150,026</u>	<u>-</u>	<u>(150,026)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	6,789	<u>\$ 6,789</u>
Fund Balances:			
Beginning of year, July 1		<u>150,026</u>	
End of year, June 30		<u>\$ 156,815</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, 2015, 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 November 19, 2015.

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.

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*.

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
November 19, 2015



**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 Circular A-133 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 *Circular A-133 Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of Mid-Carolina Council of Governments, Inc.'s major federal programs for the year ended June 30, 2015. 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 OMB *Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, and the State Single Audit Implementation Act. Those standards, OMB Circular A-133, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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, 2015.

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 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 Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Council's internal control over compliance.

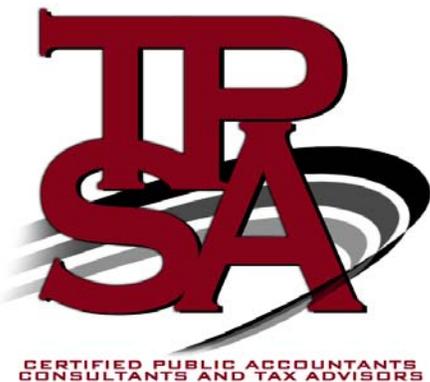
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or 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 been identified.

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

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

Whiteville, NC
November 19, 2015



Report On Compliance With Requirements Applicable to Each Major State Program And
Internal Control Over Compliance In Accordance With OMB Curcular A-133 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, 2015. 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 *Audits of States, Local Governments, and Non-Profit Organizations*, as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the state Single Audit Implementation Act. Those standards, OMB Circular A-133, and the state Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state 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, 2015.

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 Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Council's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a 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 Circular A-133. Accordingly, this report is not suitable for any other purpose.

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

Whiteville, NC

November 19, 2015

MID-CAROLINA COUNCIL OF GOVERNMENTS, INC.
Fayetteville, North Carolina
Schedule of Findings and Questioned Cost
For the Fiscal Year Ended June 30, 2015

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 Section 510(a) of Circular A-133? 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 \$ 300,000

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, 2015

Section II. Financial Statement Findings

None Reported.

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, 2015

Section II. Financial Statement Findings

None Reported.

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, 2015

None Reported.

MID-CAROLINA COUNCIL OF GOVERNMENTS, INC.
 SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
 For the Year Ended June 30, 2015

Special Programs for the Aging - Title III-E				
Planning and Administration	93.052	32,405	1,776	9,026
Family Caregiver	93.052	<u>191,573</u>	<u>12,772</u>	<u>-</u>
		223,978	14,548	9,026
MIPPA Medicare Enrollment Assistance Program	93.518	17,195	-	-
Money Follows the Person Rebalancing Grant	93.791	<u>27,643</u>	<u>-</u>	<u>-</u>
Total U.S. Department of Health and Human Services		<u>1,790,174</u>	<u>90,323</u>	<u>189,636</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>192,689</u>	<u>5,791</u>	<u>-</u>
Total U.S. Department of Transportation		<u>285,739</u>	<u>5,791</u>	<u>-</u>
Total Federal Awards		<u>2,115,943</u>	<u>96,114</u>	<u>189,636</u>
<u>State Awards</u>				
<u>N.C. Department of Health and Human Services</u>				
Division of Aging and Adult Services				
AAA Administration	N/A	-	48,262	-
Senior Center Development	N/A	-	42,825	14,275
Aging Cluster:				
90% State Funds - Ombudsman	N/A	-	35,960	3,996
90% State Funds - Access	N/A	-	209,414	23,268
90% State Funds - In-Home Services	N/A	-	1,021,990	113,555
90% State Funds - Home Delivered Meals	N/A	-	<u>329,478</u>	<u>36,609</u>
Total Aging Cluster		<u>-</u>	<u>1,596,842</u>	<u>177,428</u>
Total N.C. Department of Health and Human Services		<u>-</u>	<u>1,687,929</u>	<u>354,856</u>
Total State Awards		<u>-</u>	<u>1,687,929</u>	<u>354,856</u>
Total Federal and State Awards		<u>\$ 2,115,943</u>	<u>\$ 1,784,043</u>	<u>\$ 544,492</u>

MID-CAROLINA COUNCIL OF GOVERNMENTS, INC.
 SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
 For the Year Ended June 30, 2015

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>	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		\$ 5,086	\$ 299	\$ 598
Special Programs for the Aging - Title VII-E					
Programs for Long-term Ombudsman Services for Older Individuals					
	93.042		37,168	2,186	4,373
Special Programs for the Aging - Title III-F					
Disease Prevention and Health Promotion Service					
	93.043		26,761	1,574	3,148
Aging Cluster					
Special Programs for the Aging - Title III-B					
Grants for Supportive Services and Senior Centers					
- Legal Services					
	93.044		15,032	884	1,769
- Ombudsman					
	93.044		34,966	2,057	4,114
- Planning and Administration					
	93.044		49,761	2,727	13,860
- Access					
	93.044		333,736	19,632	39,263
- In-Home Services					
	93.044		100,442	5,908	11,817
Special Programs for the Aging - Title III-C					
Nutrition Services					
- Planning and Administration					
	93.045		86,175	4,722	24,003
- Congregate Nutrition					
	93.045		267,964	15,763	31,525
- Home-Delivered Meals					
	93.045		288,597	16,976	33,953
Nutrition Services Incentive Program					
	93.053		169,035	-	-
Total Aging Cluster					
			<u>1,345,708</u>	<u>68,669</u>	<u>160,304</u>
Social Services Block Grant (SSBG) - In-Home Services					
	93.667		106,635	3,047	12,187

MID-CAROLINA COUNCIL OF GOVERNMENTS, INC.
 SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
 For the Year Ended June 30, 2015

Special Programs for the Aging - Title III-E				
Planning and Administration	93.052	32,405	1,776	9,026
Family Caregiver	93.052	<u>191,573</u>	<u>12,772</u>	<u>-</u>
		223,978	14,548	9,026
MIPPA Medicare Enrollment Assistance Program	93.518	17,195	-	-
Money Follows the Person Rebalancing Grant	93.791	<u>27,643</u>	<u>-</u>	<u>-</u>
Total U.S. Department of Health and Human Services		<u>1,790,174</u>	<u>90,323</u>	<u>189,636</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>192,689</u>	<u>5,791</u>	<u>-</u>
Total U.S. Department of Transportation		<u>285,739</u>	<u>5,791</u>	<u>-</u>
Total Federal Awards		<u>2,075,913</u>	<u>96,114</u>	<u>189,636</u>
<u>State Awards</u>				
<u>N.C. Department of Health and Human Services</u>				
Division of Aging and Adult Services				
AAA Administration	N/A	-	48,262	-
Senior Center Development	N/A	-	42,825	14,275
Aging Cluster:				
90% State Funds - Ombudsman	N/A	-	35,960	3,996
90% State Funds - Access	N/A	-	209,414	23,268
90% State Funds - In-Home Services	N/A	-	1,021,990	113,555
90% State Funds - Home Delivered Meals	N/A	-	<u>329,478</u>	<u>36,609</u>
Total Aging Cluster		<u>-</u>	<u>1,596,842</u>	<u>177,428</u>
Total N.C. Department of Health and Human Services		<u>-</u>	<u>1,687,929</u>	<u>354,856</u>
Total State Awards		<u>-</u>	<u>1,687,929</u>	<u>354,856</u>
Total Federal and State Awards		<u>\$ 2,075,913</u>	<u>\$ 1,784,043</u>	<u>\$ 544,492</u>

MID-CAROLINA COUNCIL OF GOVERNMENTS, INC.
 SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
 For the Year Ended June 30, 2015

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

Basis of Presentation

The accompanying schedule of expenditures of federal and State awards includes 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, 2015. The information in this SEFSA is presented in accordance with the requirements of Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the State Single Audit Implementation Act. Because the SEFSA presents only a selected portion of the operations of the Commission, it is not intended to and does not present the financial position, changes in net assets or cash flows of the Council.

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 OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments or cost principles contained in the Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or are limited as to reimbursements. Pass-through entity identifying numbers are presented where available.

Subrecipients

Of the federal and State expenditures presented in the schedule, Mid-Carolina Council of Governments provided federal and State awards to subrecipients as follows:

<u>Program Title</u>	<u>CFDA Number</u>	<u>State Pass-through Grantor's Number</u>	<u>Federal Expenditures</u>	<u>State Expenditures</u>
Elderly Nutrition Program		N/A	\$ 169,035	\$ -
Special Programs for the Aging - Title III B Grants for Supportive Services and Senior Centers		N/A	533,937	31,208
Special Programs for the Aging - Title III C Nutrition Services		N/A	642,736	37,461
90% State Funds - Access			-	209,414
90% State Funds - In-Home Services			-	1,021,990
90% State Funds - Home Delivered Meals			-	329,478
Senior Center General Purpose			-	42,825
Capital Assistance Program for Elderly Persons		20.513	192,689	5,791
			<u>\$ 1,538,397</u>	<u>\$ 1,678,167</u>