

**Lumber River Council of Governments
Pembroke, North Carolina
Financial Statements
For the Year Ended June 30, 2016**

**Lumber River Council of Governments
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June 30, 2016**

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FINANCIAL SECTION



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Independent Auditors' Report

To the Board of Directors
Lumber River Council of Governments
Pembroke, 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 Lumber River Council of Governments as of and for the year then ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Lumber River Council of Governments' basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 Lumber River Council of Governments as of June 30, 2016, and the respective changes in financial position and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability/(Asset) and Contributions is 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 Lumber River Council of Governments. The budgetary schedules as well as the accompanying Schedule of Expenditures of Federal and State Awards, as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the State Single Audit Implementation Act

are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 11, 2016 on our consideration of the Lumber River Council of Government'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 Lumber River Council of Government's internal control over financial reporting and compliance.

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

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

Wilmington, North Carolina

October 11, 2016

Management's Discussion and Analysis

As management of the Lumber River Council of Governments, we offer readers of the Lumber River Council of Governments' financial statements this narrative overview and analysis of the financial activities of the Council for the fiscal year ended June 30, 2016. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Council's financial statements, which follow this narrative.

Financial Highlights

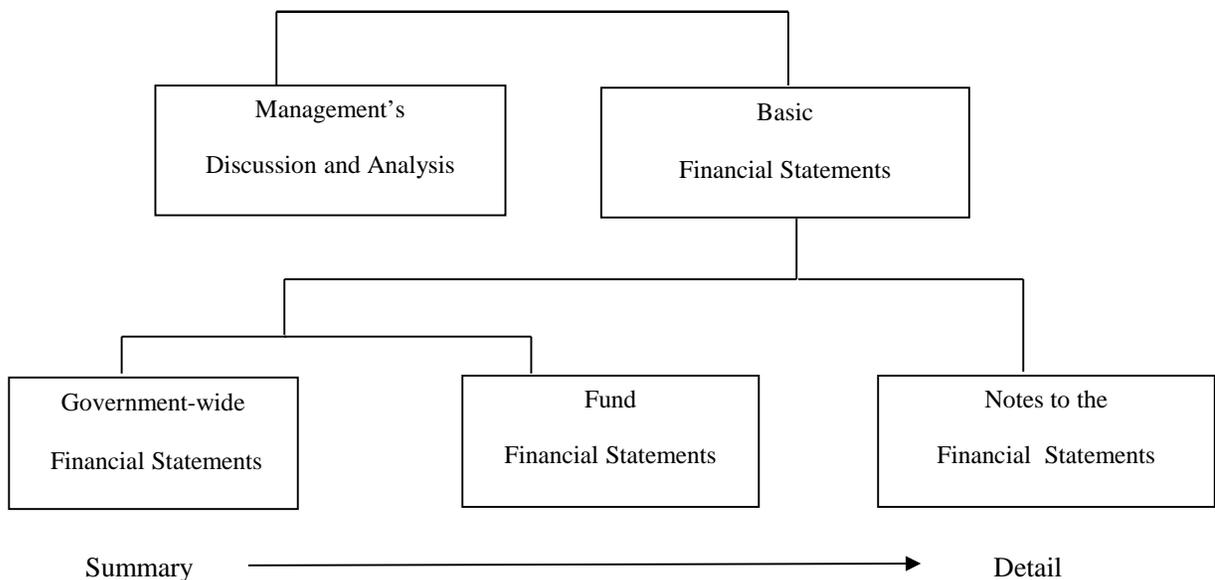
- The assets and deferred outflows of resources of the Lumber River Council of Governments exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$172,443. (*net position*).
- The government's total net position decreased by \$210,042 due to decrease in the governmental activities.
- At the close of the current fiscal year, Lumber River Council of Governments' governmental funds reported combined ending fund balances of \$76,141, with an decrease of \$252,645 in fund balance.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was (\$717,995).
- Debt decreased by \$58,754.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to Lumber River Council of Governments' basic financial statements. The Council's basic financial statements 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 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 Lumber River Council of Governments.

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 the 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 additional details about the Council's activities. Budgetary information required by the General Statutes can also 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 it has changed. Net position is the difference between the Council's total assets and deferred outflows of resources and total liabilities and deferred inflows of resources. Measuring net position is one way to gauge the Council's financial condition.

The government-wide statements are divided into one category: 1) governmental activities. The governmental activities include most of the Council's basic services such as economic and physical development, human services, workforce development, and general government. State and federal grant funds finance most of these activities.

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

Fund Financial Statements

The Fund Financial Statements (see Figure 1) 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 Lumber River Council of Governments, 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 North Carolina General Statutes or the Council's budget ordinance. All of the funds of the Lumber River Council of Governments can be divided into one category: governmental funds.

Governmental Funds – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most 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 Lumber River Council of Governments adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the members 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. The notes to the financial statements follow Exhibit 6 of this report.

Interdependence with Other Entities- The Lumber River Council of Governments depends on financial resources flowing from, or associated with, both the Federal Government and the State of North Carolina. Because of this dependency, the Council is subject to changes in specific flows of intergovernmental revenues based on modifications to Federal and State laws and Federal and State appropriations.

Other Information - In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the Lumber River Council of Governments' process in funding its obligation to provide pension benefits to its employees.

Government-Wide Financial Analysis

**Lumber River Council of Governments' Net Position
 Figure 2**

	Governmental Activities	
	2016	2015
Current and other assets	\$ 923,183	\$ 1,349,875
Capital assets	1,236,109	1,276,514
Deferred outflows of resources	104,174	124,222
Total assets	<u>2,263,466</u>	<u>2,750,611</u>
Long-term liabilities outstanding	1,174,690	1,149,968
Deferred inflows of resources	102,865	475,002
Other liabilities	813,468	743,156
Total liabilities	<u>2,091,023</u>	<u>2,368,126</u>
Net position:		
Net investment in capital assets	144,895	126,546
Restricted	792,147	1,308,500
Unrestricted	(764,599)	(1,052,561)
Total net position	<u>\$ 172,443</u>	<u>\$ 382,485</u>

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 Lumber River Council of Governments exceeded liabilities and deferred inflows by \$172,443 as of June 30, 2016. The Council’s net position decrease by \$210,042 for the fiscal year ended June 30, 2016. However, a large portion \$144,895 (84%) reflects the Council's net investment in capital assets (e.g. land, buildings, machinery, and equipment). The Lumber River Council of Governments uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Council's net investment in capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Council's net position, \$792,147, represents resources that are subject to external restrictions on how they may be used. The remaining balance of (\$764,599) is unrestricted.

Several particular aspects of the Council's financial operations positively influenced the total unrestricted net position:

- Careful management of expenses of the Council's financial operations positively influenced resources to support indirect expenses.

Lumber River Council of Governments'
Changes in Net Position
Figure 3

	Governmental Activities	
	2016	2015
Revenues:		
Program Revenues		
Charges for Services	\$ 553,076	\$ 200,504
Operating grants	6,839,946	7,823,952
Total revenues	7,393,022	8,024,456
Expenses:		
General government	393,624	374,114
Transportation	188,966	130,792
Economic & Physical Development	23,777	95,231
Human Services	3,094,566	3,474,695
Interest on long-term debt	54,204	51,069
Workforce development	3,847,927	3,756,804
Total expenses	7,603,064	7,882,705
Increase (decrease) in net position	(210,042)	141,751
Net position, beginning, restated	382,485	240,734
Net position, June 30, ending	\$ 172,443	\$ 382,485

Governmental activities: Governmental activities decreased the Council's net position by \$210,042.

Financial Analysis of the Council's Funds

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

Governmental Funds. The focus of the Lumber River Council of Governments' governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the Lumber River Council of Governments' financing requirements. Specifically, fund balance available for appropriation 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 Lumber River Council of Governments. At the end of the current fiscal year, the fund balance of the General Fund was \$76,141, while unassigned fund balance available was (\$717,995).

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

Capital Asset and Debt Administration

Capital assets. The Lumber River Council of Governments' capital assets for its governmental as of June 30, 2016 totals \$1,236,109 (net of accumulated depreciation). These assets are primarily equipment for the governmental activities, and buildings and land for the Governmental Activities.

**Lumber River Council of Governments' Capital Assets
 (net of depreciation)**

Figure 4

	Governmental Activities	
	2016	2015
Land	\$ 17,600	\$ 17,600
Buildings	1,204,009	1,241,344
Improvements	14,500	16,500
Equipment	-	1,070
Total	\$ 1,236,109	\$ 1,276,514

Additional information on the Council's capital assets can be found in the notes of the Basic Financial Statements.

Long-term Debt. As of June 30, 2016 the Lumber River Council of Governments' notes payable totaled \$1,091,214.

Lumber River Council of Governments' Outstanding Debt

Figure 5

	Governmental Activities	
	2016	2015
Installment purchases	\$ 1,091,214	\$ 1,149,968
Total	\$ 1,091,214	\$ 1,149,968

Additional information regarding the Lumber River Council of Governments' long-term debt can be found in the notes to the financial statements.

Economic Factors and Next Year's Budgets and Rates

The geographical area that Lumber River Council of Governments serves, continues to experience high unemployment. However, federal funding for the Work Force Investment Act during the last several fiscal years was reduced. We anticipate this reduction to continue. These reductions have affected the Council's funding level and staffing patterns.

Request for Information

This report is designed to provide an overview of the Council's finances for those with an interest in this area. Question concerning any of the information found in this report or requests for additional information should be directed to:

Lumber River Council of Governments
30 CJ Walker Road
Pembroke, NC 28372

BASIC FINANCIAL STATEMENTS

Lumber River Council of Governments
Statement of Net Position
June 30, 2016

	<u>Primary Government</u>	
	<u>Governmental</u>	
	<u>Activities</u>	<u>Total</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 129,047	\$ 129,047
Accounts receivable	792,147	792,147
Prepays	1,989	1,989
Total Current Assets	<u>923,183</u>	<u>923,183</u>
Non-Current Assets:		
Capital assets:		
Land, improvements, and construction in progress	17,600	17,600
Other capital assets, net of depreciation	1,218,509	1,218,509
Total capital assets	<u>1,236,109</u>	<u>1,236,109</u>
Total assets	<u>2,159,292</u>	<u>2,159,292</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 104,174</u>	<u>\$ 104,174</u>
LIABILITIES		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 813,468	\$ 813,468
Due within one year	66,495	66,495
Long-term liabilities:		
Net pension liability	83,476	83,476
Due in more than one year	1,024,719	1,024,719
Total liabilities	<u>1,988,158</u>	<u>1,988,158</u>
DEFERRED INFLOWS OF RESOURCES	<u>102,865</u>	<u>102,865</u>
NET POSITION		
Net Investment in Capital Assets	144,895	144,895
Restricted for:		
Stabilization by State Statute	792,147	792,147
Unrestricted (deficit)	(764,599)	(764,599)
Total net position	<u>\$ 172,443</u>	<u>\$ 172,443</u>

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

Lumber River Council of Governments
Statement of Activities
For the Year Ended June 30, 2016

Functions/Programs	Expenses	Program Revenues		Total Governmental Activities
		Charges for Services	Operating Grants and Contributions	
Primary government:				
Governmental Activities:				
General government	\$ 393,624	\$ 2,185	\$ -	\$ (391,439)
Transportation	188,966	313,522	97,599	222,155
Economic and physical development	23,777	-	48,999	25,222
Human services	3,094,566	180,120	3,226,440	311,994
Workforce development	3,847,927	57,249	3,466,908	(323,770)
Interest on long-term debt	54,204	-	-	(54,204)
Total governmental activities	<u>\$ 7,603,064</u>	<u>\$ 553,076</u>	<u>\$ 6,839,946</u>	<u>\$ (210,042)</u>

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

Net (Expense) Revenue and Changes in Net Position

Primary Government

	Total
Primary government:	
Governmental Activities:	
General government	(391,439)
Transportation	222,155
Economic and physical development	25,222
Human services	311,994
Workforce development	(323,770)
Interest on long-term debt	(54,204)
Total governmental activities	(210,042)
 General revenues:	
Grants and contributions not restricted to specific programs	-
Unrestricted investment earnings	-
Total general revenues	-
Change in net position	(210,042)
 Net position, beginning	382,485
Net position, ending	\$ 172,443

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

Lumber River Council of Governments
Balance Sheet
Governmental Funds
June 30, 2016

	Major Fund	Total
	General Fund	Governmental Fund
ASSETS		
Cash and cash equivalents	\$ 129,047	\$ 129,047
Accounts receivable	792,147	792,147
Prepays	1,989	1,989
Total assets	923,183	923,183
LIABILITIES		
Liabilities:		
Accounts payable and accrued liabilities	813,468	813,468
Total liabilities	813,468	813,468
DEFERRED INFLOWS OF RESOURCES		
Unearned revenues	33,574	33,574
Total deferred inflows of resources	33,574	33,574
FUND BALANCES		
Nonspendable		
Prepaid Items	1,989	1,989
Restricted		
Stabilization by State Statute	792,147	792,147
Unassigned	(717,995)	(717,995)
Total fund balances	76,141	76,141
Total liabilities, deferred inflows of resources, and fund balances	\$ 923,183	

Amounts reported for governmental activities in the statement of net position (exhibit 1) are different because:

Total Fund Balance, Governmental Funds	76,141
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	1,236,109
Deferred outflows of resources related to pensions are not reported in the funds.	104,174
Net pension liability.	(83,476)
Deferred inflows of resources related to pensions are not reported in the funds	(69,291)
Long-term debt included as net position below (includes the addition of long-term debt and principal payments during the year.)	(1,091,214)
Total net position of governmental activities	\$ 172,443

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

Lumber River Council of Governments
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2016

	<u>Major Fund</u>	Total Government
	<u>General Fund</u>	<u>Fund</u>
REVENUES		
Federal and state awards	\$ 6,897,664	\$ 6,897,664
Local in kind match	150,217	150,217
Other local revenue	171,489	171,489
Program income	173,651	173,651
Interest income	-	-
Total revenues	<u>7,393,021</u>	<u>7,393,021</u>
EXPENDITURES		
Current:		
General government	359,221	359,221
Transportation	189,369	189,369
Economic and physical development	23,777	23,777
Human services	3,111,932	3,111,932
Workforce development	3,848,409	3,848,409
Debt Service:		
Principal	58,754	58,754
Interest	54,204	54,204
Total expenditures	<u>7,645,666</u>	<u>7,645,666</u>
Revenues over (under) expenditures	<u>(252,645)</u>	<u>(252,645)</u>
OTHER FINANCING SOURCES (USES):		
Transfers (to) from other funds	-	-
Transfer of local matching funds	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>
Net change in fund balance	<u>(252,645)</u>	<u>(252,645)</u>
Fund balances, beginning	328,786	328,786
Fund balances, ending	<u>\$ 76,141</u>	<u>\$ 76,141</u>

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

Lumber River Council of Governments
 Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
 of Governmental Funds to the Statement of Activities
 For the Year Ended June 30, 2016

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

Net changes in fund balances - total governmental funds		\$ (252,645)
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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 capital outlays exceeded depreciation in the current period.

Capital outlay expenditures which were capitalized	-	
Depreciation expense for governmental assets	<u>(40,404)</u>	(40,404)
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities		74,890

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:

Pension expense		(50,637)
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The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net assets. This amount is the net effect of these differences in the treatment of long-term debt and related items.

	<u>58,754</u>	
Total changes in net position of governmental activities		\$ <u><u>(210,042)</u></u>

Lumber River Council of Governments
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances - Annual Budget and Actual
For the Year Ended June 30, 2016

	2016			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
REVENUES:				
Federal and state awards	\$ 8,495,687	\$ 8,495,687	\$ 6,897,664	\$ (1,598,023)
Local in kind match	149,270	149,270	150,217	947
Other local revenue	229,639	229,639	171,489	(58,150)
Program income	162,028	162,028	173,651	11,623
Interest income	-	-	-	-
TOTAL REVENUES	9,036,624	9,036,624	7,393,021	(1,643,603)
EXPENDITURES				
Current:				
General government	417,847	417,847	359,221	58,626
Transportation	325,443	325,443	189,369	136,074
Economic and physical development	25,000	25,000	23,777	1,223
Human services	3,185,278	3,185,278	3,111,932	73,346
Workforce development	4,953,404	4,953,404	3,848,409	1,104,995
Debt Service:				
Principal	74,652	74,652	58,754	15,898
Interest	55,000	55,000	54,204	796
		-		
TOTAL EXPENDITURES	9,036,624	9,036,624	7,645,666	1,390,958
Revenues over (under) expenditures	-	-	(252,645)	(252,645)
OTHER FINANCING SOURCES (USES)				
Transfers from (to) other funds:	-	-	-	-
Transfer out of local matching funds	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-
Change in fund balance	\$ -	\$ -	\$ (252,645)	\$ (252,645)
Fund Balances:				
Beginning of Year			328,786	
End of Year			\$ 76,141	

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

NOTES TO THE FINANCIAL STATEMENTS

Lumber River Council of Governments
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

I. Summary of Significant Accounting Policies

The accounting policies of Lumber River Council of Governments conform to generally accepted accounting principles as applicable to Councils of Government. The following is a summary of the more significant accounting policies:

A. Reporting Entity

Lumber River Council of Governments, was established to coordinate various funding received from Federal and State agencies. Currently, there are 5 county governments and 40 municipal governments participating as members in the Lumber River Council of Governments. As required by generally accepted accounting principles, these financial statements present the Council.

B. Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities display information about the primary government. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. These statements only consist of the *governmental* activities of the Council. Governmental activities generally are financed through intergovernmental revenues and other non-exchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the Council's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the Council's funds. Separate statements for each fund category – *governmental* – are presented. The emphasis of fund financial statements is on a major governmental.

The Council reports the following major governmental funds:

General Fund. The General Fund is the general operating fund of the Council. The General Fund accounts for all financial resources except those that are required to be accounted for in another fund. The primary revenue source is federal and state grants and membership dues of the participating local governmental units.

C. Measurement Focus and Basis of Accounting

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

Government-wide Fund Financial Statements. The government-wide fund financial statements are reported using the economic resources measurement focus. The government-wide fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the Council gives (or receives) value without directly receiving (or giving) equal value in exchange, include grants and donations. Revenue from grants 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 goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues.

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

The Council considers all revenues available if they are collected within 90 days after year-end.

Under the terms of grant agreements, the Council funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the Council's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

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. All annual appropriations lapse at fiscal year-end. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for the general fund. The Budget Officer is authorized by the budget ordinance to transfer appropriations within a fund; however, any revisions that alter total expenditures of any fund must be approved by the governing board. 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 Lumber River Council of Governments 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). The NCCMT Cash Portfolio, an SEC-registers (2a7) external investment pool, is measured at amortized cost, which is the NCCMT's share price.

2. Cash and Cash Equivalents

Lumber River Council of Governments 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. The Council considers demand deposits and investments purchased with an original maturity of three months or less, which are not limited as to use, to be cash and cash equivalents.

3. Prepaid Items

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

4. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Purchased or constructed capital assets are reported at cost. Donated assets received prior to June 15, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost.

Capital assets are depreciated over their estimated useful lives on a straight-line basis as follows:

<u>Asset Class</u>	<u>Estimated Useful Life</u>
Buildings	40 years
Furniture and equipment	6-10 years

4.5 Long-term Obligations

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. In the fund financial statements for governmental fund types, the face amount of any debt issued is reported as a other financing source.

6. 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 does have one item that meet this criterion, contributions made to the pension plan in the 2016 fiscal year. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Council has only one item that meets the criterion for this category - deferrals of pension expense that result from the implementation of GASB Statement 68.

7. Compensated Absences

The vacation policies of the Council generally provides for the accumulation of up to thirty (30) days of earned vacation leave with such leave being fully vested when earned. The Council adopted a policy of recognizing an expenditure for the current portion of the accumulated vacation pay; therefore, no liability is shown.

The sick leave policies of the Council provide 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 determination of length of service for retirement benefit purposes. Since neither entity has any obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

8. Allowance for Doubtful Accounts

All receivables that historically experience uncollectible accounts are shown net of an allowance for doubtful accounts. This amount is estimated by analyzing the percentage of receivables that were written off in prior years.

9. 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 assets represent constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through state statute.

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:

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

Prepays - portion of fund balance that is not an available resource because it represents the year-end balance of prepaid expenses, which are not spendable resources.

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 Human Services - portion of fund balance restricted by funding source.

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). The governing body can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Committed for Economic Development - portion of fund balance assigned by the board for economic development.

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; however the budget ordinance authorizes the director to modify the appropriations by resource or appropriation within funds up to \$100,000.

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

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

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

A. Significant Violations of Finance-Related Legal and Contractual Provisions

1. Noncompliance with North Carolina General Statutes

No material instances of noncompliance with North Carolina Statutes were noted during the audit.

2. Contractual Violations

None.

B. Deficit in Fund Balance or Net Position of Individual Funds

None.

C. Excess of Expenditures over Appropriations

None.

III. Detail Notes on All Funds

A. Assets

1. Deposits

All of the Council's deposits are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits exceeding the federal depository insurance coverage level are collateralized with securities held by the Council's agents in these units' names. 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 their agent in the entities' names. 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 Development Council, or with the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the Council or Development Council under the Pooling Method, the potential exists for the 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. The Development Council has no formal policy regarding custodial credit risk for deposits.

At June 30, 2016, the Council's deposits had a carrying amount of \$108,987 and a bank balance of \$514,070. All of the bank balance was covered by federal depository insurance.

2. Investments

At June 30, 2016, the Council had \$20,060 invested with the North Carolina Management Trust's Cash Portfolio which carried a credit rating of AAAM by Standard and Poor's. The Council has no policy regarding credit risk.

3. Receivables - Allowances for Doubtful Accounts

The amounts for grant receivables presented in the Balance Sheet and the Statement of Net Position includes no allowances for doubtful accounts.

	Due From Other		Total
	Governments	Other	
Governmental Activities:			
General	\$ 792,147	\$ -	\$ 792,147
Total Governmental Activities	<u>\$ 792,147</u>	<u>\$ -</u>	<u>\$ 792,147</u>

Receivables - Allowances for Doubtful Accounts

The amounts for grant receivables presented in the Balance Sheet and the Statement of Net Position includes no allowances for doubtful accounts.

4. Capital Assets

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

	Beginning Balances July 1, 2015	Increases	Decreases	Ending Balances June 30, 2016
	Capital assets not being depreciated:			
Land	\$ 17,600	\$ -	\$ -	\$ 17,600
Capital assets being depreciated:				
Buildings	1,493,347	-	-	1,493,347
Improvements	30,000	-	-	30,000
Furniture, fixtures, equipment	169,565	-	-	169,565
Total capital assets being depreciated	<u>1,692,912</u>	<u>-</u>	<u>-</u>	<u>1,692,912</u>
Less accumulated depreciation for:				
Buildings	252,004	37,334	-	289,338
Improvements	13,500	2,000	-	15,500
Furniture, fixtures, equipment	168,495	1,070	-	169,565
Total accumulated depreciation	<u>433,999</u>	<u>\$ 40,404</u>	<u>\$ -</u>	<u>474,403</u>
Total capital assets being depreciated, net	<u>1,258,913</u>			<u>1,218,509</u>
Governmental-type activities capital assets, net	<u>\$ 1,276,513</u>			<u>\$ 1,236,109</u>

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

General government	\$ 40,404
Total Depreciation Expense	<u>\$ 40,404</u>

B. Liabilities1. Payables

Payables at the government-wide level at June 30, 2016, were as follows:

	Vendors	Other	Total
Governmental Activities			
Other Governmental	\$ 791,795	\$ 21,673	\$ 813,468

2. Pension Plan

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. 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 or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

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. The Council employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Council's contractually required contribution rate for the year ended June 30, 2016, was 0.0% 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 \$74,890 for the year ended June 30, 2016.

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

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

At June 30, 2016, the Council reported a liability of \$83,476 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014. The total pension liability was then rolled forward to the measurement date of June 30, 2015 utilizing update procedures incorporating the actuarial assumptions. The Council's proportion of the net pension liability was based on a projection of the Council's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2015, the Council's proportion was 0.0186%, which was an decrease of 0.0047% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the Council recognized pension expense of \$50,637. At June 30, 2016, the Council reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 19,622
Net difference between projected and actual earnings on pension plan investments	-	23,765
Changes in proportion and differences between Council's contributions and proportionate share of contributions	29,284	25,904
Council's contributions subsequent to the measurement date	74,890	-
Total	<u>\$ 104,174</u>	<u>\$ 69,291</u>

\$74,890 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, 2017. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30	
2017	\$ (24,678)
2018	(24,678)
2019	(24,746)
2020	34,095
2021	-
Thereafter	-
	<u>\$ (40,007)</u>

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

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

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

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

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2015 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	29.0%	2.2%
Global Equity	42.0%	5.8%
Real Estate	8.0%	5.2%
Alternatives	8.0%	9.8%
Credit	7.0%	6.8%
Inflation Protection	6.0%	3.4%
Total	100%	

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

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

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

	1% Decrease (6.25%)	Discount Rate (7.25%)	1% Increase (8.25%)
Council's proportionate share of the net pension liability (asset)	\$582,090	\$83,476	(\$336,595)

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.

2. Deferred Outflows and Inflows of Resources

The Council has several deferred outflows of resources. Deferred outflows of resources is comprised of the following:

<u>Source</u>	<u>Amount</u>
Contributions to pension plan in current fiscal year	\$ 74,890
Changes in proportion and differences between Council's contributions and proportionate share of contributions	29,284
Total	<u>\$ 104,174</u>

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

Pension deferrals	\$ 69,291
Unearned revenue	33,574
Total	<u>\$ 102,865</u>

b. Other Employment Benefits

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 twelve highest months salary in a row during the twenty-four months prior to the employee's death, but the benefit may not be less than \$25,000 and will not exceed \$50,000. Because all death benefits are made from the Death benefit Plan and not by the Council, the Council does not determine the number of eligible participants. 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. Contributions are determined as a percentage of monthly payroll based upon rates established annually by the State. The Council considers these contributions to be immaterial.

3. Long-Term Obligations

4.314% Note Payable to First South Bank, secured by the Council's office complex, due in monthly installments of \$9,413 including interest, maturing in December 2028.

\$ 1,091,214

Total

\$ 1,091,214

Annual debt service requirements to maturity are as follows:

Year Ending June 30,	Principle	Interest	Total Interest and Principle
2017	\$ 66,495	\$ 45,582	\$ 112,077
2018	69,421	42,656	112,077
2019	72,476	39,601	112,077
2020	75,665	36,412	112,077
2021	78,995	33,083	112,078
2022-2026	450,318	110,112	560,430
2027-2031	277,844	16,015	293,859
Total	<u>\$ 1,091,214</u>	<u>\$ 323,461</u>	<u>\$ 1,414,675</u>

Changes in Long-Term Liabilities

	Beginning Balance 6/30/2015	Increases	Decreases	Ending Balance 6/30/2016	Current Portion of Balance
Governmental Activities:					
Installment Purchases	\$ 1,149,968	\$ -	\$ (58,754)	\$ 1,091,214	\$ 66,495
Net Pension Liability (LGRS)	-	83,476	-	83,476	-
Total governmental activities	<u>\$ 1,149,968</u>	<u>\$ 83,476</u>	<u>\$ (58,754)</u>	<u>\$ 1,174,690</u>	<u>\$ 66,495</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 participates in two self-funded risk financing pools administered by the Risk Management Agency of the North Carolina Association of County Councilors. Through these pools, the Council obtains property coverage equal to replacement cost values of owned property subject to a limit of \$125.5 million for any one occurrence, general and professional liability coverage of \$2 million per occurrence, crime coverage of \$250,000 per occurrence, and worker's compensation coverage up to the statutory limits. The pools are reinsured through a multi-state public entity carrier for single occurrence annual losses in excess of \$500,000 up to a \$2 million limit for liability coverage, \$600,000 of aggregate annual losses in excess of \$50,000 per occurrence for property and crime coverage, and single occurrence losses of \$350,000 for worker's compensation. The council does not carry flood insurance.

Lumber River Council of Governments is exposed to various risks of loss to torts; theft of, damage to, and destruction of assets; error and omission; injuries to employees; and natural disasters. The Council carries commercial insurance for these risks of loss. There have been no significant reductions in insurance coverage from the previous year and settled claims have not exceeded coverage in any of the past three fiscal years.

In accordance with G.S. 159-29, the Council's employees that have access to \$200 or more at any given time of the Council's funds are performance bonded through a commercial surety bond. The finance director is individually bonded for \$50,000.

5. Contingent Liabilities

At June 30, 2016, they Council was a defendant to various lawsuits. In the opinion of the Council's management and the Council's attorney, the ultimate effect of these legal matters will not have a material adverse effect on the Council's financial position.

C. Fund Balance

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

Total fund balance - General Fund	\$ 76,141
Less:	
Stabilization by State Statute	792,147
Prepays	1,989
Remaining Fund Balance	\$ (717,995)

III. Summary Disclosure of Significant Contingencies

Federal and State Assisted Programs

The Council has received proceeds from 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 moneys to the grantor agencies. Management believes that any required refunds will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant moneys.

REQUIRED
SUPPLEMENTAL FINANCIAL DATA

This section contains additional information required by generally
accounting principals.

- Schedule of the Proportionate Share of the Net Pension
Asset – Local Government Employees' Retirement System

- Schedule of Contributions – Local Government Employees'
Retirement System

**Lumber River Council of Governments
Proportionate Share of Net Pension Liability (Asset)
Required Supplementary Information
Last Three Fiscal Years**

Local Government Employees' Retirement System

	2016	2015	2014
Council's proportion of the net pension liability (asset) (%)	0.0186%	0.0233%	0.0200%
Council's proportion of the net pension liability (asset) (\$)	\$ 83,476	\$ (137,119)	\$ 241,077
Council's covered-employee payroll	\$ 1,112,773	\$ 1,195,858	\$ 1,320,036
Council's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	7.50%	(11.47%)	18.26%
Plan fiduciary net position as a percentage of the total pension liability**	98.09%	102.64%	94.35%

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

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

**Lumber River Council of Governments
Council's Contributions
Required Supplementary Information
Last Three Fiscal Years**

Local Government Employees' Retirement System

	2016	2015	2014
Contractually required contribution	\$ 74,890	\$ 85,145	\$ 85,145
Contributions in relation to the contractually required contribution	74,890	85,145	85,145
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Council's covered-employee payroll	\$ 1,112,773	\$ 1,195,858	\$ 1,320,036
Contributions as a percentage of covered-employee payroll	6.73%	7.12%	6.45%

Lumber River Council of Governments
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2016

	2016		Variance Positive (Negative)
	Budget	Actual	
REVENUES:			
Federal and state awards	\$ 8,495,687	\$ 6,897,664	\$ (1,598,023)
Local in kind match	149,270	150,217	947
Other local revenue	229,639	171,489	(58,150)
Program income	162,028	173,651	11,623
Interest income	-	-	-
TOTAL REVENUES	9,036,624	7,393,021	(1,643,603)
EXPENDITURES			
General government	417,847	359,221	58,626
Transportation	325,443	189,369	136,074
Economic and physical development	25,000	23,777	1,223
Human services	3,185,278	3,111,932	73,346
Workforce development	4,953,404	3,848,409	1,104,995
Debt service principal	74,652	58,754	15,898
Debt service interest	55,000	54,204	796
TOTAL EXPENDITURES	9,036,624	7,645,666	1,390,958
Revenues over (under) expenditures	-	(252,645)	(252,645)
OTHER FINANCING SOURCES (USES)			
Transfers from (to) other funds:	-	-	-
Transfer out of local matching funds	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-
Change in fund balance	\$ -	\$ (252,645)	\$ (252,645)
Fund Balances:			
Beginning of Year		328,786	
End of Year		\$ 76,141	

COMPLIANCE SECTION



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**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 Auditor's Report

To the Board of Directors
Lumber River Council of Governments
Pembroke, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Lumber River Council of Governments, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprises the Lumber River Council of Governments' basic financial statements, and have issued our report thereon dated October 11, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Lumber River Council of Governments' 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 Lumber River Council of Governments' 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 limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lumber River Council of Governments' 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 result 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, Price, Scott, Adams & Co., P.A.

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

Wilmington, North Carolina

October 11, 2016



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Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; With OMB Uniform Guidance and the State Single Audit Implementation Act

Independent Auditor's Report

To the Board of Directors
Lumber River Council of Governments
Pembroke, North Carolina

Report on Compliance for Each Major Federal Program

We have audited the Lumber River Council of Governments, compliance with the types of compliance requirements described in the OMB *Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the Lumber River Council of Governments' major federal programs for the year ended June 30, 2016. The Lumber River Council of Governments' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

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

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

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

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

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

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

Wilmington, North Carolina

October 11, 2016



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Report On Compliance For Each Major State Program; Report on Internal Control Over Compliance; In accordance with OMB Uniform Guidance; and the State Single Audit Implementation Act

Independent Auditor's Report

To the Board of Directors
Lumber River Council of Governments
Pembroke, North Carolina

Report on Compliance for Each Major State Program

We have audited the Lumber River Council of Governments, North Carolina, compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the Lumber River Council of Governments' major state programs for the year ended June 30, 2016. The Lumber River Council of Governments' major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

those requirements and performing such other procedures, as we considered necessary in the circumstances.

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

Opinion on Each Major State Program

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

Report on Internal Control Over Compliance

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

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

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

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

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

Wilmington, North Carolina

October 11, 2016

Lumber River Council of Governments
 Schedule of Findings and Questioned Costs
 For the Fiscal Year Ended June 30, 2016

Section I. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Type of report the auditor issued on whether the financial statements audited were prepared in accordance to GAAP: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? ___yes X_no
- Significant Deficiency(s) identified? ___yes X_none reported

Noncompliance material to financial statements noted? ___yes X_no

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? ___yes X_no
- Significant Deficiency(s) identified ___yes X_none reported

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516 (a)? ___yes X_no

Identification of major federal programs:

CFDA Numbers	Names of Federal Program or Cluster
	<u>Aging Cluster</u>
93.045	Special Programs for the Aging – Title III C
93.044	Special Programs for the Aging – Title III B
	<u>Workforce Investment Act Cluster</u>
17.258	WIA – Adult
17.259	WIA – Youth
17.278	WIA – Dislocated Workers

Lumber River Council of Governments
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2016

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

Auditee qualified as low-risk auditee? ___yes X_no

State Awards

Internal control over major state programs:

- Material weakness(es) identified? ___yes X_none reported
- Significant Deficiency(s) identified? ___yes X_none reported

Type of auditor's report issued on compliance for major state programs: Unmodified.

Any audit findings disclosed that are
required to be reported in accordance
with State Single Audit Implementation
Act ___yes X_no

Identification of major state programs:

Name of State Program

In Home Services

Lumber River Council of Governments
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2016

Section II – Financial Statement Findings

None reported.

Section III – Federal Award Findings and Questioned Costs

None reported.

Section IV – State Award Findings and Questioned Costs

None reported.

Lumber River Council of Governments
Corrective Action Plan
For the Fiscal Year Ended June 30, 2016

Section II – Financial Statement Findings

None reported.

Section III – Federal Award Findings and Questioned Costs

None reported.

Section IV – State Award Findings and Questioned Costs

None reported.

Lumber River Council of Governments
 SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
 For The Fiscal Year Ended June 30, 2016

Grantor/Pass- Through Grantor/ Program Title	Federal CFDA Number	Federal Direct and Pass Through Expenditures	State Expenditures
Federal Programs			
<u>U.S. Dept. of Agriculture</u>			
Passed through State Dept. of Health and Human Services USDA Supplement	10.551	141,756	-
Total U. S. Dept. of Agriculture		\$ 141,756	\$ -
<u>U.S. Dept. of Health and Human Services</u>			
Passed through State Dept. of Health and Human Services			
Aging Cluster:			
Special Programs for the Aging - Title III B			
Planning and Administration	93.044	\$ 45,569	\$ 2,497
In-Home Services	93.044	395,808	23,283
Ombudsman Program	93.044	59,649	3,509
Legal Services	93.044	44,362	2,610
Access	93.044	129,578	7,622
		674,966	39,521
Special Programs for the Aging - Title III C			
Congregate Nutrition	93.045	478,428	28,143
Home Delivered Meals	93.045	159,940	9,408
Planning and Administration	93.045	78,914	4,324
		717,282	41,875
Total Aging Cluster		1,392,248	81,396
Special Programs for the Aging			
Title VII - B - Elder Abuse	93.041	5,186	305
Title VII - E - Ombudsman Program	93.042	8,895	523
Preventive Health	93.043	32,818	1,930
Family Caregiver Support	93.052	163,383	10,892
Title III-E Planning and Administration/Family Caregiver	93.052	29,676	1,626
Social Services Block Grant	93.667	90,967	2,599
CRC-LCA Local Contact Agency	93.791	30,000	-
		360,925	17,875
Passed through State Department of Insurance			
N.C. Department of Insurance - SHIP-SMP	93.048	5,500	
N.C. Department of Insurance - SHIP-MIPPA	93.071	6,724	-
N.C. Department of Insurance - SHIP-MIPPA II	93.779	389	
N.C. Department of Insurance - SHIP	93.779	3,977	
Total State Department of Insurance		\$ 16,590	\$ -
Total U. S. Health and Human Services		\$ 1,769,763	\$ 99,271
<u>U.S. Dept. of Labor</u>			
Passed through the N.C. Department of Commerce			
Division of Employment Training			
Workforce Investment Act Cluster			
Work Force Investment Act-Adult	17.258	1,466,046	-
Work Force Investment Act-Youth	17.259	1,141,954	-
Work Force Investment Act-Dislocated Worker	17.278	891,042	-
Work Force Investment Act-Dislocated Worker -OJT	17.278	5,380	-
Total Workforce Investment Act Cluster		\$ 3,504,423	\$ -
DOL Employment Training Administration			
Youthbuild	17.274	\$ 286,698	-
Total U. S. Dept. of Labor		\$ 3,791,121	\$ -
<u>U.S. Dept. of Transportation</u>			
Passed through NC Dept. of Transportation			
Rural Transportation Planning	20.205-8	\$ 97,600	
Total Federal Assistance		\$ 5,800,240	

Lumber River Council of Governments
 SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
 For The Fiscal Year Ended June 30, 2016

State Programs

Department of Health and Human Services

Division of Aging	N/A	48,262
AAA Administration	N/A	129,591
90% State funds - Access	N/A	251,485
90% State funds - Home delivered meals	N/A	686,066
90% State funds - In-Home Services	N/A	36,590
90% State funds - Ombudsman	N/A	53,194
Senior Center Development	N/A	

Total Department of Health and Human Services \$ 1,205,188

Total State programs \$ 1,205,188

Total State Assistance \$ 1,304,459

Lumber River Council of Governments
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For The Fiscal Year Ended June 30, 2016

Notes to the Schedule of Expenditures of Federal and State Awards:
Note 1: Basis of Presentation

The accompanying schedule of expenditures of federal and State awards (SEFSA) includes the federal and State grant activity of the LRCOG under the programs of the federal government and the State of North Carolina for the year ended June 30, 2016. The information in this SEFSA is presented in accordance with the requirements of Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of the LRCOG, it is not intended to and does not present the financial position, changes in net position, or cash flows of the LRCOG.

Note 2: Summary of Significant Accounting Policies

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

Note 3. Subrecipients - Of the Federal and State expenditures presented in the schedule, LRCOG provided federal and state awards to subrecipients as follows:

Program Title	CFDA Number	Federal Expenditures	State Expenditures
Special Programs for the Aging/Title III-B Access/In Home	93.044	569,748	33,515
Special Programs for the Aging/Title III-C Nutrition	93.045	269,067	15,827
Special Programs for the Aging/Title SSBG	93.667	90,967	2,599
USDA Supplement	10.570	82,958	-
WIA-Adult	17.258	1,168,885	-
WIA-Youth	17.259	924,769	-
WIA-Dislocated Worker	17.278	565,715	-
Senior Center General Purpose	93.044	-	53,192
90% State In-home Services	93.045	-	686,066
90% State Access	93.045	-	129,591
90% State Nutrition Home Delivered	93.051	-	106,717
Totals		\$ 3,672,109	\$ 1,027,507

**Lumber River Council of Governments
Allocated & Indirect Cost Statement
For the Year Ended June 30, 2016**

	Allocated Cost	Indirect Cost
Salaries	\$ 231,728	\$ 37,723
Fringe Benefits	112,068	18,244
Travel	4,609	1,377
	348,404	57,344

Other Allocated Costs:

Fees to Board Members	-	20,504
Professional Services	27,542	1,148
Employee & Board Training	-	14,921
Telephone & Postage	23,107	963
Utilities	15,969	665
Audit	-	7,350
Building Maintenance	30,641	1,277
Equipment Maintenance	17,005	709
Building	119,523	7,629
Equipment Rent	1,435	125
Advertising	5,556	904
Office Supplies	4,741	303
Printing	1,913	166
Dues & Subscriptions	3,993	166
Insurance & Bonding	20,962	873
Miscellaneous	16,606	1,461
Depreciation	-	-
	288,995	59,164
Total	\$ 637,399	\$ 116,508

Less: Direct Charge Indirect Costs

\$ 76,408

Total

\$ 560,990

Allocated Costs	<u>560,990</u>				
Salary & Fringe	842,584	=	0.665797	=	67%
Indirect Costs	<u>116,508</u>	=	0.138274	=	14%
Salary & Fringe	842,584				
Direct Charge Costs	<u>76,408</u>	=	0.252472	=	25%
Salary & Fringe	302,641				

**Lumber River Council of Governments
Schedule of Fringe Benefits
For the Year Ended June 30, 2016**

Released Time:			
Vacation	\$	74,937	
Sick Leave		<u>45,984</u>	
			120,921
FICA		84,322	
LGERS Retirement		74,887	
Supplemental Retirement		21,344	
Group Insurance		167,119	
Other Post Employment Benefits		23,957	
Health Savings Retirement Expense		10,813	
Flexible Spending Admin		204	
Unemployment Insurance		<u>7,549</u>	
			390,194
Total Fringe Benefits			<u>\$ 511,115</u>
Gross Salaries	\$	1,177,396	
Less: Released Time		<u>120,921</u>	
Chargeable Salaries	\$	<u><u>1,056,475</u></u>	
Fringe Benefit Rate:	<hr/>		
Total Fringe Benefits	\$	<u>511,115</u>	
Chargeable Salaries	\$	<u>1,056,475</u>	48.38%