

**KERR-TAR REGIONAL COUNCIL OF  
GOVERNMENTS  
HENDERSON, NORTH CAROLINA**

**FINANCIAL AND COMPLIANCE REPORT**

*As of and for the Year Ended June 30, 2014*

*And Report of Independent Auditor*

# KERR-TAR REGIONAL COUNCIL OF GOVERNMENTS

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# KERR-TAR REGIONAL COUNCIL OF GOVERNMENTS

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## Report of Independent Auditor

Board of Directors  
Kerr-Tar Regional Council of Governments  
Henderson, North Carolina

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Kerr-Tar Regional Council of Governments (the "Council"), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Council's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Region K Community Assistance Corporation (the "Corporation"). Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Corporation is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### Opinions

In our opinion, based on our report and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Council, as of June 30, 2014, and the respective changes in financial position and the budgetary comparisons for the General Fund, the Aging Fund, the Workforce Investment Act Fund, and the Revolving Loan Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Prior Period Adjustment*

As discussed in Note 12 to the financial statements, under the modified accrual basis of accounting expenses are recorded when the related liability is incurred. The fund balance beginning of the year June 30, 2013 for the general fund has been restated to reflect an adjustment to reduce fund balance by \$122,608.

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Required Supplemental Financial Data as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental financial data in accordance with auditing standards generally accepted in the United States of America, which consist 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 Council. The supplementary information as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal and State awards is also presented for the purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the State Single Audit Implementation Act, and is also not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The supplementary information and the schedule of expenditures of federal and State awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information and the schedule of expenditures of federal and State awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated January 5, 2015, on our consideration of the Council's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Council's internal control over financial reporting and compliance.

 LLP

Raleigh, North Carolina  
January 5, 2015

# KERR-TAR REGIONAL COUNCIL OF GOVERNMENTS

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2014

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As management of Kerr-Tar Regional Council of Governments (the "Council"), we offer readers of the Council's financial statements this narrative overview and analysis of the financial activities of the Council for the fiscal year ended June 30, 2014. 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 of the Council exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$959,670 (*net position*). The Council's total net position decreased by \$134,382 in comparison with the prior year.
- As of the close of the current fiscal year, the Council's governmental funds reported a combined ending fund balance of \$481,829 an increase of \$39,617 in comparison with the prior year restated combined ending fund balance of \$442,212. This entire amount is restricted, non-spendable or unassigned.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$(191,193) or (11)% of total general fund expenditures for the fiscal year.
- The Council's total debt, which consists solely of accrued liability for other postemployment benefits and accrued annual leave, increased by \$51,832 during the current fiscal year.

### Overview of the Financial Statements

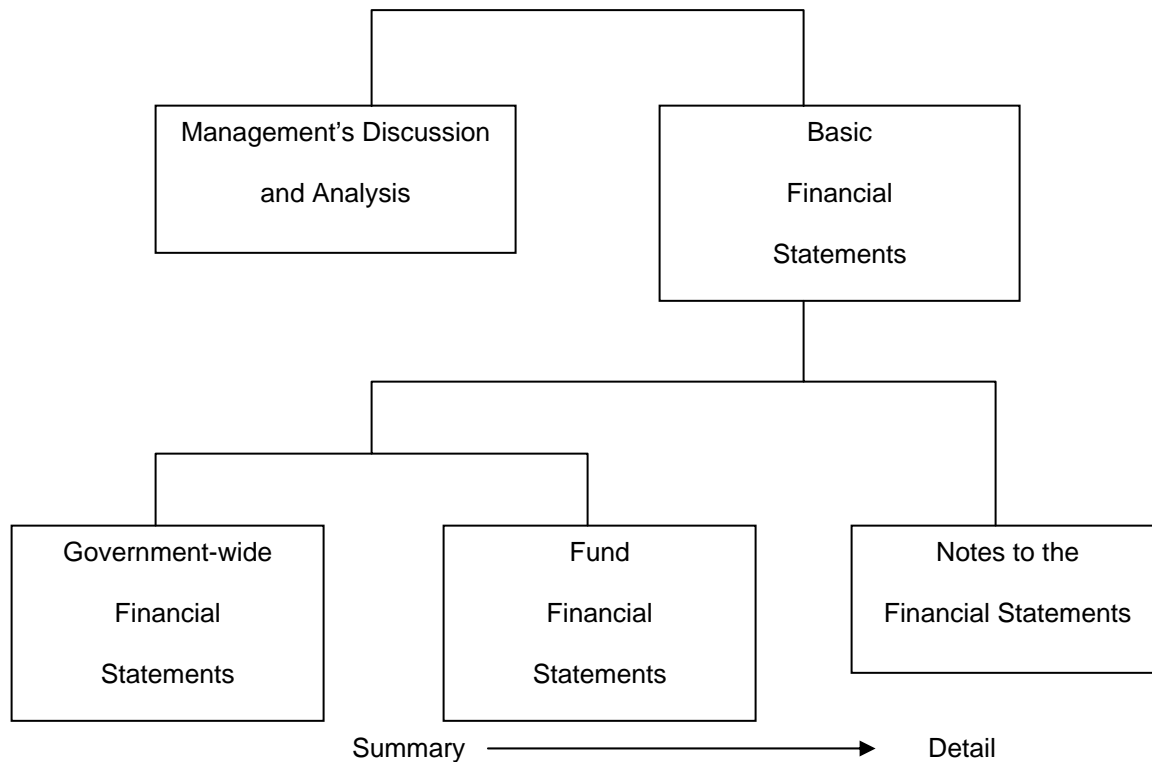
This discussion and analysis is intended to serve as an introduction to the Council's basic financial statements which consist of three components as follows: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The basic financial statements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

# KERR-TAR REGIONAL COUNCIL OF GOVERNMENTS MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2014

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**Figure 1  
Required Components of Annual Financial Report**



## **Basic Financial Statements**

The first two statements (Exhibits A and B) in the basic financial statements are the *government-wide statements*. They provide both short and long-term information about the Council's financial status.

The next statements (Exhibits C through F) are *fund financial statements*. These statements focus on the activities of the individual parts of the Council's government. These statements provide more detail than the government-wide statements. There are two parts to the fund financial statements: 1) the governmental funds statements and 2) the budgetary comparison statements.

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

# KERR-TAR REGIONAL COUNCIL OF GOVERNMENTS

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2014

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### **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 total liabilities. Measuring net position is one way to gauge the Council's financial condition.

Government-wide financial statements may be divided into as many as three categories: 1) governmental activities, 2) business-type activities, and 3) component units. The governmental activities include all of the Council's basic services such as general administration, economic and community development, human services, environmental protection, and transportation planning services. State and federal grants and contributions from regional non-profits, supporting entities, and local governments comprising the service area of the Council finance most of these activities.

### **Fund Financial Statements**

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

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

The Council adopts an annual budget for its General Fund and each separate special revenue fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the constituent member local governments, 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 begin on page 24 of this report.



**KERR-TAR REGIONAL COUNCIL OF GOVERNMENTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

*JUNE 30, 2014*

**Government-Wide Financial Analysis  
Table 1  
Condensed Statement of Net Position  
June 30,**

	<b>Government Activities</b>	
	<b>2013</b>	<b>2014</b>
	<b>Restated</b>	
<b>ASSETS</b>		
Current assets	\$ 2,131,494	\$ 2,015,066
	<u>2,131,494</u>	<u>2,015,066</u>
<b>LIABILITIES</b>		
Current liabilities	790,988	706,975
Noncurrent liabilities	246,454	348,421
	<u>1,037,442</u>	<u>1,055,396</u>
<b>NET POSITION</b>		
Restricted by Stabilization of State Statute	1,865,862	1,226,883
Unrestricted	(771,810)	(267,213)
	<u>\$ 1,094,052</u>	<u>\$ 959,670</u>

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets of the Council exceeded liabilities by \$959,670 as of June 30, 2014. The Council's net position decreased by \$134,382 for the fiscal year ended June 30, 2014. Of the net position, \$1,226,883 represents resources that are subject to external legal restrictions on how they may be used. Restrictions include Stabilization by State Statute as dictated by North Carolina General Statutes and unspent grants or other revenues with restrictive purposes. The Council's net investment in capital assets (office and computer equipment and software) is \$0 as all assets are fully depreciated. The Council uses these capital assets to provide services to constituent local government members; consequently, these assets are not available for future spending.

**KERR-TAR REGIONAL COUNCIL OF GOVERNMENTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

JUNE 30, 2014

**Table 2  
Condensed Statement of Activities  
June 30,**

	<b>Governmental Activities</b>	
	<b>2013 Restated</b>	<b>2014</b>
Revenues:		
Program revenues:		
Charges for services	\$ 551,711	\$ 103,451
Operating grants and contributions	4,918,194	4,778,412
General revenues:		
Local government dues	419,955	149,140
Unrestricted investment earnings	331	270
Miscellaneous	20,506	31,802
Total revenues	<u>5,910,697</u>	<u>5,063,075</u>
Expenses:		
Governmental activities:		
General government	64,079	51,832
Public safety	151,307	43,039
Transportation	164,506	179,580
Economic and physical development	747,466	568,699
Human services	2,629,441	2,653,038
Workforce development	1,961,805	1,701,269
Total expenses	<u>5,718,604</u>	<u>5,197,457</u>
Change in net position	192,093	(134,382)
Net position-Beginning of Year	<u>901,959</u>	<u>1,094,052</u>
Net position, End of Year	<u>\$ 1,094,052</u>	<u>\$ 959,670</u>

*Governmental Activities* – Governmental activities decreased the Council's net position by \$134,382.

The Council's revenues were \$5.0 million. Eighty-five percent of the Council's revenues come from federal and State revenues.

The Council's expenditures were \$5.2 million. Fifty-one percent of the Council's expenditures were related to Human Services programs, thirty-three percent of expenses were workforce development program related.

**Financial Analysis of the Council's Funds**

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

# KERR-TAR REGIONAL COUNCIL OF GOVERNMENTS

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2014

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*Governmental Funds* – The focus of the Council's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the Council's financing requirements. Specifically, unreserved fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year. The General Fund is the operating fund of the Council. At the end of the fiscal year, the General Fund unassigned fund balance reflects a deficit of \$191,193 while total fund balance was \$53,217, a consequence of State statute requirements that program receivables are reserved. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. The purpose of the comparison is to understand what resources are available for the coming year operations. At June 30, 2014, the combined fund balance of the governmental funds of the Council increased by \$39,617 over the prior year.

*Governmental Funds 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 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 Council's investment in capital assets for its governmental activities as of June 30, 2014 totals \$0 (net of accumulated depreciation). These assets include the furniture, fixtures and equipment, and are substantially depreciated. This amount is small because the Council does not own the bulk of its facilities, but operates under operating leases which call for payments of rent.

Additional information on the Council's capital assets can be found in Note 4 of the Basic Financial Statements.

*Long-Term Debt* – The Council's long-term debt consisted of the following for its governmental activities as of June 30, 2014 an OPEB obligation of \$297,460 and Compensated absences accrued of \$50,961 totaling \$348,421.

Additional information on the Council's debt can be found in Notes 1 and 7 of the Basic Financial Statements.

### **Economic Factors and Next Year's Budgets and Rates**

The governmental activities of the Council make up the largest percentage of both revenues and expenditures. The Council conducts its administration of the government programs primarily within the indirect cost budget of the government programs it monitors and administers.

The proposed budget for the coming fiscal year calls for funded expenditures of approximately \$5.8 million. The change in the proposed budget over the current year is attributable to an expected decrease in grant funding.

### **Requests for Information**

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

Finance Officer  
Kerr-Tar Regional Council of Governments  
P.O. Box 709  
1724 Graham Avenue  
Henderson, NC 27536

**KERR-TAR REGIONAL COUNCIL OF GOVERNMENTS**  
**EXHIBIT A – STATEMENT OF NET POSITION**

*JUNE 30, 2014*

	<u>Primary Government</u>		<u>Total Reporting Unit</u>
	<u>Governmental Activities</u>	<u>Region K Community Assistance Corporation</u>	
<b>ASSETS</b>			
Cash and cash equivalents	\$ 706,842	\$ 33,142	\$ 739,984
Receivables	720,361	85,469	805,830
Accrued interest receivable	1,582	-	1,582
Notes receivable, net of allowance for bad debts	584,713	-	584,713
Prepaid items	1,568	-	1,568
Capital assets, net of depreciation	-	14,786	14,786
<b>Total assets</b>	<b>2,015,066</b>	<b>133,397</b>	<b>2,148,463</b>
<b>LIABILITIES</b>			
Accounts payable and accrued expenses	476,683	39,218	515,901
Unearned revenue	230,292	-	230,292
Long-term liabilities:			
Accrued annual leave	50,961	3,598	54,559
Other post-employment benefits	297,460	-	297,460
<b>Total liabilities</b>	<b>1,055,396</b>	<b>42,816</b>	<b>1,098,212</b>
<b>NET POSITION</b>			
Restricted for:			
Stabilization by State Statute	1,226,883	-	1,226,883
Unrestricted	(267,213)	90,581	(176,632)
<b>Total net position</b>	<b>\$ 959,670</b>	<b>\$ 90,581</b>	<b>\$ 1,050,251</b>

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

**KERR-TAR REGIONAL COUNCIL OF GOVERNMENTS**  
**EXHIBIT B – STATEMENT OF ACTIVITIES**

YEAR ENDED JUNE 30, 2014

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total Reporting Unit
					Governmental Activities	Region K Community Assistance Corporation	
<b>Primary Government:</b>							
Governmental activities:							
General government	\$ 51,832	\$ -	\$ -	\$ -	\$ (51,832)	\$ -	\$ (51,832)
Public safety	43,039	-	136,364	-	93,325	-	93,325
Transportation	179,580	-	431,509	-	251,929	-	251,929
Economic and physical development	568,699	103,451	102,494	-	(362,754)	-	(362,754)
Human services	2,653,038	-	2,389,043	-	(263,995)	-	(263,995)
Workforce development	1,701,269	-	1,719,002	-	17,733	-	17,733
Total governmental activities	<u>\$ 5,197,457</u>	<u>\$ 103,451</u>	<u>\$ 4,778,412</u>	<u>\$ -</u>	<u>(315,594)</u>	<u>-</u>	<u>(315,594)</u>
Component unit:							
Region K Community Assistance Corporation	<u>\$ 459,073</u>	<u>\$ 11,012</u>	<u>\$ 463,342</u>	<u>\$ -</u>	<u>-</u>	<u>15,281</u>	<u>15,281</u>
General revenues:							
Local Governmental dues					149,140	-	149,140
Investment earnings, unrestricted					270	20	290
Miscellaneous, unrestricted					31,802	8,308	40,110
Total general revenues					<u>181,212</u>	<u>8,328</u>	<u>189,540</u>
Change in net position					(134,382)	23,609	(110,773)
Net position - Beginning of Year					1,094,052	66,972	1,161,024
Net Position - Ending of Year					<u>\$ 959,670</u>	<u>\$ 90,581</u>	<u>\$ 1,050,251</u>

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

**KERR-TAR REGIONAL COUNCIL OF GOVERNMENTS**  
**EXHIBIT C – BALANCE SHEET – GOVERNMENTAL FUNDS**

*JUNE 30, 2014*

	<u>General</u>	<u>Aging</u>	<u>Workforce Investment Act</u>	<u>Revolving Loan</u>	<u>Non Major</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>						
Cash and cash equivalents	\$ 94,445	\$ -	\$ 70,961	\$ 442,628	\$ 98,808	\$ 706,842
Accounts receivables, net	321,033	281,304	116,581	1,443	-	720,361
Notes receivable, net of allowance for bad debts	-	-	-	468,337	116,376	584,713
Prepaid expenses	1,568	-	-	-	-	1,568
Total assets	<u>\$ 417,046</u>	<u>\$ 281,304</u>	<u>\$ 187,542</u>	<u>\$ 912,408</u>	<u>\$ 215,184</u>	<u>\$ 2,013,484</u>
<b>LIABILITIES, DEFERRED INFLOW OF RESOURCES AND FUND BALANCES</b>						
Liabilities:						
Accounts payable and accrued liabilities	\$ 71,989	\$ 281,304	\$ 122,620	\$ -	\$ 770	\$ 476,683
Unearned revenue	213,649	-	16,643	-	-	230,292
Total liabilities	<u>285,638</u>	<u>281,304</u>	<u>139,263</u>	<u>-</u>	<u>770</u>	<u>706,975</u>
Deferred Inflow of Resources:						
Receivables uncollected	<u>78,191</u>	<u>-</u>	<u>-</u>	<u>629,863</u>	<u>116,626</u>	<u>824,680</u>
Fund balances:						
Nonspendable:						
Prepaid expenses	1,568	-	-	-	-	1,568
Restricted:						
Stabilization by State Statute	242,842	281,304	116,581	469,780	116,376	1,226,883
Unassigned	(191,193)	(281,304)	(68,302)	(187,235)	(18,588)	(746,622)
Total fund balances	<u>53,217</u>	<u>-</u>	<u>48,279</u>	<u>282,545</u>	<u>97,788</u>	<u>481,829</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 417,046</u>	<u>\$ 281,304</u>	<u>\$ 187,542</u>	<u>\$ 912,408</u>	<u>\$ 215,184</u>	

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

# KERR-TAR REGIONAL COUNCIL OF GOVERNMENTS

## EXHIBIT C – RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION

JUNE 30, 2014

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

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

Compensated Absences	\$ (50,961)	
OPEB Obligation	(297,460)	
Total	<u>                    </u>	\$ (348,421)
Accrued interest receivable is not considered available to satisfy current liabilities and, therefore, is not reported in the fund statements		1,582
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds		<u>824,680</u>
Net position of governmental activities		<u><u>\$ 959,670</u></u>

# KERR-TAR REGIONAL COUNCIL OF GOVERNMENTS

## EXHIBIT D – STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2014

	General	Aging	Workforce Investment Act	Revolving Loan	Non Major	Total Governmental Funds
<b>Revenues</b>						
Charges for Services	\$ 299,517	\$ -	\$ -	\$ 105,764	\$ -	\$ 405,281
Local Government Dues	149,140	-	-	-	-	149,140
Operating Grants and Contributions	1,337,655	1,928,822	1,279,514	-	-	4,545,991
Economic Development and Technical Assistance Grant	53,100	-	-	-	-	53,100
Miscellaneous Unrestricted	18,328	-	-	13,474	-	31,802
<b>TOTAL REVENUES</b>	<b>1,857,740</b>	<b>1,928,822</b>	<b>1,279,514</b>	<b>119,238</b>	<b>-</b>	<b>5,185,314</b>
<b>Expenditures</b>						
Economic Development Administration - Planning Assistance	45,117	-	-	-	-	45,117
Revolving Loan Fund Administration	14,276	-	-	-	-	14,276
Micro Loan Fund Administration	86	-	-	-	-	86
Bike Ped Plan	51,220	-	-	-	-	51,220
Water Quality	21,783	-	-	-	-	21,783
CFAT	6,628	-	-	-	-	6,628
Mobility Manager	50,123	-	-	-	-	50,123
Middleburg USDA	3,363	-	-	-	-	3,363
Semprius CDBG Project	3,715	-	-	-	-	3,715
Louisburg Planning Grant	1,010	-	-	-	-	1,010
Henderson Parks and Recreation	12,477	-	-	-	-	12,477
Rural Transportation Planning Organization	125,471	-	-	-	-	125,471
Aging-Planning and Administration	150,421	-	-	-	-	150,421
Aging-Planning-State	46,838	-	-	-	-	46,838
Aging-Ombudsman	95,552	-	-	-	-	95,552
Aging-Elder Abuse	4,411	-	-	-	-	4,411
Aging-CRC/LCA	23,579	-	-	-	-	23,579
Aging-CATCH	4,201	-	-	-	-	4,201
Aging-Triangle North Healthcare	6,147	-	-	-	-	6,147
Aging-Evidence Based	16,646	-	-	-	-	16,646
Aging-Medicare-SHIIP	11,673	-	-	-	-	11,673
Aging-MIPPA	8,618	-	-	-	-	8,618

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



# KERR-TAR REGIONAL COUNCIL OF GOVERNMENTS

## EXHIBIT D – STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2014

	General	Aging	Workforce Investment Act	Revolving Loan	Non Major	Total Governmental Funds
Aging-Caregiver Category I	92,408	-	-	-	-	92,408
Aging-NCDOT Project	166,544	-	-	-	-	166,544
Aging-Senior Games	4,763	-	-	-	-	4,763
WIA Administration	173,225	-	-	-	-	173,225
WIA Administration 2012-2011	12,141	-	-	-	-	12,141
WIA Adult Services	84,456	-	-	-	-	84,456
WIA Youth Services	75,358	-	-	-	-	75,358
WIA Dislocated Workers	96,223	-	-	-	-	96,223
CDBG-Granville County SS	18,839	-	-	-	-	18,839
CDBG-Granville County SFR	2,615	-	-	-	-	2,615
CDBG-Vance County SS	16,364	-	-	-	-	16,364
CDBG-Vance County SFR	38,914	-	-	-	-	38,914
CDBG-Vance County NSP	24,211	-	-	-	-	24,211
CDBG-Warren County Hookup	14,713	-	-	-	-	14,713
CDBG-Warren County SS	27,544	-	-	-	-	27,544
CDBG-Person County SS	36,272	-	-	-	-	36,272
CDBG-Person County SFR	814	-	-	-	-	814
Franklin Co TAA	3,411	-	-	-	-	3,411
HELP Grant	(1,150)	-	-	-	-	(1,150)
DENR- Lead Abatement	250	-	-	-	-	250
NCAY- Wraparound Project Year 2	43,039	-	-	-	-	43,039
NCAY -Wraparound Project Year 3	91,395	-	-	-	-	91,395
Kerr Tar Regional Economic Development Corporation	53,665	-	-	-	-	53,665
Block Grant	-	1,780,562	-	-	-	1,780,562
Caregiver Cat I	-	52,992	-	-	-	52,992
Fans	-	6,473	-	-	-	6,473
Senior Center General Purpose	-	79,589	-	-	-	79,589

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

# KERR-TAR REGIONAL COUNCIL OF GOVERNMENTS

## EXHIBIT D – STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2014

	General	Aging	Workforce Investment Act	Revolving Loan	Non Major	Total Governmental Funds
Legal	-	9,206	-	-	-	9,206
WIA Adult	-	-	430,814	-	-	430,814
WIA Dislocated Workers Program	-	-	391,009	-	-	391,009
WIA Youth	-	-	422,311	-	-	422,311
WIA Adult ITA's	-	-	11,110	-	-	11,110
WIA Dislocated Worker ITA's	-	-	4,875	-	-	4,875
Loans	-	-	-	175,072	2,315	177,387
<b>TOTAL EXPENDITURES</b>	<b>1,779,369</b>	<b>1,928,822</b>	<b>1,260,119</b>	<b>175,072</b>	<b>2,315</b>	<b>5,145,697</b>
Excess of revenues over <under> expenditures	78,371	-	19,395	(55,834)	(2,315)	39,617
Other Financing Sources (Uses):						
Tranfers in (out)	14,361	-	-	(14,274)	(87)	-
Excess of revenues and other financing sources over (under) expenditures and other financing <uses>	92,732	-	19,395	(70,108)	(2,402)	39,617
<b>Fund Balance-Beginning of the Year</b>	<b>83,093</b>	<b>-</b>	<b>28,884</b>	<b>352,653</b>	<b>100,190</b>	<b>564,820</b>
Prior Period Adjustment	(122,608)	-	-	-	-	(122,608)
<b>Fund Balance - Beginning of the Year - Restated</b>	<b>(39,515)</b>	<b>-</b>	<b>28,884</b>	<b>352,653</b>	<b>100,190</b>	<b>442,212</b>
<b>Fund Balance-End of the Year</b>	<b>\$ 53,217</b>	<b>\$ -</b>	<b>\$ 48,279</b>	<b>\$ 282,545</b>	<b>\$ 97,788</b>	<b>\$ 481,829</b>

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

**KERR-TAR REGIONAL COUNCIL OF GOVERNMENTS**

**EXHIBIT D – RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

*YEAR ENDED JUNE 30, 2014*

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Net change in fund balances-total governmental funds	\$	39,617
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.		(51,832)
Loan principal received in revolving loan funds is reported as revenue in the governmental funds but not in the statement of activities.		(73,458)
Loans made in revolving loan funds is reported as expenditures in the governmental funds but not in the statement of activities.		72
Timing difference due to revenues recognized in statement of activities but not in the governmental funds		<u>(48,781)</u>
Change in net position of governmental activities	\$	<u>(134,382)</u>

**KERR-TAR REGIONAL COUNCIL OF GOVERNMENTS**

**EXHIBIT E – STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL – GENERAL FUND**

YEAR ENDED JUNE 30, 2014

	Original Budget	Final Budget	Actual	Variance with Final-Positive (Negative)
<b>Revenues</b>				
Charges for Services	\$ 318,160	\$ 475,500	\$ 299,517	\$ (175,983)
Economic Development and Technical Assistance Grant	53,000	53,000	53,100	100
General Assessments	93,769	91,981	149,140	57,159
Operating Grants and Contributions	1,597,550	1,741,840	1,337,655	(404,185)
Miscellaneous Unrestricted	13,072	20,072	18,328	(1,744)
<b>Total Revenues</b>	<b>2,075,551</b>	<b>2,382,393</b>	<b>1,857,740</b>	<b>(524,653)</b>
<b>Expenditures</b>				
Economic Development Administration- Planning Assistance	3,600	56,600	45,065	11,535
Revolving Loan Fund Administration	-	14,306	14,274	32
Micro Loan Fund Administration	-	384	86	298
Bike Ped Plan	102,201	102,201	51,188	51,013
Water Quality	16,667	35,227	21,769	13,458
CFAT	-	25,000	6,627	18,373
Mobility Manager	72,898	72,898	50,092	22,806
Middleburg USDA	-	3,363	3,363	-
Semprius CDBG Project	-	11,615	3,715	7,900
Louisburg Planning Grant	30,000	5,000	1,009	3,991
Henderson Parks and Recreation	-	22,000	12,469	9,531
Rural Transportation Planning Organization	108,516	151,737	125,392	26,345
Aging-Planning and Administration	198,118	176,038	150,303	25,735
Aging-Planning-State	48,263	48,263	46,838	1,425
Aging-Ombudsman	100,234	95,491	95,490	1
Aging-Elder Abuse	5,116	4,408	4,408	-
Aging-CRC/LCA	-	30,000	23,564	6,436
Aging-CATCH	-	6,000	4,201	1,799
Aging-Triangle North Healthcare	-	7,000	6,144	856
Aging-Evidence Based	19,047	17,870	16,636	1,234
Aging-Medicare-SHIPP	11,667	11,667	11,667	-
Aging-MIPPA	-	23,682	8,614	15,068
Aging-Caregiver Category I	100,000	84,172	92,351	(8,179)
Aging-NCDOT Project	300,000	150,000	166,544	(16,544)
Aging-Senior Games	7,500	7,500	4,763	2,737
WIA Administration	200,089	200,089	172,973	27,116
WIA Administration 2012-2011	-	12,200	12,141	59
WIA Adult Services	106,860	106,860	84,456	22,404

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

**KERR-TAR REGIONAL COUNCIL OF GOVERNMENTS**

**EXHIBIT E – STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL – GENERAL FUND**

YEAR ENDED JUNE 30, 2014

	Original Budget	Final Budget	Actual	Variance with Final-Positive (Negative)
WIA Youth Services	94,694	94,694	75,358	19,336
WIA Dislocated Workers	160,349	160,349	96,223	64,126
CDBG-Granville County SS	33,750	33,750	18,829	14,921
CDBG-Granville County SFR	170,000	170,000	2,614	167,386
CDBG-Vance County SS	-	16,354	16,355	(1)
CDBG-Vance County SFR	-	45,000	38,912	6,088
CDBG-Vance County NSP	-	25,000	24,198	802
CDBG-Warren County Hookup	13,072	15,000	14,707	293
CDBG-Warren County SS	38,000	58,380	27,528	30,852
CDBG-Person County SS	46,410	53,103	36,253	16,850
CDBG-Person County SFR	-	1,000	814	186
Franklin Co TAA	-	5,837	3,411	2,426
HELP Grant	-	-	(1,150)	1,150
DENR- Lead Abatement	-	40,076	250	39,826
NCAAY- Wraparound Project Year 2	35,500	43,039	43,039	-
NCAAY -Wraparound Project Year 3	-	93,328	91,395	1,933
Kerr Tar Regional Economic Development Corporation	53,000	53,000	53,665	(665)
<b>Total Expenditures</b>	<u>2,075,551</u>	<u>2,389,481</u>	<u>1,778,543</u>	<u>610,938</u>
<b>Excess of Revenues Over (Under) Expenditures</b>	-	(7,088)	79,197	86,285
<b>Other Financing Sources (Uses)</b>				
Transfers in (out)	-	-	14,361	14,361
<b>Total Other Financing Sources (Uses)</b>	<u>-</u>	<u>-</u>	<u>14,361</u>	<u>14,361</u>
<b>Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses - Budgetary Basis</b>	<u>\$ -</u>	<u>\$ (7,088)</u>	<u>\$ 93,558</u>	<u>\$ 100,646</u>
Increase in accrued leave			<u>826</u>	
<b>Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses - GAAP Basis</b>			92,732	
<b>Fund Balance-Beginning of the Year</b>			83,093	
Prior Period Adjustment			<u>(122,608)</u>	
<b>Fund Balance - Beginning of the Year - Restated</b>			<u>(39,515)</u>	
<b>Fund Balance-End of the Year</b>			<u>\$ 53,217</u>	

**KERR-TAR REGIONAL COUNCIL OF GOVERNMENTS**

**EXHIBIT F – STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL – AGING FUND**

*YEAR ENDED JUNE 30, 2014*

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final-Positive (Negative)</u>
<b>Revenues</b>				
Operating Grants and Contributions	\$ 1,883,929	\$ 1,930,093	\$ 1,928,822	\$ (1,271)
<b>Expenditures</b>				
Block Grant	1,736,001	1,778,062	1,780,562	(2,500)
Caregiver Category I	60,000	55,492	52,992	2,500
Fans	3,050	6,500	6,473	27
Senior Center General Purpose	74,428	79,589	79,589	-
Health Promotions	-	-	-	-
Legal	10,450	10,450	9,206	1,244
<b>Total Expenditures</b>	<u>1,883,929</u>	<u>1,930,093</u>	<u>1,928,822</u>	<u>1,271</u>
Revenues Over (Under) Expenditures	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>
<b>Fund Balance - Beginning of the Year</b>			<u>-</u>	
<b>Fund Balance-End of the Year</b>			<u>\$ -</u>	

**KERR-TAR REGIONAL COUNCIL OF GOVERNMENTS****EXHIBIT G – STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL – WORKFORCE INVESTMENT ACT FUND***YEAR ENDED JUNE 30, 2014*

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	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final-Positive (Negative)</u>
<b>Revenues</b>				
Operating grants and contributions	<u>\$ 1,489,100</u>	<u>\$ 1,509,854</u>	<u>\$ 1,279,514</u>	<u>\$ (230,340)</u>
<b>Expenditures</b>				
WIA Adult	440,000	499,533	430,814	68,719
WIA Adult ITA's	75,000	11,175	11,110	65
WIA Dislocated Workers Program	340,000	510,121	391,009	119,112
WIA Dislocated Worker ITA's	150,000	4,925	4,875	50
WIA Youth	484,100	484,100	422,311	61,789
<b>Total Expenditures</b>	<u>1,489,100</u>	<u>1,509,854</u>	<u>1,260,119</u>	<u>249,735</u>
<b>Revenues Over (Under) Expenditures</b>	<u>\$ -</u>	<u>\$ -</u>	19,395	<u>\$ 19,395</u>
<b>Fund Balance - Beginning of the Year</b>			<u>28,884</u>	
<b>Fund Balance - End of the Year</b>			<u>\$ 48,279</u>	

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

**KERR-TAR REGIONAL COUNCIL OF GOVERNMENTS**

**EXHIBIT H – STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL – REVOLVING LOAN FUND**

YEAR ENDED JUNE 30, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final-Positive (Negative)</u>
<b>Revenues</b>				
Interest on loans	\$ -	\$ 14,306	\$ 32,306	\$ 18,000
Other	-	-	13,474	13,474
Principal	-	-	73,458	73,458
<b>Total Revenues</b>	<u>-</u>	<u>14,306</u>	<u>119,238</u>	<u>104,932</u>
<b>Expenditures</b>				
Loans	-	14,306	-	14,306
Other	-	-	175,072	(175,072)
<b>Total Expenditures</b>	<u>-</u>	<u>14,306</u>	<u>175,072</u>	<u>(160,766)</u>
<b>Revenues Over (Under) Expenditures</b>	<u>-</u>	<u>-</u>	<u>(55,834)</u>	<u>(55,834)</u>
Transfers out	-	-	(14,274)	14,274
<b>Total Other Financing Sources (Uses)</b>	<u>-</u>	<u>-</u>	<u>(14,274)</u>	<u>14,274</u>
<b>Excess of Revenues Over (Under) Expenditures</b>	<u>\$ -</u>	<u>\$ -</u>	<u>(70,108)</u>	<u>\$ (70,108)</u>
<b>Fund Balance - Beginning of the Year</b>			<u>352,653</u>	
<b>Fund Balance - End of the Year</b>			<u>\$ 282,545</u>	

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



**KERR-TAR REGIONAL COUNCIL OF GOVERNMENTS**  
**EXHIBIT I – STATEMENT OF NET POSITION – FIDUCIARY FUND**

*JUNE 30, 2014*

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	<u>Pension Trust Fund</u>
<b>ASSETS</b>	
Cash and cash equivalents	<u>\$ 10,006</u>
<b>NET POSITION</b>	
Assets held in trust for pension benefits	<u>\$ 10,006</u>

**KERR-TAR REGIONAL COUNCIL OF GOVERNMENTS**  
**EXHIBIT J – STATEMENT OF CHANGES IN NET POSITION – FIDUCIARY FUND**

*YEAR ENDED JUNE 30, 2014*

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	<b>Pension Trust Fund</b>
<b>Additions:</b>	
Employer contributions	\$ -
Investment income	6
Total Additions	6
Net Position, Beginning of Year	10,000
Net Position, End of Year	\$ 10,006

**KERR-TAR REGIONAL COUNCIL OF GOVERNMENTS**  
**NOTES TO FINANCIAL STATEMENTS**

JUNE 30, 2014

**Note 1—Summary of significant accounting policies**

The accounting policies of the Kerr-Tar Regional Council of Governments (the “Council”) conform to accounting principles generally accepted in the United States of America (“GAAP”) as applicable to governments. The following is a summary of the more significant accounting policies:

**A. Reporting Entity**

The Council is a public body and a body corporate and politic created under the authority of Chapter 160A of the General Statutes of North Carolina. It is a jointly governed organization with a 34-member Board of Directors. The governing bodies of each member government appoint 34 members. Three additional at-large members represent the private sector. However, one at large private sector vacancy has yet to be appointed. No one member government appoints a majority. The member governments, the number of Directors appointed and the assessments paid are scheduled below:

	Number of Directors Appointed	Amount of Assessment Paid
	3	\$ 25,793
Bunn	1	164
Franklinton	1	972
Louisburg	1	1,612
Youngsville	1	556
	5	17,508
Butner	1	3,644
Creedmoor	1	1,980
Oxford	1	4,060
Stem	1	224
Stovall	1	201
	3	14,928
Roxboro	1	4,016
	4	14,140
Henderson	1	7,376
Kittrell	1	224
Middleburg	1	64
	3	6,795
Macon	1	56
Norlina	1	536
Warrenton	1	416
	<u>34</u>	<u>\$ 105,265</u>

The accompanying financial statements present all funds of the Council and the component unit for which the Council is financially accountable. The Council’s discretely presented component unit is reported in a separate column in the Council’s government-wide financial statements in order to emphasize that it is legally separate from the Council.

# KERR-TAR REGIONAL COUNCIL OF GOVERNMENTS

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

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### Note 1—Summary of significant accounting policies (continued)

*Discretely Presented Component Unit* - Region K Community Assistance Corporation (the "Corporation") is a nonprofit entity organized to augment and enhance the program and services related to aging, juvenile justice, community development, economic development, workforce development, and transportation planning and development provided by public and private agencies, including but not limited to, the Council, Franklin County, Granville County, Person County, Vance County, Warren County and the municipalities located in each of those counties. Currently, the Corporation operates the Person County Senior Center. The members of the Corporation's Board of Directors are appointed by the Council's Board of Directors and the Council has fiduciary responsibility for the Corporation. The Corporation is presented as a governmental activity. Complete financial statements for the Corporation may be obtained from the finance officer at Region K Assistance Corporation, P.O. Box 709, Henderson, NC 27536.

#### **B. Purpose**

The Council was created for the purpose of studying regional government problems and developing regional plans on matters affecting human resources, education, housing, health, transportation, criminal justice, recreation, economic issues, natural resources, environment, open space, flood control, domestic water supplies, and assisting local governments in other matters as directed by the governing body of the Council.

#### **C. Basis of Presentation**

*Government-Wide Statements* – The Council has implemented Government Accounting Standards Board ("GASB") Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and local governments, and related standards. The statement of net position and the statement of activities display information about the Council. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. These statements display the governmental activities of the Council. Governmental activities generally are financed through intergovernmental revenues and other non-exchange transactions. The Council has only governmental activities.

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 member dues, are presented as general revenues.

*Fund Financial Statements* – The fund financial statements provide information about the Council's funds. The emphasis of fund financial statements is on the major governmental funds, each displayed in a separate column. The Council reports the following major governmental funds:

*General Fund:* The General Fund is the general operating fund of the Council. It is used to account for all financial resources except those accounted for in the Revolving Loan Fund, Microenterprise Loan Fund, Revolving Loan Fund-Green Jobs, Aging Fund, and Workforce Investment Act Fund, which are Special Revenue Funds.

# KERR-TAR REGIONAL COUNCIL OF GOVERNMENTS

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

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### Note 1—Summary of significant accounting policies (continued)

*Special Revenue Funds:* Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are legally restricted to expenditures for specific purposes.

Revolving Loan Fund – The Revolving Loan Fund was created during the year ended June 30, 1988, to account for a grant from the Economic Development Administration for economic adjustment assistance.

Aging Fund - The Aging Fund was created during the year ended June 30, 1990, to account for program revenues passed through the North Carolina Department of Health and Human Services to be expended on special services to the aged.

Workforce Investment Act Fund – The Workforce Investment Act Fund was created during the year ended June 30, 2000, to account for program revenues passed through the Department of Commerce, Division of Employment and Training to provide workforce investment systems that increase the employment, retention, and earnings of participants, and increase occupational skill attainment by participants.

The Council also reports Other Governmental Funds, which are individually nonmajor, in total. The Microenterprise Loan fund and the Revolving Loan – Green Jobs fund are both special revenue fund types. They are used to account for and report the proceeds of specific revenue sources that are restricted, committed or assigned for specified purposes other than debt service or capital projects.

The Council reports the following fiduciary fund:

Pension Trust Fund – The Council maintains a Pension Trust Fund - Other Post Employment Benefit Trust Fund. Pension trust funds are used to report resources that are required to be held in trust for the members and beneficiaries of defined benefit pension plans, defined contribution plans, or other post-employment benefit plans. The Other Post Employment Benefit Trust Fund accounts for the Council's contributions for healthcare coverage provided to qualified retirees.

#### **D. Measurement Focus and Basis of Accounting**

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

*Government-Wide and Fiduciary Fund Financial Statements* – The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and 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, entitlements, and donations. Revenues from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

**KERR-TAR REGIONAL COUNCIL OF GOVERNMENTS**  
**NOTES TO FINANCIAL STATEMENTS**

JUNE 30, 2014

**Note 1—Summary of significant accounting policies (continued)**

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

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

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 a 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.

**E. Budgetary Data**

The Council's budget ordinances are adopted, as required by the North Carolina General Statutes, on or before July 1 for the next fiscal year. An annual budget is adopted for the General Fund and the Special Revenue Funds. All annual appropriations lapse at the fiscal year-end. All budgets are prepared using the modified accrual basis of accounting. As explained below, the Council has chosen to include a provision for accrued annual leave and depreciation on certain capital assets required for cost allocation in its budgeted expenditures. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds. Amendments must be approved by the governing board. During the year, several amendments to the original budget were necessary.

To facilitate the allocation of indirect costs, depreciation is recorded on the items purchased with local funds and et meannual leave is recorded when earned rather than when paid. These amounts are included in the budgetary comparison in Exhibits E. They are not included in Exhibits D. Adjustments are necessary to reconcile Exhibit E with Exhibit D.

	<u>General Fund</u>
Excess of Revenues and Other sources	
Over (Under) Expenditures and Other	
Uses from Exhibit E	\$ 93,558
Less in accrued leave	<u>(826)</u>
Excess of Revenue and Other Sources	
Over (Under) Expenditures and Other	
Uses from Exhibit D	<u>\$ 92,732</u>

# KERR-TAR REGIONAL COUNCIL OF GOVERNMENTS

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

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### Note 1—Summary of significant accounting policies (continued)

#### F. Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

#### G. Fringe Benefits and Indirect Costs

Fringe Benefits are allocated to departments based on gross pay. Schedule 5 gives an analysis of total fringe benefits for the year.

Indirect costs are recorded as paid. These costs are detailed in Schedule 6 and consist mainly of administrative costs. Indirect costs are also distributed to departments based on gross pay plus fringe benefits.

#### H. Stewardship, Compliance, and Accountability

For the fiscal year ended June 30, 2014, the expenditures made in the general fund Aging Caregiver Category I and Aging NCDOT Project line items exceeded budgeted expenditures by \$8,179 and \$16,544 respectively. This was due to receiving contractor invoices after the final budget amendments were approved. Expenditures made in the aging fund Block Grant line item and in the revolving loan fund Other line items exceeded budgeted expenditures by \$2,500 and \$72 respectively.

#### I. Assets, Liabilities, Deferred Inflow of Resources, and Fund Equity

*Deposits and Investments* – All deposits of the Council are made in board designated official depositories and are collateralized as required by G.S. 159-31. The Council may designate as an official depository any bank or savings and loan 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 certificate 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 Council, 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 Council investments are held primarily in securities of the NCCMT Cash Portfolio, an SEC-registered (2a7) money market mutual fund, are valued at fair value, which is the NCCMT's share price. The NCCMT Term Portfolio's securities are valued at fair value.

# KERR-TAR REGIONAL COUNCIL OF GOVERNMENTS

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

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### **Note 1—Summary of significant accounting policies (continued)**

*Cash and Cash Equivalents* – The Council combines cash from program awards into one operating account to facilitate disbursements and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents.

*Prepaid Expenses* – Certain prepayments to vendors reflect costs applicable to future accounting periods and are classified as prepaid items in both government wide and fund financial statements.

*Accounts Receivable and Notes Receivable* – The Council considers all revenues available if they are collected within 90 days subsequent to year-end. Grant revenues which are unearned at year-end are recorded as deferred and unearned revenues.

The Council provides for losses on receivables on the allowance method. The allowance method is based on experience, third-party contracts, and other circumstances, which may affect the ability of debtors to meet their obligations. It is the Council's policy to charge off uncollectible receivables when management determines the receivable will not be collected. Receivables are shown net of an allowance for uncollectible accounts of \$175,000 at June 30, 2014.

*Capital Assets* – Purchased or constructed capital assets are reported at cost or estimate historical costs. Donated capital assets are recorded at their estimate fair value at the date of donation. Minimum capitalization costs are as follows: land, \$10,000; building and improvements, \$5,000; and furniture and equipment, \$5,000. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Capital assets of the Council are depreciated on a straight-line basis over the following estimated useful lives: building and improvements, 50 years; computers, 5 years; and furniture and equipment, 5-10 years.

*Compensated Absences* – The vacation policy of the Council provides the accumulation of up to 30 days earned vacation leave time, with such leave being fully vested when earned. For the Council's government-wide financial statements, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned. In the Council's fund financial statements, presented on the budgetary basis, annual leave expense is recorded as it is earned as required for fringe benefit cost allocation. It is added back to Fund balance so as to have Fund Balance reported in accordance with generally accepted accounting principles.

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



# KERR-TAR REGIONAL COUNCIL OF GOVERNMENTS

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

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### **Note 1—Summary of significant accounting policies (continued)**

*Unearned Revenue* – Unearned revenue represents grant receipts/receivables not yet earned (not expended) and prepayments of certain other revenues.

*Deferred Inflows of Resources* – In addition to liabilities, the balance sheet also reports a separate section for deferred inflows of resources. This separate financial statement element, Deferred Inflows of Resources, represents assets that are recorded in the governmental funds financial statements for which the revenue was not considered available under the modified accrual basis of accounting. The Council has accounts receivable that have not been collected within 90 days and notes receivable for revolving loans that met this criterion.

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

*Fund Balance* – 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.

*Prepaid Expenses* - portion of fund balance that is not an available resource because it represents amounts that have been prepaid.

*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)].

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

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

# KERR-TAR REGIONAL COUNCIL OF GOVERNMENTS

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

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### Note 2—Deposits and investments

*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 the Council's name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Council, these deposits are considered to be held by the agent in the Council's name. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Council or with the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the Council under the Pooling Method, the potential exists for under-collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method.

The State Treasurer enforces standards of minimum capitalization for all pooling method financial institutions. The Council relies on the State Treasurer to monitor those financial institutions. The Council analyzes the financial soundness of any other financial institution used by the Council. The Council complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured. The Council does not have policies regarding custodial credit risk for deposits.

At June 30, 2014, the Council's deposits had a carrying amount of \$506,644 and a bank balance of \$690,091. Of the bank balance, \$250,000 was covered by FDIC and \$440,026 was covered by collateral held under the Pooling Method. The Council also maintains a petty cash fund in the amount of \$65.

*Investments* – At June 30, 2014, the Council's investments consisted of \$210,139 in the North Carolina Capital Management Trust's Cash Portfolio, which carried a credit rating of AAA by Standard and Poor's.

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

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

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

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

**KERR-TAR REGIONAL COUNCIL OF GOVERNMENTS**  
**NOTES TO FINANCIAL STATEMENTS**

JUNE 30, 2014

**Note 3—Receivables**

The amount due from other governments and other receivables that is owed to the Council consists of the following:

	<u>Notes</u>	<u>Accounts receivable</u>	<u>Total</u>
Governmental Activities:			
General	\$ -	\$ 321,033	\$ 321,033
Aging	-	281,304	281,304
Workforce investment act	-	116,581	116,581
Revolving loan	468,337	1,443	469,780
Other governmental	116,376	-	116,376
Total receivables	<u>\$ 584,713</u>	<u>\$ 720,361</u>	<u>\$ 1,305,074</u>

**Note 4—Capital assets**

The capital assets activity of the Council for the year ended June 30, 2014 was as follows:

Governmental Type:	<u>June 30, 2013</u>			<u>June 30, 2014</u>
Capital assets being depreciated:	<u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u>
General Equipment	<u>\$ 18,587</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,587</u>
	18,587	-	-	18,587
Less accumulated depreciation for:				
General Equipment	<u>18,587</u>	<u>-</u>	<u>-</u>	<u>18,587</u>
	<u>18,587</u>	<u>\$ -</u>	<u>\$ -</u>	<u>18,587</u>
Governmental Type				
Capital assets, net of depreciation	<u>\$ -</u>			<u>\$ -</u>

Depreciation expense for the year ended June 30, 2014 was \$0.

**Note 5—Accounts payable**

Accounts payable at the government wide level at June 30, 2014, were as follows:

	<u>Vendors</u>
Governmental Activities:	
General	\$ 71,789
Aging	281,504
Workforce investment act	122,620
Other governmental	770
Total accounts payable	<u>\$ 476,683</u>

**KERR-TAR REGIONAL COUNCIL OF GOVERNMENTS**  
**NOTES TO FINANCIAL STATEMENTS**

JUNE 30, 2014

**Note 6—Employee retirement systems and pension plans**

**A. Local Governmental Employees' Retirement System**

*Plan Description* – The Council contributes to 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 provides retirement and disability benefits to plan members and beneficiaries. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. LGERS is included in the Comprehensive Annual Financial Report ("CAFR") for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

*Funding Policy* – Plan members are required to contribute 6% of their annual covered salary. The Council is required to contribute at an actuarially determined rate. For the Council, the current rate for employees is 7.07% of annual covered payroll. The contribution requirements of members and of the Council are established and may be amended by the North Carolina General Assembly. The Council's contributions to LGERS for the years ended June 30, 2014, 2013 and 2012 were \$49,106, \$55,310, and \$67,822, respectively. The contributions made by the Council equaled the required contributions for each year.

**B. Other Postemployment Benefits (OPEB)**

Healthcare Benefits

*Plan Description* – Under the terms of a Council resolution passed January 26, 1995, the Council provides healthcare benefits through the Healthcare Benefits Plan ("HCB Plan") as a single employer defined benefit plan to cover retirees of the Council who participate in the North Carolina LGERS and meet the eligibility requirements set forth below.

Membership of the HCB Plan consisted of the following at December 31, 2013, the date of the last actuarial valuation:

Retirees and dependents receiving benefits	7
Terminated plan members entitled to but not yet receiving benefits	0
Active plan members	<u>16</u>
Total	<u>23</u>

*Funding Policy* – The Council's Board of Directors established the contribution requirements of plan members and these may be amended by the Board of Directors. The Council is required to contribute the projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined by the Board.

<u>Eligibility Requirements</u>	<u>Council of Government's Contribution</u>
20 years and at least age 60	100%
20 years and at least 30 years in the NCLGERS	100%
15 years and at least age 60	75%
10 years and at least age 60	0%

Once a retiree becomes eligible for Medicare, the Council will pay the appropriate proportion of the cost of the Medicare Supplement.

**KERR-TAR REGIONAL COUNCIL OF GOVERNMENTS**  
**NOTES TO FINANCIAL STATEMENTS**

*JUNE 30, 2014*

**Note 6—Employee retirement systems and pension plans (continued)**

The current ARC rate is 11.49% of annual covered payroll. The Council obtains healthcare coverage through private insurers.

For the current year, the Council contributed \$30,304 or 4.35% of annual covered payroll. There were no contributions by employees. The Council's obligation to contribute to the HCB Plan is established and may be amended by the Board of Directors.

*Summary of Significant Accounting Policies* – Postemployment expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting. These expenditures are paid as they come due. No funds are set aside to pay benefits and administration costs unless specifically authorized by the Board of Directors. No funds were set aside for the year ended June 30, 2014.

*Annual OPEB Cost and Net OPEB Obligation* – The Council's annual other postemployment benefit ("OPEB") cost (expense) is calculated based on the annual required contribution of the employer ("ARC"). The Council has elected to calculate the ARC and related information using the alternative measurement method permitted by GASB Statement 45 for employers in plans with fewer than 100 total plan members. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

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

Annual required contributions	\$ 79,950
Interest earned on net OPEB Obligation	9,858
Adjustment to annual required contribution	<u>(8,498)</u>
<b>Annual OPEB cost (expense)</b>	<b>81,310</b>
Contribution made in FY 2014	<u>(30,304)</u>
<b>Increase in Net OPEB Obligation</b>	<b>51,006</b>
Net OPEB Obligation, beginning of fiscal year	246,454
Net OPEB Obligation, end of fiscal year	<u><u>\$ 297,460</u></u>

**Three Year Trend Information**

<b>Fiscal Year Ended June 30,</b>	<b>Annual OPEB Cost</b>	<b>Percentage of Annual OPEB Cost Contributed</b>	<b>Net OPEB Obligation</b>
2012	\$ 94,552	32.5%	\$182,136
2013	95,909	32.9%	246,454
2014	81,310	37.3%	297,460

# KERR-TAR REGIONAL COUNCIL OF GOVERNMENTS

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

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### Note 6—Employee retirement systems and pension plans (continued)

*Funded Status and Funding Progress* – As of December 31, 2013, the most recent actuarial valuation date, the HCB Plan was funded in the amount of \$10,006. The actuarial accrued liability for benefits was \$1,612,323 and thus, the unfunded actuarial accrued liability (“UAAL”) was \$1,602,317. The covered payroll (annual payroll of active employees covered by the plan) was \$695,848, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 230.3%. The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents information about the actuarial value of plan assets and the actuarial accrued liabilities for benefits.

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

The following simplifying assumptions were made:

*Retirement Age for Active Employees* – Based on the historical average retirement age for the covered group, active plan members were assumed to retire at age 65, or at the first subsequent year in which the member would qualify for benefits.

*Marital Status* – Marital status of members at the calculation date was assumed to continue throughout retirement.

*Mortality* – The 1994 Group Annuity Mortality Table Projection Schedule AA set forward three years for males and set forward two years for females were used.

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

*Healthcare Cost Trend Rate* – The expected rate of increase in healthcare insurance premiums was based on projections of the Office of the Actuary at the Centers for Medicare and Medicaid Services.

*Health Insurance Premiums* – 2012 health insurance premiums for retirees were used as the basis for calculation of the present value of total benefits to be paid.

*Inflation Rate* – The expected long-term inflation assumption of 3.75%.

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

**KERR-TAR REGIONAL COUNCIL OF GOVERNMENTS**  
**NOTES TO FINANCIAL STATEMENTS**

JUNE 30, 2014

**Note 6—Employee retirement systems and pension plans (continued)**

Based on the historical and expected returns of the Council's short-term investment portfolio, a discount rate of 4% was used. In addition, a simplified version of the entry age actuarial cost method was used. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2014, was 26 years.

**Other Employment Benefits**

The Council has elected to provide death benefits to employees through the Death Benefit Plan for Members of the Local Governmental Employee's Retirement System (Death Benefit Plan), a multi-employer, State-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in the active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest month's salary in a row during the 24 months prior to the employee's death, but the benefit will be a minimum of \$25,000 and will not exceed \$50,000. All death payments are made from the Death Benefit Plan. The Council has no liability beyond the payment of monthly contributions. Contributions are determined as a percentage of monthly payroll, based upon rates established by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. Because the benefit payments are made by the Death Benefit Plan and not by the Council, the Council does not determine the number of eligible participants. For the fiscal year ended June 30, 2014, the Council made contributions to the State for death benefits of \$0. The Council's required contributions for employees not engaged in law enforcement and for law enforcement officers represented .0% and 0% of covered payroll, respectively. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount.

**Note 7—Long-term obligations**

A summary of changes in long-term obligations for the year ended June 30, 2014:

	<u>June 30, 2013</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2014</u>	<u>Due within One Year</u>
OPEB	\$ 246,454	\$ 81,310	\$ 30,304	\$ 297,460	\$ -
Compensated absences	50,135	49,256	48,430	50,961	-
	<u>\$ 296,589</u>	<u>\$ 130,566</u>	<u>\$ 78,734</u>	<u>\$ 348,421</u>	<u>\$ -</u>

**KERR-TAR REGIONAL COUNCIL OF GOVERNMENTS**  
**NOTES TO FINANCIAL STATEMENTS**

*JUNE 30, 2014*

**Note 7—Long-term obligations (continued)**

*Operating Leases* – The Council leases copiers under operating leases. The Council leases property under an operating lease with a term through June 30, 2016. The following represents annual minimum lease payments under these noncancellable operating leases as of June 30, 2014:

<u>Year End June 30</u>	
2015	\$ 60,202
2016	59,971
2017	3,662
Thereafter	-
Total	<u>\$ 123,835</u>

A new lease had not been renegotiated through the date of this report; therefore, no future minimum rental payments are reported.

Rent expense under all leases was \$62,940 for the year ended June 30, 2014.

**Note 8—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 North Carolina Association of County Commissioners. Through these pools, the Council obtains property insurance of \$479,000 per occurrence, general liability of \$2 million per occurrence, blanket crime protection of \$2 million, and workers' compensation coverage up to statutory limits. The pools are reinsured through commercial companies for single occurrence losses in excess of \$1 million up to \$2 million limit for general liability coverage, single occurrence losses of \$1 million per workers' compensation. The Council carries commercial coverage for all other risks of loss. Claims have not exceeded coverage in any of the last three fiscal years.

In accordance with G.S. 159-29, the Council's employees that have access to \$100 or more of the Council's funds at any given time are performance bonded through a commercial surety bond. The Finance Officer is bonded for \$100,000. The remaining employees that have access to funds are bonded under a blanket bond for \$250,000.

The Council has not purchased flood insurance since the Council is not located in a flood plain and management does not view this as a significant risk.

**Note 9—Transfers to/from other funds**

The Council had the following transfers to/from other funds at June 30, 2014:

From the Revolving Loan Fund to the General Fund to offset administrative costs	\$ 14,274
From the Micro Loan Fund to the General Fund to offset administrative costs	<u>87</u>
Total	<u>\$ 14,361</u>



# KERR-TAR REGIONAL COUNCIL OF GOVERNMENTS

## NOTES TO FINANCIAL STATEMENTS

*JUNE 30, 2014*

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### **Note 10—Contingent liabilities**

The Council is the recipient of various State and federal awards for specific purposes that are subject to review and possibly final audit by the grantor agencies. Such audits could lead to requests by the grantor agencies for reimbursement of expenditures disallowed under the compliance terms of the grant. At June 30, 2014, no request for reimbursement by the grantor agencies existed for those grants which have been subjected to grantor audits.

### **Note 11—Concentration of risk**

A material part of the Council's support is derived from grants from the North Carolina Department of Commerce – Division of Employment and Training and the North Carolina Department of Health and Human Services – Division of Aging. This support represented 33% and 43% of the Council's total revenue for the year ended June 30, 2014, respectively. The loss of this revenue would have an adverse effect on the Council's ability to continue to provide its workforce investment act and aging services.

### **Note 12—Prior period adjustment**

Under the modified accrual basis of accounting expenses are recorded when the related liability is incurred. The fund balance beginning of the year June 30, 2013 for the general fund has been restated to reflect an adjustment to reduce fund balance by \$122,608.

### **Note 13—Subsequent events**

The Council has evaluated subsequent events through January 5, 2015, in connection with the preparation of these financial statements, which is the date the financial statements were available to be issued.

**KERR-TAR REGIONAL COUNCIL OF GOVERNMENTS**  
**SCHEDULE 1 – OTHER POSTEMPLOYMENT BENEFITS – SCHEDULE OF EMPLOYER**  
**CONTRIBUTIONS**

*JUNE 30, 2014*

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<b>Year Ending June 30</b>	<b>Annual Required Contribution (ARC)</b>	<b>Percentage Contributed</b>
2012	\$ 94,552	35.0%
2013	94,904	33.9%
2014	79,950	37.9%

Notes to the Required Schedules:

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

Valuation date	12/31/2013
Actuarial cost method	Projected unit credit
Amortization method	Level Percentage of Pay, open
Remaining amortization period	26 years
Asset valuation method	Market Value of Assets
Actuarial assumptions	
Investment rate of return*	4.00%
Medical cost trend rate	7.50% - 5.00%
Year of ultimate trend rate	2018

\*Includes inflation at 3.75%

**KERR-TAR REGIONAL COUNCIL OF GOVERNMENTS**  
**SCHEDULE 2 – OTHER POSTEMPLOYMENT BENEFITS – SCHEDULE OF FUNDING**  
**PROGRESS**

*JUNE 30, 2014*

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<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) Projected Unit Credit (b)</b>	<b>Unfunded AAL (UAAL) (b-a)</b>	<b>Funded Ratio (a/b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a Percentage of Covered Payroll (( b-a )/ c)</b>
12/31/2008	\$ -	\$ 1,318,376	\$ 1,318,376	0.0%	\$ 878,863	150.0%
12/31/2011	10,000	1,922,845	1,912,845	0.5%	999,882	191.3%
12/31/2013	-	1,612,323	1,612,323	0.0%	695,848	231.7%

**KERR-TAR REGIONAL COUNCIL OF GOVERNMENTS**  
**SCHEDULE 3 – SCHEDULE OF WORKFORCE DEVELOPMENT EXPENDITURES**

YEAR ENDED JUNE 30, 2014

<u>Program Year</u>	<u>CFDA #</u>	<u>Fund</u>	<u>Administration</u>	<u>Program</u>	<u>Total</u>
2012	17.258	2010	\$ 11,492		
2012	17.259	2010	10,866		
2012	17.278	2010	11,167		
2013	17.258	2010	47,802		
2013	17.259	2010	45,196		
2013	17.278	2010	46,451		\$ 172,974
2012		2011	11,619		11,619
2012	17.258	2020		456,570	456,570
2013	17.258	2020		72,588	72,588
					529,158
2012	17.260	2030		329,783	329,783
2013	17.278	2030		157,392	157,392
					487,175
2011	17.260	2031		2,688	2,688
					2,688
2012	17.259	2040		120,374	120,374
2013	17.259	2040		377,278	377,278
					497,652
<b>TOTAL WORKFORCE DEVELOPMENT</b>					<b>\$ 1,701,266</b>

**KERR-TAR REGIONAL COUNCIL OF GOVERNMENTS****SCHEDULE 4 – SCHEDULE OF EXPENDITURES BY GOVERNMENTAL FUND TYPE –  
WORKFORCE DEVELOPMENT***YEAR ENDED JUNE 30, 2014*

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<b>Program Fund</b>	<b><u>General</u></b>	<b><u>Special Revenue</u></b>	<b><u>Total</u></b>
2010	\$ 172,974	\$ -	\$ 172,974
2011	11,619	-	11,619
2020	84,457	441,922	526,379
2030	96,222	415,280	511,502
2031	2,688	-	2,688
2040	<u>73,187</u>	<u>402,917</u>	<u>476,104</u>
	<u>\$ 441,147</u>	<u>\$ 1,260,119</u>	<u>\$ 1,701,266</u>

**KERR-TAR REGIONAL COUNCIL OF GOVERNMENTS****SCHEDULE 5 – SCHEDULE OF RELEASED TIME AND FRINGE BENEFITS ALLOCATION***YEAR ENDED JUNE 30, 2014*

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Released Time and Fringe Benefits Allocable

Leave Earned	\$	47,955
Sick pay		23,065
Holidays		31,668
FICA tax		53,492
Group Insurance		125,873
Retirement		49,106
Retiree Benefits		30,304
Unemployment		11,167
	\$	<u>372,630</u>

Released Time and Fringe Benefits Allocated

Council (allocable as indirect)	\$	79,096
Kerr-Tar Regional Economic Development Corporation		11,256
Economic Development Administration		7,250
Revolving Loan Fund		547
Microenterprise Loan Fund		20
Louisburg Planning Grant		229
Henderson Parks and Rec		2,663
CFAT		286
Mobility Manager		12,282
Triangle North Healthcare		1,204
Lead Abatement		59
Bike Ped Planning		11,329
Water quality		4,828
Rural Transportation Planning Organization		27,889
Aging - Planning and Administration		30,664
Aging - Ombudsman		22,089
Aging - Elder Abuse		932
Aging - LCA/CRC		4,741
Aging - Evidence Based		3,427
Aging - AAA		11,039
Aging - Medicare SHIIP		2,288
Aging - MIPPA		1,516
Aging - Caregiver Category I		20,349

**KERR-TAR REGIONAL COUNCIL OF GOVERNMENTS**  
**SCHEDULE 5 – SCHEDULE OF RELEASED TIME AND FRINGE BENEFITS ALLOCATION**

*YEAR ENDED JUNE 30, 2014*

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Workforce Development	
WIA Adult - Program	\$ 24,739
WIA Youth - Program	21,331
WIA Dislocated Worker - Program	28,805
WIA Administration	14,941
Community Development Block Grant Administration:	
Granville County - Single Family Rehab	523
Granville County - Scattered Site	3,585
Vance County - Scattered Site	3,052
Vance County - Single Family Rehab	620
Vance County - Neighborhood Stabilization Program	4,450
Warren County - Hookup	2,250
Warren County Scattered Site	5,537
Person County Scattered Site	6,761
Person County Single Family Rehabilitation	53
	<u>372,630</u>
<u>Calculation of Fringe Benefit Rate</u>	
Chargeable Salaries	<u>\$ 757,849</u>

Rate

Released time and fringe benefits divided by chargeable salaries

$$\text{\$ } 372,630 \div \text{\$ } 757,849 = 49.16943\%$$

**KERR-TAR REGIONAL COUNCIL OF GOVERNMENTS**  
**SCHEDULE 6 – SCHEDULE OF INDIRECT EXPENSE AND PROGRAM EXPENSE**  
**ALLOCATION – GENERAL FUND**

YEAR ENDED JUNE 30, 2014

	<u>Indirect Expenses</u>	<u>Program Costs</u>
<u>Council - Allocable Expenses</u>		
Salaries	\$ 133,017	\$ -
Professional services	37,574	-
Released time and fringe benefits	79,096	-
Travel	8,808	-
Dues and subscriptions	7,155	-
Insurance and bonds	20,144	-
Board Expenses	5,556	-
Advertising	1,097	-
Cleaning services	5,192	-
Bank Service Charges	4,657	-
Software	8,780	-
Telephone and postage	-	15,544
Printing	-	565
Utilities	-	3,981
Maintenance and repairs - equipment	-	38,093
Contracted Utilities and Cleaning - Vance County Schools	-	26,672
Office supplies	-	6,346
Office space	-	51,824
	<u>\$ 311,076</u>	<u>\$ 143,025</u>
<u>Allocated Expenses</u>		
Kerr-Tar Regional Economic Development Corporation	\$ 11,980	\$ 5,508
Economic Development Administration - Planning Assistance	7,716	3,547
Revolving Loan Fund	582	268
Microenterprise Loan Fund	22	10
Henderson Parks & Rec	2,835	1,303
Lead Abatement	63	29
Bike Ped Planning	12,057	5,543
Louisburg Planning Grant	5,138	2,362
CTAA	244	112
CFTA	304	140
Rural Transportation Planning Organization	29,681	13,647
Mobility Manager	11,751	5,403
Triangle North Healthcare	1,282	589
Aging - Planning and Administration	32,635	16,507
Aging - Ombudsman	23,508	10,808
Aging - Elder Abuse	992	456
Aging - LCA/CRC	5,045	819
Aging - Evidence Based	3,647	1,677
Aging - AAA	11,748	5,401
Aging - Medicare SHIIP	2,435	1,119
Aging - MIPPA	1,613	742
Aging - Caregiver Category I	21,658	9,958



**KERR-TAR REGIONAL COUNCIL OF GOVERNMENTS**  
**SCHEDULE 6 – SCHEDULE OF INDIRECT EXPENSE AND PROGRAM EXPENSE**  
**ALLOCATION – GENERAL FUND**

YEAR ENDED JUNE 30, 2014

	<u>Indirect Expenses</u>	<u>Program Costs</u>
<u>Council - Allocable Expenses</u>		
Workforce Development		
WIA-adminstrative	15,901	7,311
WIA-Adult Program	26,329	12,105
WIA-Youth Program	22,701	10,437
WIA-Dislocated workers program	30,657	14,095
Community Development Block Grant Administration:		
Granville County - Single Family Rehab	557	256
Granville County - Scattered Site	3,815	1,754
Vance County - Scattered Site	3,248	1,493
Vance County - Single Family Rehab	659	303
Vance County - Neighborhood Stabilization Program	4,736	2,178
Warren County - Hookup	2,395	1,101
Warren County Scattered Site	5,893	2,709
Person County Scattered Site	7,193	3,309
Person County Single Family Rehabilitation	56	26
	<u>\$ 311,076</u>	<u>143,025</u>

Calculation of Rates

Direct chargeable salaries	624,832
Released time and fringe benefits	372,630
	<u>\$ 997,462</u>

Indirect expense and Program cost rates are determined using the same chargeable salaries base.

Rates

Indirect costs subject to rate divided by adjusted chargeable salaries.

$$\text{\$ } 311,076 \div \text{\$ } 997,462 = 31.1868\%$$

Program costs subject to rate divided by adjusted chargeable salaries.

$$\text{\$ } 143,025 \div \text{\$ } 997,462 = 14.3389\%$$

**KERR-TAR REGIONAL COUNCIL OF GOVERNMENTS**  
**SCHEDULE 7 – SCHEDULE OF DEPRECIATION AND ACCRUED LEAVE**

YEAR ENDED JUNE 30, 2014

<b>General Fund</b>	<b>Depreciation</b>	<b>Accrued Leave</b>
Kerr-Tar Regional Economic Development Corporation	\$ -	\$ 32
Economic Development Administration- Planning Assistance	-	20
Revolving Loan Fund	-	2
Micro Loan Fund	-	-
Louisburg Planning	-	1
Henderson Parks & Rec Plan	-	8
Rural Transportation Planning Organization	-	79
Bike Ped Plan	-	32
Water Quality	-	14
CFAT	-	1
Mobility Manager	-	31
Aging- Planning and Administration	-	87
Aging- Ombudsman	-	62
Aging- Elder Abuse	-	3
Aging - Evidence Based	-	10
Aging- AAA	-	31
Aging- Medicare SHIP	-	6
Aging- MIPPA	-	4
Aging- Caregiver Category I	-	57
Aging- LCA/CRC	-	15
Aging- Triangle North Healthcare Foundation	-	3
WIA Administration	-	252
CDBG- Granville County SS	-	10
CDBG- Granville County SFR	-	1
CDBG- Vance County SS	-	9
CDBG- Vance County SFR	-	2
CDBG- Vance County NSP	-	13
CDBG- Warren County Hookup	-	6
CDBG- Warren County SS	-	16
CDBG- Person County SS	-	19
	<b>\$ -</b>	<b>\$ 826</b>

The above amounts are not included in expenditures in Exhibit D.

**KERR-TAR REGIONAL COUNCIL OF GOVERNMENTS**

**SCHEDULE 8 – COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS**

*JUNE 30, 2014*

	<b>Special Revenue Funds</b>		
	<b>Micro- enterprise Loan Fund</b>	<b>Revolving Loan Fund - Green Jobs</b>	<b>Total Nonmajor Governmental Funds</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 91,411	\$ 7,397	\$ 98,808
Notes receivable, net of allowance for bad debts	1,376	115,000	116,376
Total assets	<u>\$ 92,787</u>	<u>\$ 122,397</u>	<u>\$ 215,184</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ -	\$ 770	\$ 770
Total liabilities	<u>-</u>	<u>770</u>	<u>770</u>
Deferred Inflow of Resources			
Loans uncollected	1,626	115,000	116,626
Fund balances:			
Restricted			
Stabilization by State Statute	1,376	115,000	116,376
Unassigned	89,785	(108,373)	(18,588)
Total fund balances	<u>91,161</u>	<u>6,627</u>	<u>97,788</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 92,787</u>	<u>\$ 122,397</u>	<u>\$ 215,184</u>

**KERR-TAR REGIONAL COUNCIL OF GOVERNMENTS**

**SCHEDULE 9 – COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCES – NONMAJOR GOVERNMENTAL FUNDS**

*YEAR ENDED JUNE 30, 2014*

	<b>Micro-enterprise Loan Fund</b>	<b>Revolving Loan Fund - Green Jobs</b>	<b>Total Nonmajor Governmental Funds</b>
<b>Expenditures</b>			
Legal	\$ -	\$ 2,314	\$ 2,314
<b>Total Expenditures</b>	<u>-</u>	<u>2,314</u>	<u>2,314</u>
Excess of revenues over expenditures	-	(2,314)	(2,314)
Other Financing Sources (Uses):			
Transfers in (out)	<u>(88)</u>	<u>-</u>	<u>(88)</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses and net change in fund balance	(88)	(2,314)	(2,402)
<b>Fund Balance - Beginning of the Year</b>	<u>91,249</u>	<u>8,941</u>	<u>100,190</u>
<b>Fund Balance - End of the Year</b>	<u>\$ 91,161</u>	<u>\$ 6,627</u>	<u>\$ 97,788</u>

**KERR-TAR REGIONAL COUNCIL OF GOVERNMENTS**

**SCHEDULE 10 – SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL – MICROENTERPRISE LOAN FUND**

*YEAR ENDED JUNE 30, 2014*

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final - Positive (Negative)</u>
<b>Other Financing Sources (Uses):</b>				
Fund Balance Appropriated	\$ -	\$ 384	\$ -	\$ (384)
Transfers out	-	(384)	(88)	296
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>(88)</u>	<u>(88)</u>
<b>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</b>				
	<u>\$ -</u>	<u>\$ -</u>	(88)	<u>\$ (88)</u>
<b>Fund Balance - Beginning of the Year</b>			<u>91,249</u>	
<b>Fund Balance - End of the Year</b>			<u>\$ 91,161</u>	

**KERR-TAR REGIONAL COUNCIL OF GOVERNMENTS**

**SCHEDULE 11 – SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL – REVOLVING LOAN FUND – GREEN JOBS**

YEAR ENDED JUNE 30, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final - Positive (Negative)</u>
<b>Expenditures</b>				
Loans	\$ -	\$ 2,325	\$ -	\$ 2,325
Legal	-	-	2,314	(2,314)
<b>Total Expenditures</b>	<u>-</u>	<u>2,325</u>	<u>2,314</u>	<u>11</u>
Revenues Over (Under) Expenditures	<u>\$ -</u>	<u>\$ (2,325)</u>	<u>\$ (2,314)</u>	<u>\$ 11</u>
<b>Other Financing Sources (Uses):</b>				
Fund Balance Appropriated	-	2,325	-	(2,325)
Transfers out	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<u>-</u>	<u>2,325</u>	<u>-</u>	<u>(2,325)</u>
<b>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</b>	<u>\$ -</u>	<u>\$ -</u>	<u>(2,314)</u>	<u>\$ (2,314)</u>
<b>Fund Balance - Beginning of the Year</b>			<u>8,941</u>	
<b>Fund Balance - End of the Year</b>			<u>\$ 6,627</u>	

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

Board of Directors  
Kerr-Tar Regional Council of Governments  
Henderson, 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, the discretely presented component unit, each major fund and the aggregate remaining fund information of the Kerr-Tar Regional Council of Governments (the "Council"), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprises the Council's basic financial statements, and have issued our report thereon dated January 5, 2015. Our report includes a reference to other auditors who audited the financial statements of the Region K Community Assistance Corporation (the "Corporation"), as described in our report on the Council's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported separately by those auditors.

**Internal Control over Financial Reporting**

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we considered to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Council's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as 2014-001 to be a material weakness.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as 2014-002 to be a significant deficiency.

### **Compliance and Other Matters**

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

### **Response to Findings**

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

### **Purpose of This Report**

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

 LLP

Raleigh, North Carolina  
January 5, 2015



**Report of Independent Auditor on Compliance For Each Major  
Federal Program and Internal Control over Compliance In Accordance  
With OMB Circular A-133 and the State Single Audit Implementation Act**

Board of Directors  
Kerr-Tar Regional Council of Governments  
Henderson, North Carolina

**Report on Compliance for Each Major Federal Program**

We have audited the Kerr-Tar Regional Council of Governments (the "Council"), compliance with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the Council's major federal programs for the year ended June 30, 2014. The Council's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

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

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the Council's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State Single Audit Implementation Act. Those standards, OMB Circular A-133, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Council's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

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

**Opinion on Each Major Federal Program**

In our opinion, the Council complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

**Other Matters**

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are as described in the accompanying schedule of findings and questioned costs as items 2014-003. Our opinion on each major Federal program is not modified with respect to this matter.

The Council's response to the noncompliance finding identified in our audit is described in the accompanying, schedule of findings and questioned costs. The Council's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

## **Report on Internal Control over Compliance**

Management of the Council is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Council's internal control over compliance with the types of requirements that could have a direct and material effect on a major 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 OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Council's internal control over compliance.

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that a 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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questions costs as item 2014-003 to be a material weakness.

The Council's response to the internal control over compliance finding identified in our audit is described in the accompanying, schedule of findings and questioned costs. The Council's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

## **Purpose of this Report**

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

*Channing R. Ricketts* LLP

Raleigh, North Carolina  
January 5, 2015

**Report of Independent Auditor on Compliance for Each Major  
State Program and Internal Control over Compliance In Accordance with  
OMB Circular A-133 and the State Single Audit Implementation Act**

Board of Directors  
Kerr-Tar Regional Council of Governments  
Henderson, North Carolina

**Report on Compliance for Each Major State Program**

We have audited the Kerr-Tar Regional Council of Governments (the "Council"), compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission that could have a direct and material effect on each of the Council's major State programs for the year ended June 30, 2014. The Council's major State programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

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

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the Council's major State programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; applicable sections of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, OMB Circular A-133, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the Council's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

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

**Opinion on Each Major State Program**

In our opinion, the Council complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major State programs for the year ended June 30, 2014.

**Report on Internal Control over Compliance**

Management of the Council is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Council's internal control over compliance with the types of requirements that could have a direct and material effect on a major State program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major State program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Council's internal control over compliance.

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

### **Purpose of this Report**

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

*Cherry Roubert LLP*

Raleigh, North Carolina  
January 5, 2015

**KERR-TAR REGIONAL COUNCIL OF GOVERNMENTS**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**

YEAR ENDED JUNE 30, 2014

<u>Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Fed. (Direct &amp; Pass-through) Expenditures</u>	<u>State Expenditures</u>
<b>Federal Awards:</b>			
<u>U.S. Department of Commerce</u>			
<u>Economic Development Administration</u>			
Direct Program			
Economic Adjustment Assistance	11.307	\$ 952,802	\$ 317,601
Passed-through Vance County:			
Community Trade Adjustment Assistance Program	11.010	705	-
Total U.S. Department of Commerce		<u>953,507</u>	<u>317,601</u>
<u>U.S. Department of Agriculture</u>			
Passed-through N.C. Department of Health and Human Services:			
Division of Aging			
Nutrition Services Incentive	10.570	87,157	-
Rural Business Enterprise Grants - ARRA	10.783	122,397	-
Total U.S. Department of Agriculture		<u>209,554</u>	<u>-</u>
<u>Environmental Protection Agency</u>			
<u>Office of Water</u>			
Passed-through the N.C. Department Environment and Natural Resources:			
Division of Water Quality			
Water Quality Management Planning	66.454	14,845	-
<u>U.S. Department of Health and Human Services</u>			
<u>Administration on Aging</u>			
Passed-through N.C. Dept. of Health and Human Services:			
Division of Aging and Adult Services			
Special Programs for the Aging - Title VII, Chapter 3			
Programs for Prevention of Elder Abuse, Neglect and Exploitation	93.041	3,568	396
Special Programs for the Aging - Title VII, Chapter 2			
Programs for Long-Term Ombudsman			
Services for Older Individuals	93.042	13,531	796
Special Programs for the Aging - Title III F			
Disease Prevention and Health Promotion Services	93.043	15,712	925
<u>Aging Cluster:</u>			
Special Programs for the Aging - Title III B			
Grants for Supportive Services and Senior Centers			
-Legal Services	93.044	8,694	512
-Ombudsman	93.044	47,286	2,782
-Access	93.044	219,881	12,934
-In Home Services	93.044	135,660	7,980
Special Programs for the Aging - Title III C			
Nutrition Services			
-Planning and Administration	93.045	127,004	6,960
-Congregate Nutrition	93.045	193,170	11,363
-Home Delivered Meals	93.045	246,605	14,506
Total Aging Cluster		<u>978,300</u>	<u>57,037</u>
National Family Caregiver Support	93.052	136,006	9,067
Passed through Division of Public Health			
Lead Abatement Grant	14.900	39,726	-
Passed-through N.C. Dept. of Insurance			
Medicare SHIP	93.048	7,000	-
Total U.S. Department of Health and Human Services		<u>1,193,843</u>	<u>68,221</u>

**KERR-TAR REGIONAL COUNCIL OF GOVERNMENTS**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**

YEAR ENDED JUNE 30, 2014

<b>Grantor/Pass-through Grantor/Program Title</b>	<b>Federal CFDA Number</b>	<b>Fed. (Direct &amp; Pass-through) Expenditures</b>	<b>State Expenditures</b>
<u>U.S. Department of Labor</u>			
<u>Employment and Training Administration</u>			
Passed-through the N.C. Department of Commerce:			
Division of Employment and Training			
Workforce Investment Act Cluster			
Workforce Investment Act-Adult Program	17.258	588,452	-
Workforce Investment Act-Youth Activities	17.259	556,402	-
Workforce Investment Act-Dislocated Workers - PY 2010 Funds	17.278	556,412	-
Total Workforce Investment Act Cluster		1,701,266	-
Total U.S. Department of Labor		1,701,266	-
<u>U.S. Department of Housing and Urban Development</u>			
<u>Community Planning and Development</u>			
Passed-through N.C. Department of Commerce			
Community Development Block Grant - State's Program			
Passed through member units of government for technical support services			
Granville County SS	14.228	15,453	-
Person County SS	14.228	36,225	-
Warren County SS	14.228	34,672	-
Vance County NSP	14.264	21,526	-
Vance County SS	14.228	16,024	-
Vance County Communtiy Rehab - Julia Ave	14.228	3,495	-
Total Community Development Block Grant		127,395	-
Community Development Block Grant/Small Cities Program	14.219	24,410	-
Total Department of Commerce		151,805	-
Passed-through N.C. Housing Finance Agency			
Single Family Rehabilitation			
Single Family Rehabilitation			
Granville County SFR	14.239	8,722	-
Vance County SFR	14.239	40,882	-
		49,604	-
Total U.S. Dept. of Housing and Urban Development		201,409	-
<u>U.S. Department of Transportation</u>			
<u>Community Planning and Development</u>			
Federal Transit Administration			
Highway Planning and Construction			
Kerr-Tar Rural Planning Organization	20.205	93,347	-
Mobility Manager	20.513	33,081	-
NCDOT Aging Project	20.513	149,813	-
Total U.S. Department of Transportation		276,241	-
<b>Total Federal Awards</b>		<b>\$ 4,550,665</b>	<b>\$ 385,822</b>

**KERR-TAR REGIONAL COUNCIL OF GOVERNMENTS**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**

*YEAR ENDED JUNE 30, 2014*

<u>Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Fed. (Direct &amp; Pass-through) Expenditures</u>	<u>State Expenditures</u>
<b>State Awards:</b>			
<u>N.C. Department of Health and Human Services</u>			
Division of Aging:			
90% State Funds - Ombudsman		-	21,573
90% State Funds - In Home Services		-	759,819
90% State Funds - Home Delivered Meals		-	138,791
Administrative Support		-	46,838
Senior Center Development		-	79,589
Total N.C. Department of Health and Human Services		-	<u>1,046,610</u>
<u>N.C. Department of Transportation</u>			
Bike Ped Plan		-	<u>58,482</u>
<u>N.C. Department of Juvenile Justice and Delinquency Prevention</u>			
County Juvenile Crime Prevention Council		-	<u>136,364</u>
Total State awards		-	<u>1,241,456</u>
Total Federal and State awards		<u>\$ 4,550,665</u>	<u>\$ 1,627,278</u>

**KERR-TAR REGIONAL COUNCIL OF GOVERNMENTS**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**

YEAR ENDED JUNE 30, 2014

1. Basis of Presentation

The accompanying schedule of expenditures of federal and State awards includes the federal and state grant activity of Kerr-Tar Regional Council of Governments and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and the State Single Audit Implementation Act. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

2. Economic Development Administration

The Economic Development Administration expenditures for Economic Adjustment Assistance are calculated using the following method: The expenditures for the Kerr Tar EDC and the NC Tomorrow projects plus the cash for the Revolving Loan Fund, the amount paid by the Revolving Loan Fund for administration, and the reserve for outstanding loans minus the receivable from the General Fund. The expenditures are allocated between Federal and State expenditures at a ratio of 75% Federal and 25% State.

3. Community Development Block Grants Funds

The Community Development Block Grant expenditures shown in the accompanying schedule of expenditures of federal and State awards represent administrative costs (ie. salaries and related costs) which are reimbursed by member units of government for technical support services for administration of individual CDBG grants awarded to them.

4. Subrecipients

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

<u>Program Title</u>	<u>CFDA Number</u>	<u>Federal Expenditures</u>	<u>State Expenditures</u>
Special Programs for the Aging:			
Title III B	93.044	\$ 364,235	\$ 21,426
Title III C	93.045	439,775	25,869
Title III E	93.052	49,614	3,308
90% State Funds	N/A	-	851,306
Other State Funds	N/A	-	79,589
Nutrition Services Incentive	10.570	87,157	-
Workforce Investment Act-Adult Program	17.258	588,452	-
Workforce Investment Act-Youth Activities	17.259	556,402	-
Workforce Investment Act-Dislocated Workers	17.278	556,412	-
Totals		<u>\$ 2,642,047</u>	<u>\$ 981,498</u>



**KERR-TAR REGIONAL COUNCIL OF GOVERNMENTS**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

YEAR ENDED JUNE 30, 2014

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**Section I – Summary of Auditor’s Results**

**Financial Statements**

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?                      X   yes               no
- Significant deficiency(ies) identified that are not considered to be material weaknesses                      X   yes               none reported

Noncompliance material to financial statements noted                           yes          X   no

**Federal Awards**

Internal control over major federal programs:

- Material weakness(es) identified?                      X   yes               no
- Significant deficiency(ies) identified that are not considered to be material weaknesses                           yes          X   none reported

Noncompliance material to federal awards                           yes          X   no

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

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133                      X   yes               no

Identification of major federal programs:

<u>CFDA#</u>	<u>Program Name</u>
11.307	Economic Adjustment Assistance
	Workforce Investment Act (WIA) Cluster:
17.258	Adult Programs
17.259	Youth Activities
17.278	Dislocated Worker Program
20.205	Highway Planning and Construction

Dollar threshold used to distinguish between Type A and Type B Programs                    \$ 300,000

Auditee qualified as low-risk auditee                           yes          X   no

**KERR-TAR REGIONAL COUNCIL OF GOVERNMENTS**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

YEAR ENDED JUNE 30, 2014

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**State Awards**

Internal control over major State programs:

- Material weakness(es) identified?                     yes                     no
- Significant deficiency(ies) identified  
that are not considered to be  
material weaknesses                     yes                     none reported

Noncompliance material to State awards                     yes                     no

Type of auditor's report issued on compliance of major State programs: Unmodified

Any audit findings disclosed that are required to be  
reported in accordance with the State Single  
Audit Implementation Act                     yes                     no

Identification of major State programs:

<u>Program Name</u>	<u>Cluster or Grant Number</u>
90% State Funds	Ombudsman Access In Home Services Congregate Nutrition Home Delivered Meals

**KERR-TAR REGIONAL COUNCIL OF GOVERNMENTS**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

*YEAR ENDED JUNE 30, 2014*

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**Section II – Financial Statement Findings**

**Finding 2014-001**

**Material Weakness**

Criteria: Management is responsible for presenting materially correct financial statements.

Condition: We discovered two material adjustments that were required to be recorded in order for the financial statements to be materially correct when drafting the financial statements. The first adjustment was related to the adjustment journal entries made in the PY to correct notes receivable for the Revolving Loan Fund, the Micro-Enterprise Fund, and the Revolving Loan Fund-Green Jobs. When management closed out the prior year balances these balances did not rollforward correctly and all activity during the year was recorded to equity instead of deferred revenue. The second adjustment related to management not recognizing expenses when incurred for modified basis of accounting for the general fund in the prior period.

Effect: The fund balance beginning of the year June 30, 2013 for the general fund was overstated by \$122,608.

Cause: Close out of the prior year balances were not correctly completed and modified accrual basis of accounting was not being properly followed.

Recommendation: Management should establish procedures to ensure that all close out procedures are completed properly. In addition, management should ensure that all expenditures are recognized when occurred for modified basis of accounting.

Management Response: Management did not agree with this finding. See corrective action plan below.

**KERR-TAR REGIONAL COUNCIL OF GOVERNMENTS**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

*YEAR ENDED JUNE 30, 2014*

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**Finding 2014-002**

**Significant Deficiency**

Criteria: Management is responsible for presenting materially correct financial statements.

Condition: During the course of the audit, we noted that due to the small size of the Council, there is a lack of segregation of duties within the Finance Department, as all journal entries and bank reconciliations are initiated and completed by one individual with no review completed by another individual.

Effect: Transactions could be mishandled.

Cause: There are a limited number of personnel for certain functions.

Recommendation: The duties should be separated when possible so that one individual is preparing the bank reconciliation or journal entry and another individual is reviewing it.

Management Response: Management agrees with this finding.

**KERR-TAR REGIONAL COUNCIL OF GOVERNMENTS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

*YEAR ENDED JUNE 30, 2014*

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**Section III – Federal Awards Findings and Questioned Costs**

**Finding 2014-003**  
**US Department of Labor**  
**Passed-through the N.C. Department of Commerce**  
**CFDA # 17.258, 17.259, and 17.278**

**Material Weakness, Nonmaterial Noncompliance**

Criteria: In accordance with the federal and State compliance supplements, eligibility documentation must be maintained in the participant's file for the Workforce Investment Act Program.

Condition: Out of the 40 eligibility case files selected for testing, we noted the proper verification of eligibility for applicants was not able to be provided for eight participants. Two of the participant files could not be found and six did not have complete information.

Questioned Costs: The total error is \$11,409.

Effect: The eight participants of the Workforce Investment Act program could potentially be receiving benefits when they are ineligible.

Cause: Council does not have a process in place to ensure all required documentation is maintained in the case files.

Recommendation: Council should implement a review process that ensures all required documentation is maintained in the case file.

Management Response: Management agrees with this finding.

**Section IV – State Award Findings and Questioned Costs**

None reported.

# KERR-TAR REGIONAL COUNCIL OF GOVERNMENTS

## CORRECTIVE ACTION PLAN

*YEAR ENDED JUNE 30, 2014*

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### **II - Financial Statement Findings**

#### **Finding 2014-001**

Name of contact person: James B. Pearce Jr., Finance Officer

Corrective action: Management does not agree with this finding.

Proposed completion date:

#### **Finding 2014-002**

Name of contact person: James B. Pearce Jr., Finance Officer

Corrective action: The Council will put in place a review process regarding bank statement reconciliations and journal entry preparation. The bank reconciliations will be prepared by the Finance and Data Specialist. We will have senior management review and initial the bank statement reconciliation or journal entry once it has been prepared.

Proposed completion date: February 1, 2015

### **III – Federal Award Findings and Questioned Costs**

#### **Finding 2014-003**

Name of contact person: Vincent Gilreath, WIA Director

Corrective action: The Council will implement the following actions for the WIA program:  
For files of those who are going through training (ITA's), the Council will reinstate its policy that all eligibility documents for folders will need to be approved by the Local Area Performance and Accountability Coordinator prior to their enrollment.

For WIA Core and Intensive Service, the Performance and Accountability Coordinator, Youth Program Coordinator, and subcontractor team leaders will be responsible for reviewing eligibility documentation that has been scanned into the NCWorks system. A policy notification will be released immediately after a One Stop Managers and Leadership Team scheduled on January 6, 2015.

Proposed completion date: January 15, 2015

### **IV – State Award Findings and Questioned Costs**

None.

**KERR-TAR REGIONAL COUNCIL OF GOVERNMENTS  
CORRECTIVE ACTION PLAN**

*YEAR ENDED JUNE 30, 2014*

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**Section V – Summary Schedule of Prior Audit Findings**

**II - Financial Statement Findings**

**Finding 2013-01  
Material Weakness**

Status: See current yearend finding 2014-001

**Finding 2013-02  
Significant Deficiency**

Status: See current yearend finding 2014-002

**Finding 2013-03  
Non-Material Non-Compliance**

Status: Corrected

**III – Federal Award Findings and Questioned Costs**

None.

**IV – State Award Findings and Questioned Costs**

None.