

**KERR-TAR REGIONAL  
COUNCIL OF GOVERNMENTS**

**HENDERSON, NORTH CAROLINA**

**Financial Statements and Compliance Report**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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COUNCIL OF GOVERNMENTS  
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**William L. Stark and Company**  
Certified Public Accountants

**INDEPENDENT AUDITOR'S REPORT**

To the 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, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Kerr-Tar Regional Council of Governments' basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

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

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

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

## **Opinions**

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Kerr-Tar Regional Council of Governments, as of June 30, 2017, and the respective changes in financial position and the respective budgetary comparisons for the General Fund, the Aging Fund, the Workforce Innovation and Opportunity Act Fund, and the Revolving Loan Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 10, the Other Post Employment Benefit's Schedules of Funding Progress and Employer Contributions on pages 44, and the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability (Asset) and Contributions, on page 45, be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who consider it be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary and Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Kerr-Tar Regional Council of Governments' basic financial statements. The supplementary information as listed in the table of contents, as well as the accompanying Schedule of Expenditures of Federal and State Awards as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and the State Single Audit Implementation Act, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information as listed in the table of contents, as well as the accompanying Schedule of Expenditures of Federal and State Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally

accepted in the United States of America. In our opinion, based on our audit and the procedures performed as described above, the supplementary information as listed in the table of contents, as well as the accompanying Schedule of Expenditures of Federal and State Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2017 on our consideration of the Kerr-Tar Regional Council of Governments' 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 Kerr-Tar Regional Council of Governments' internal control over financial reporting and compliance.

*William L. Stark and Company*

Certified Public Accountants  
Henderson, North Carolina

December 15, 2017

**KERR-TAR REGIONAL COUNCIL OF GOVERNMENTS**  
**Management's Discussion and Analysis**  
**June 30, 2017**

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, 2017. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Council's financial statements, which follow this narrative.

**Financial Highlights**

- The assets and deferred outflows of the Council exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$1,024,315 (net position). The Council's total net position increased by \$36,063 in comparison with the prior year.
- At the close of the current fiscal year, the Council's governmental funds reported a combined ending fund balance of \$1,457,120, an increase of \$44,121 in comparison with the prior year combined ending fund balance of \$1,412,999. This entire amount is restricted, non-spendable, assigned, or unassigned.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$69,316 or 3.7% of total general fund expenditures for the fiscal year.
- The Council's total debt, which consists solely of accrued liability for other post-employment benefits, net pension liability (LGERS) and accrued annual leave, increased by \$161,717 during the current fiscal year.

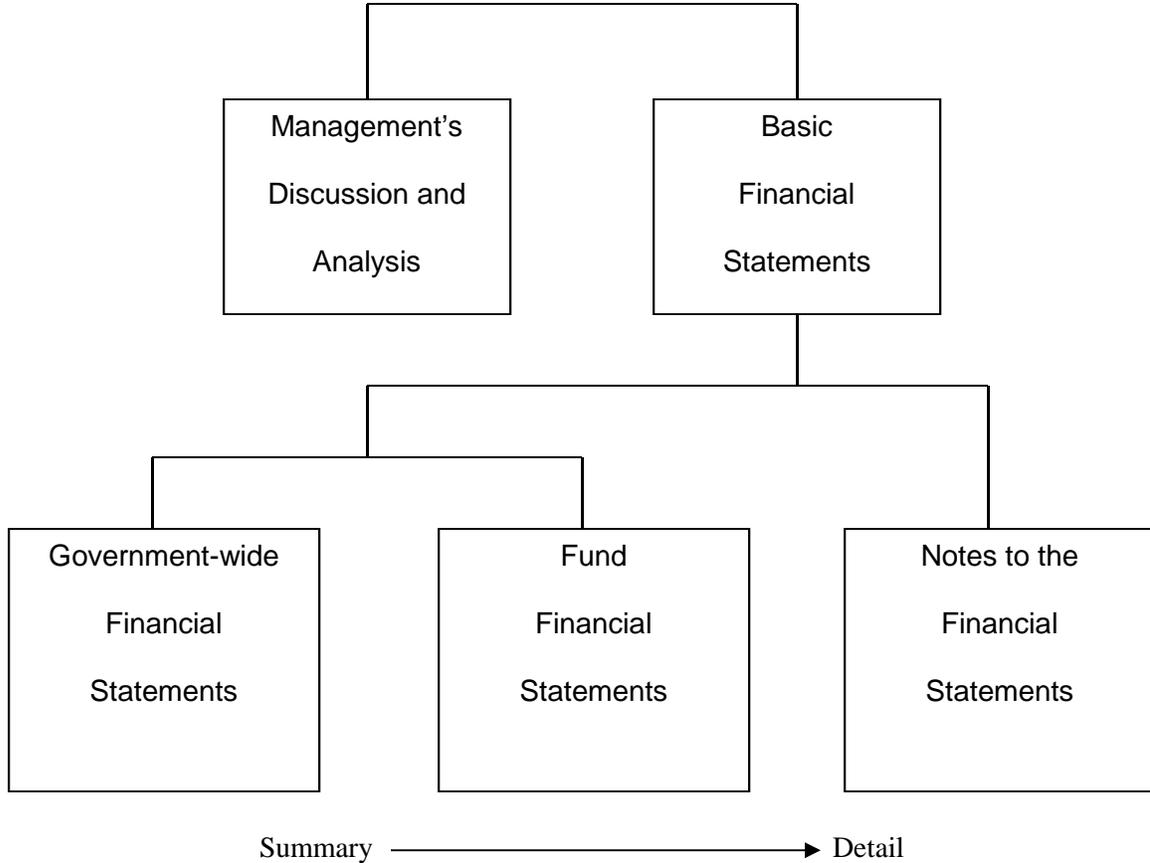
**Overview of the Financial Statements**

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

**KERR-TAR REGIONAL COUNCIL OF GOVERNMENTS**  
**Management's Discussion and Analysis**  
**June 30, 2017**

**Required Components of Annual Financial Report**

**Figure 1**



**Basic Financial Statements**

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

The next statements (Exhibits 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 three parts to the fund financial statements: 1) the governmental funds statements; 2) the budgetary comparison statements; and 3) the fiduciary fund 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.

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**Management's Discussion and Analysis**  
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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 deferred outflows of resources and total liabilities and deferred inflows of resources. Measuring net position is one way to gauge the Council's financial condition.

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.

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

**Fund Financial Statements**

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

*Governmental Funds* – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. All of the Council's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting*. This method also has a current financial resource 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 government activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

The Council adopts an annual budget for its General Fund and 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.

**KERR-TAR REGIONAL COUNCIL OF GOVERNMENTS**  
**Management's Discussion and Analysis**  
**June 30, 2017**

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.

*Fiduciary Funds* – Fiduciary funds are used to account for resources held for the benefit of parties outside the Government. The Council maintains one fiduciary fund which is a pension trust fund for reporting purposes.

*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 28 of this report.

*Other Information* – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the Council's progress in funding its obligation to provide pension and other post-employment benefits to its employees. Required supplementary information can be found beginning on page 44 of this report.

**Government-Wide Financial Analysis**

**Table 1**  
**Condensed Statement of Net Position**

	<b>Governmental Activities</b>	
	<b>2017</b>	<b>2016</b>
Current and other assets	\$ 2,472,317	\$ 2,340,290
Deferred outflows of resources	222,709	55,262
Total assets and deferred outflows of resources	2,695,026	2,395,552
Long-term liabilities outstanding	581,677	463,928
Other liabilities	1,057,985	896,415
Deferred inflows of resources	31,049	46,957
Total liabilities and deferred inflows of resources	1,670,711	1,407,300
Net position:		
Restricted	943,840	819,858
Unrestricted	80,475	168,394
Total net position	\$ 1,024,315	\$ 988,252

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of the Council exceeded liabilities and deferred inflows by \$1,024,315 as of June 30, 2017. The Council's net position increased by \$36,063 from the fiscal year ended June 30, 2017. Of the net position, \$943,840 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

**KERR-TAR REGIONAL COUNCIL OF GOVERNMENTS**  
**Management's Discussion and Analysis**  
**June 30, 2017**

assets to provide services to constituent local government members; consequently, these assets are not available for future spending.

**Table 2**  
**Condensed Statement of Activities**

	<b>Governmental Activities</b>	
	<b>2017</b>	<b>2016</b>
Revenues:		
Program revenues:		
Charges for services	\$ 114,135	\$ 159,543
Operating grants and contributions	5,379,515	5,056,953
General revenues:		
Local government	161,921	176,927
Unrestricted investment earnings	2,358	975
Miscellaneous	7,201	19,718
Total revenues	5,665,130	5,414,116
Expenses:		
Governmental activities:		
General government	18,276	17,813
Transportation	473,242	491,399
Economic and physical development	190,821	322,804
Human services	2,577,558	2,405,360
Workforce development	2,369,170	2,087,739
Total expenses	5,629,067	5,325,115
Change in net position	36,063	89,001
Net position, beginning of year	988,252	863,524
Prior period adjustment	-	35,727
Net position, beginning of year-restated	988,252	899,251
Net position, end of year	\$ 1,024,315	\$ 988,252

*Governmental activities* – Governmental activities increased the Council's net position by \$36,063.

The Council's revenues were \$5.6 million. Ninety-five percent of the Council's revenues come from federal and State revenues.

The Council's expenditures were \$5.6 million. Forty-six percent of the Council's expenditures were related to Human Services program, forty-two percent of expenses were workforce development program related.

**KERR-TAR REGIONAL COUNCIL OF GOVERNMENTS**  
**Management's Discussion and Analysis**  
**June 30, 2017**

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

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

*Governmental Funds* – The focus of the Council's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the Council's financing requirements. Specifically, unassigned 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 was \$69,316, while total fund balance was \$247,849, a consequent 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. As of June 30, 2017, General Fund unassigned fund balance was 3.7% of total General Fund expenditures for the year then ended, while total fund balance was 13.4% of the same figure.

At June 30, 2017, the combined fund balance of the governmental funds of the council increased by \$44,121 over the prior year.

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

**Capital Asset and Debt Administration**

*Capital assets* – The Council's investment in capital assets for its governmental activities as of June 30, 2017, totals \$0 (net of accumulated depreciation). These assets include 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, 2017: an OPEB obligation of \$330,180, Pension liability-LGERS of \$251,497 and Compensated absences accrued of \$43,968, for a total of \$625,645.

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 \$6.4 million. The change in the proposed budget over the current year is attributable to an expected increase in grant funding.

**KERR-TAR REGIONAL COUNCIL OF GOVERNMENTS**  
**Management's Discussion and Analysis**  
**June 30, 2017**

**Requests for Information**

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

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

## **BASIC FINANCIAL STATEMENTS**

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

**KERR-TAR REGIONAL COUNCIL OF GOVERNMENTS**  
**Statement of Net Position**  
**June 30, 2017**

	<b>Primary Government Governmental Activities</b>	<b>Region K Community Assistance Corporation</b>	<b>Total</b>
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	\$ 1,218,635	\$ 164,287	\$ 1,382,922
Receivables	943,840	118,672	1,062,512
Accrued interest receivable	1,180	-	1,180
Note receivables, net of allowance for bad debts	307,829	-	307,829
Prepaid items	833	3,535	4,368
Total current assets	<u>2,472,317</u>	<u>286,494</u>	<u>2,758,811</u>
Non-current assets			
Capital assets:			
Other capital assets, net of depreciation	-	14,275	14,275
Total capital assets	<u>-</u>	<u>14,275</u>	<u>14,275</u>
Total non-current assets	<u>-</u>	<u>14,275</u>	<u>14,275</u>
Total assets	<u>2,472,317</u>	<u>300,769</u>	<u>2,773,086</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Contributions to pension plan in current fiscal year	56,416	-	56,416
Deferred outflows related to pensions	<u>166,293</u>	<u>-</u>	<u>166,293</u>
Total deferred outflows of resources	<u>222,709</u>	<u>-</u>	<u>222,709</u>
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable and accrued liabilities	\$ 802,166	\$ 25,338	\$ 827,504
Unearned revenue	211,851	-	211,851
Current portion of long-term liabilities	43,968	3,005	46,973
Total current liabilities	1,057,985	28,343	1,086,328
Long-term liabilities			
Net pension liability – LGERS	251,497	-	251,497
Accrued annual leave	-	-	-
Other post-employment benefits	330,180	-	330,180
Total long-term liabilities	<u>581,677</u>	<u>-</u>	<u>581,677</u>
Total liabilities	<u>1,639,662</u>	<u>28,343</u>	<u>1,668,005</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows related to pensions	<u>31,049</u>	<u>-</u>	<u>31,049</u>
<b>NET POSITION</b>			
Net investment in capital assets	-	14,275	14,275
Restricted			
Stabilization by State Statute	943,840	-	943,840
Unrestricted	<u>80,475</u>	<u>258,151</u>	<u>338,626</u>
Total net position	<u>\$ 1,024,315</u>	<u>\$ 272,426</u>	<u>\$ 1,296,741</u>

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

**KERR-TAR REGIONAL COUNCIL OF GOVERNMENTS**  
**Statement of Activities**  
**For the Year Ended June 30, 2017**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Primary Governmental Activities</u>	<u>Region K Community Assistance Corporation</u>	<u>Total</u>
<b>Primary Government:</b>							
Governmental Activities							
General government	\$ 18,276	\$ 20,228	\$ -	\$ -	\$ 1,952	\$ -	\$ 1,952
Transportation	473,242	-	416,410	-	(56,832)	-	(56,832)
Economic and physical development	190,821	81,907	63,000	-	(45,914)	-	(45,914)
Human services	2,577,558	12,000	2,527,999	-	(37,559)	-	(37,559)
Workforce development	2,369,170	-	2,372,106	-	2,936	-	2,936
Total governmental activities	<u>5,629,067</u>	<u>114,135</u>	<u>5,379,515</u>	<u>-</u>	<u>(135,417)</u>	<u>-</u>	<u>(135,417)</u>
Component unit:							
Region K Community Assistance Corporation							
Corporation	450,607	13,537	470,759	-	-	33,689	33,689
Total component unit	<u>450,607</u>	<u>13,537</u>	<u>470,759</u>	<u>-</u>	<u>-</u>	<u>33,689</u>	<u>33,689</u>
General Revenues							
Local government					161,921	-	161,921
Unrestricted investment earnings					2,358	99	2,457
Miscellaneous, unrestricted					7,201	3,214	10,415
Total general revenues					<u>171,480</u>	<u>3,313</u>	<u>174,793</u>
Change in net position					<u>36,063</u>	<u>37,002</u>	<u>73,065</u>
Net position, beginning					988,252	235,424	1,223,676
Net position, ending					<u>\$ 1,024,315</u>	<u>\$ 272,426</u>	<u>\$ 1,296,741</u>

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

## **FUND FINANCIAL STATEMENTS**

**KERR-TAR REGIONAL COUNCIL OF GOVERNMENTS**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2017**

	<u>General</u>	<u>Aging</u>	<u>Workforce Innovation and Opportunity Act</u>	<u>Revolving Loan</u>	<u>Non-Major Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>						
Cash and cash equivalents	\$ 318,636	\$ -	\$ 52,795	\$ 752,565	\$ 94,639	\$ 1,218,635
Accounts receivable, net	177,700	338,304	426,393	1,443	-	943,840
Notes receivable, net of allowance for bad debts	-	-	-	191,553	116,276	307,829
Prepaid expenses	833	-	-	-	-	833
Total assets	<u>\$ 497,169</u>	<u>\$ 338,304</u>	<u>\$ 479,188</u>	<u>\$ 945,561</u>	<u>\$ 210,915</u>	<u>\$ 2,471,137</u>
<b>LIABILITIES</b>						
Accounts payable and accrued liabilities	\$ 37,469	\$ 338,304	\$ 426,393	\$ -	\$ -	\$ 802,166
Unearned revenues	211,851	-	-	-	-	211,851
Total liabilities	<u>249,320</u>	<u>338,304</u>	<u>426,393</u>	<u>-</u>	<u>-</u>	<u>1,014,017</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Receivables uncollected	-	-	-	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES</b>						
Non Spendable						
Revolving loans	-	-	-	191,553	116,276	307,829
Prepaid expenses	833	-	-	-	-	833
Restricted						
Stabilization by State Statute	177,700	338,304	426,393	1,443	-	943,840
Assigned	-	-	-	752,565	94,639	847,204
Unassigned	69,316	(338,304)	(373,598)	-	-	(642,586)
Total fund balances	<u>247,849</u>	<u>-</u>	<u>52,795</u>	<u>945,561</u>	<u>210,915</u>	<u>1,457,120</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 497,169</u>	<u>\$ 338,304</u>	<u>\$ 479,188</u>	<u>\$ 945,561</u>	<u>\$ 210,915</u>	<u>\$ 2,471,137</u>

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

**KERR-TAR REGIONAL COUNCIL OF GOVERNMENTS**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2017**

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

Total Fund Balance, Governmental Funds		\$ 1,457,120
Contributions to pension plan in the current fiscal year are deferred outflows of resources on the Statement of Net Position.		56,416
Other long-term assets are not available to pay for current-period expenditures and therefore are inflows of resources in the funds.		
Accrued interest receivable		1,180
Accounts receivable due from other governments not collected within 90 days after year-end is deferred in the fund		-
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds		
Net pension obligation – LGERS	(251,497)	
Other liabilities due in more than one year	<u>-</u>	(251,497)
Pension related deferrals		135,244
Other liabilities are not due and payable in the current period and therefore are not reported in the funds.		
Compensated absences	(43,968)	
OPEB obligation	<u>(330,180)</u>	<u>(374,148)</u>
Net position of governmental funds		<u>\$ 1,024,315</u>

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

**KERR-TAR REGIONAL COUNCIL OF GOVERNMENTS**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Governmental Funds**  
**For the Year Ended June 30, 2017**

	General	Aging	Workforce Innovation and Opportunity Act	Revolving Loan	Non-Major Funds	Total Governmental Funds
<b>REVENUES</b>						
Charges for services	\$ 102,668	\$ -	\$ -	\$ 11,175	\$ 292	\$ 114,135
Local government revenues	161,921	-	-	-	-	161,921
Operating grants and contributions	1,549,111	2,031,379	1,765,721	-	-	5,346,211
Economic Development and Technical Assist. Grant	63,000	-	-	-	-	63,000
Investment earnings	2,358	-	-	-	-	2,358
Miscellaneous	7,201	-	-	-	-	7,201
Total revenues	<u>1,886,259</u>	<u>2,031,379</u>	<u>1,765,721</u>	<u>11,175</u>	<u>292</u>	<u>5,694,826</u>
<b>EXPENDITURES</b>						
EDA - Planning Assistance	103,450	-	-	-	-	103,450
Revolving Loan Fund Administration	15,924	-	-	-	-	15,924
Micro-Enterprise Loan Fund Administration	2,920	-	-	-	-	2,920
Water Quality - CFAT	19,991	-	-	-	-	19,991
Mobility Manager	64,389	-	-	-	-	64,389
Rural Transportation Planning Organization	109,510	-	-	-	-	109,510
Aging - Planning and Administration	179,857	-	-	-	-	179,857
Aging - DOA Administration	48,263	-	-	-	-	48,263
Aging - Ombudsman	117,960	-	-	-	-	117,960
Aging - Elder Abuse	4,744	-	-	-	-	4,744
Aging - CRC/LCA	28,497	-	-	-	-	28,497
Aging - Triangle North Healthcare	5,453	-	-	-	-	5,453
Aging - Triangle North - RGP	1,609	-	-	-	-	1,609
Aging - Caregiver Category I	101,981	-	-	-	-	101,981
Aging - NCDOT Project	297,372	-	-	-	-	297,372
Aging - Senior Games	5,239	-	-	-	-	5,239
Aging - III D Medication Mgmt.	24,556	-	-	-	-	24,556
Aging - SHIP	6,794	-	-	-	-	6,794
Aging - MIPPA	10,760	-	-	-	-	10,760
WIA Administration	136,091	-	-	-	-	136,091
WIA Adult Services	143,856	-	-	-	-	143,856
WIA Youth Services	124,604	-	-	-	-	124,604
WIA Dislocated Workers	121,971	-	-	-	-	121,971
WIA On-the-Job Training - National Emergency Grant	21,102	-	-	-	-	21,102
WIA Career Pathways Plan	10,968	-	-	-	-	10,968
WIA Career Pathways Implementation	53,730	-	-	-	-	53,730
CDBG - Vance County NSP	4,859	-	-	-	-	4,859
Granville County SFR	7,464	-	-	-	-	7,464
Franklin County SFR	5,123	-	-	-	-	5,123

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

**KERR-TAR REGIONAL COUNCIL OF GOVERNMENTS**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Governmental Funds**  
**For the Year Ended June 30, 2017**

	<b>General</b>	<b>Aging</b>	<b>Workforce Innovation and Opportunity Act</b>	<b>Revolving Loan</b>	<b>Non-Major Funds</b>	<b>Total Governmental Funds</b>
Bunn Zoning	7,799	-	-	-	-	7,799
Franklin County - Building Reuse	2,030	-	-	-	-	2,030
Warrenton - Building Reuse	2,500	-	-	-	-	2,500
City of Henderson Infrastructure	2,905	-	-	-	-	2,905
Vance County Broadband	1,306	-	-	-	-	1,306
Seed Grant for SET	5,000	-	-	-	-	5,000
Kerr-Tar Regional Economic Development Corporation	52,991	-	-	-	-	52,991
HCC Block Grant	-	1,821,664	-	-	-	1,821,664
Nutrition Services Incentive Program (NSIP)	-	83,452	-	-	-	83,452
Caregiver Cat I	-	41,912	-	-	-	41,912
Fans	-	3,261	-	-	-	3,261
Senior Center General Purpose	-	71,884	-	-	-	71,884
Legal	-	9,206	-	-	-	9,206
WIA Adult Services	-	-	652,822	-	-	652,822
WIA Dislocated Workers	-	-	549,875	-	-	549,875
WIA On-the-Job Training - National Emergency Grant	-	-	164,068	-	-	164,068
WIA Youth Services	-	-	355,145	-	-	355,145
WIA Career Pathways	-	-	43,811	-	-	43,811
Loans (Charges)	-	-	-	37	-	37
<b>Total expenditures</b>	<b>1,853,568</b>	<b>2,031,379</b>	<b>1,765,721</b>	<b>37</b>	<b>-</b>	<b>5,650,705</b>
Excess (deficiency) of revenues over expenditures	32,691	-	-	11,138	292	44,121
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers from other funds	18,844	-	-	-	-	18,844
Transfers (to) other funds	-	-	-	(15,924)	(2,920)	(18,844)
<b>Total other financing sources (uses)</b>	<b>18,844</b>	<b>-</b>	<b>-</b>	<b>(15,924)</b>	<b>(2,920)</b>	<b>-</b>
Net change in fund balance	51,535	-	-	(4,786)	(2,628)	44,121
<b>FUND BALANCES, beginning</b>	<b>196,314</b>	<b>-</b>	<b>52,795</b>	<b>950,347</b>	<b>213,543</b>	<b>1,412,999</b>
<b>FUND BALANCES, ending</b>	<b>\$ 247,849</b>	<b>\$ -</b>	<b>\$ 52,795</b>	<b>\$ 945,561</b>	<b>\$ 210,915</b>	<b>\$ 1,457,120</b>

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

**KERR-TAR REGIONAL COUNCIL OF GOVERNMENTS**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Governmental Funds**  
**For the Year Ended June 30, 2017**

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

Net changes in fund balances - total governmental funds		\$ 44,121
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities.		56,416
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Change in receivables uncollected	(29,696)	
Change in accrued interest receivable	<u>-</u>	(29,696)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Compensated absences	979	
Pension expense	(61,143)	
Other postemployment benefits	<u>25,386</u>	<u>(34,778)</u>
Total adjustments		<u>(8,058)</u>
Total changes in net position of governmental activities		<u>\$ 36,063</u>

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

**KERR-TAR REGIONAL COUNCIL OF GOVERNMENTS**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual**  
**General Fund**  
**For the Year Ended June 30, 2017**

	<b>General Fund</b>			
	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual Amounts</b>	<b>Variance Positive (Negative)</b>
Revenues	\$ 2,049,520	\$ 2,732,434	\$ 1,885,610	\$ (846,824)
Expenditures	2,049,520	2,762,434	1,852,919	909,515
Excess (deficiency) of revenues over expenditures	-	(30,000)	32,691	62,691
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers from other funds	-	30,000	18,844	(11,156)
Transfers (to) other funds	-	-	-	-
Total other financing sources (uses)	-	30,000	18,844	(11,156)
Excess (deficiency) of revenues and other sources over expenditures	-	-	51,535	51,535
Fund balance appropriated	-	-	-	-
Net change in fund balance	\$ -	\$ -	51,535	\$ 51,535
<b>FUND BALANCES, beginning</b>			196,314	
<b>FUND BALANCES, ending</b>			<u>\$ 247,849</u>	

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

**KERR-TAR REGIONAL COUNCIL OF GOVERNMENTS**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual**  
**Aging Fund**  
**For the Year Ended June 30, 2017**

	<b>Aging Fund</b>			
	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual Amounts</b>	<b>Variance Positive (Negative)</b>
Revenues	\$ 1,954,106	\$ 2,032,283	\$ 2,031,379	\$ (904)
Expenditures	1,954,106	2,032,283	2,031,379	904
Excess (deficiency) of revenues over expenditures	-	-	-	-
Fund balance appropriated	-	-	-	-
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>
<b>FUND BALANCES, beginning</b>				-
<b>FUND BALANCES, ending</b>			<u>\$ -</u>	

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

**KERR-TAR REGIONAL COUNCIL OF GOVERNMENTS**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual**  
**Workforce Innovation and Opportunity Act Fund**  
**For the Year Ended June 30, 2017**

	<b>Workforce Innovation and Opportunity Act Fund</b>			
	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual Amounts</b>	<b>Variance Positive (Negative)</b>
Revenues	\$ 1,604,000	\$ 2,238,710	\$ 1,765,721	\$ (472,989)
Expenditures	1,604,000	2,238,710	1,765,721	472,989
Excess (deficiency) of revenues over expenditures	-	-	-	-
Excess (deficiency) of revenues and other sources over expenditures	-	-	-	-
Fund balance appropriated	-	-	-	-
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>
<b>FUND BALANCES, beginning</b>			52,795	
<b>FUND BALANCES, ending</b>			<u>\$ 52,795</u>	

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

**KERR-TAR REGIONAL COUNCIL OF GOVERNMENTS**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual**  
**Revolving Loan Fund**  
**For the Year Ended June 30, 2017**

	<b>Revolving Loan Fund</b>			<b>Variance Positive (Negative)</b>
	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual Amounts</b>	
Revenues	\$ 15,000	\$ 15,000	\$ 11,175	\$ (3,825)
Expenditures	-	50	37	13
Excess (deficiency) of revenues over expenditures	15,000	14,950	11,138	(3,812)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers from other funds	-	-	-	-
Transfers (to) other funds	(15,000)	(14,950)	(15,924)	(974)
Total other financing sources (uses)	(15,000)	(14,950)	(15,924)	(974)
Excess (deficiency) of revenues and other sources over expenditures	-	-	(4,786)	(4,786)
Fund balance appropriated	-	-	-	-
Net change in fund balance	\$ -	\$ -	(4,786)	\$ (4,786)
<b>FUND BALANCES, beginning</b>			950,347	
<b>FUND BALANCES, ending</b>			<u>\$ 945,561</u>	

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

**KERR-TAR REGIONAL COUNCIL OF GOVERNMENTS**  
**Statement of Net Position - Fiduciary Fund**  
**June 30, 2017**

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	<u>Pension Trust Fund</u>
<b>ASSETS</b>	
Cash and cash equivalents	<u>\$ 10,036</u>
<b>NET POSITION</b>	
Assets held in trust for pension benefits	<u>\$ 10,036</u>

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

**KERR-TAR REGIONAL COUNCIL OF GOVERNMENTS**  
**Statement of Changes in Net Position - Fiduciary Fund**  
**For the Year Ended June 30, 2017**

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	<u>Pension Trust Fund</u>
Additions:	
Investment income	\$ 10
Net position, beginning of year	<u>10,026</u>
Net position, end of year	<u><u>\$ 10,036</u></u>

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

**NOTES TO THE FINANCIAL STATEMENTS**

**KERR-TAR REGIONAL COUNCIL OF GOVERNMENTS**  
**Notes to Financial Statements**  
**June 30, 2017**

**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 <u>Appointed</u>	Amount of <u>Assessment Paid</u>
Franklin	3	\$ 31,703
Bunn	1	204
Franklinton	1	1,196
Louisburg	1	1,984
Youngsville	1	684
Granville	5	21,520
Butner	1	4,480
Creedmoor	1	2,432
Oxford	1	4,992
Stem	1	272
Stovall	1	248
Person	3	18,351
Roxboro	1	4,936
Vance	4	17,380
Henderson	1	9,068
Kittrell	1	276
Middleburg	1	80
Warren	3	11,136
Macon	1	72
Norlina	1	660
Warrenton	<u>1</u>	<u>508</u>
	<u>34</u>	<u>\$ 132,182</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.

*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, North Carolina 27536.

**KERR-TAR REGIONAL COUNCIL OF GOVERNMENTS**  
**Notes to Financial Statements**  
**June 30, 2017**

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**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, Micro-Enterprise Loan Fund, Revolving Loan Fund-Green Jobs, Aging Fund, and Workforce Investment Act Fund, which are Special Revenue Funds.

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 Innovation and Opportunity Act Fund: The Workforce Innovation and Opportunity Act (WIOA) 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.

## KERR-TAR REGIONAL COUNCIL OF GOVERNMENTS

### Notes to Financial Statements

June 30, 2017

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The Council also reports Other Governmental Funds, which are individually non-major, in total. The Micro-Enterprise 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 General 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.

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. 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.

**KERR-TAR REGIONAL COUNCIL OF GOVERNMENTS**  
**Notes to Financial Statements**  
**June 30, 2017**

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**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 3 gives an analysis of total fringe benefits for the year.

Indirect costs are recorded as paid. These costs are detailed in Schedule 4 and consist mainly of administrative costs. Indirect costs are also distributed to departments based on gross pay plus fringe benefits.

**H. Assets, Liabilities, Deferred Outflows/Inflows 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.

*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. Note receivables within the Revolving Loan Fund are shown net of an allowance for uncollectible accounts of \$133,714 at June 30, 2017.

**KERR-TAR REGIONAL COUNCIL OF GOVERNMENTS**  
**Notes to Financial Statements**  
**June 30, 2017**

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*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.

*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 an acquisition of net position that applies to a future period and so will not be recognized as revenue until then and also 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 deferrals of pension expense and accounts receivable that have not been collected within 90 days, if applicable, that met these criterion.

*Deferred Outflows of Resources* – In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, Deferred Outflows of Resources, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Council has two items that meet this criterion, contributions made to the pension plan in the 2017 fiscal year and pension related deferrals.

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

The governmental fund types classify fund balances as follows:

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

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

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*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.

*Assigned Fund Balance* – Portion of fund balance that the Council intends to use for specific purposes.

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

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

**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, 2017, the Council’s deposits had a carrying amount of \$681,857 and a bank balance of \$1,028,611. Of the bank balance, \$260,036 was covered by FDIC and \$768,575 was covered by collateral held under the Pooling Method.

NC G.S. 159-30.1 allows the Council to establish an Other Post Employment Benefit (OPEB) Trust to be operated in accordance with State laws and regulations. The Council on December 28, 2010, established an Irrevocable OPEB Trust. The Trust agreement specifies that any assets of the Trust are to be invested in those investments authorized by the N.C.G.S. 159-30 and no others. It is not registered with the SEC. At June 30, 2017, the Council’s investment consisted of \$10,036 in a financial institution that complies with G.S. 159-30.

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*Investments* – At June 30, 2017, the Council’s investments consisted of \$536,778 in the North Carolina Capital Management Trust’s Government Portfolio, which carried a credit rating of AAAM 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.

**Note 3 – Receivables**

The amount due from other governments and other receivables that is owed to the Council for the year ended June 30, 2017 consists of the following:

	<u>Notes</u>	<u>Accounts Receivable</u>	<u>Total</u>
Governmental Activities:			
General	\$ -	\$ 177,700	\$ 177,700
Aging	-	338,304	338,304
WIOA	-	426,393	426,393
Revolving loan	191,553	1,443	192,996
Other governmental	<u>116,276</u>	-	<u>116,276</u>
Total receivables	<u>\$ 307,829</u>	<u>\$ 943,840</u>	<u>\$ 1,251,669</u>

**Note 4 – Capital Assets**

The capital assets activity of the Council for the year ended June 30, 2017 was as follows:

Governmental Type:	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Capital assets being depreciated:				
General Equipment	<u>\$ 18,587</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,587</u>
Less accumulated depreciation for:				
General Equipment	<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, 2017 was \$0.

**KERR-TAR REGIONAL COUNCIL OF GOVERNMENTS**  
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**Note 5 – Accounts Payable**

Accounts payable at the government-wide level at June 30, 2017, were as follows:

	<u>Vendors</u>
Governmental Activities:	
General	\$ 37,469
Aging	338,304
WIOA	<u>426,393</u>
Total accounts payable	<u>\$ 802,166</u>

**Note 6 – Employee Retirement Systems and Pension Plans**

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

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

*Benefits Provided* – LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service. Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age (15 years of creditable service for firefighters and rescue squad members who are killed in the line of duty) or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

*Contributions* – Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Council employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Council's contractually required contribution rate for the year ended June 30, 2017, was 7.25% of compensation for general employees, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Council were \$56,416 for the year ended June 30, 2017.

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

*Pension Liabilities, Pension Expense, and Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions* – At June 30, 2017, the Council reported liability of \$251,497 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015. The total pension liability was then rolled forward to the measurement date of June 30, 2016 utilizing update procedures incorporating the actuarial assumptions. The Council’s proportion of the net pension liability was based on a projection of the Council’s long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2017, the Council’s proportion was .0119%, which was a decrease of .002% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the Council recognized pension expense of \$61,143. At June 30, 2017, the Council reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows Of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 4,725	\$ 8,813
Changes of assumptions	17,225	-
Net difference between projected and actual earnings on pension plan investments	139,046	-
Changes in proportion and differences between Council contributions and proportionate share of contributions	5,297	22,236
Council contributions subsequent to the measurement date	56,416	-
	\$ 222,709	\$ 31,049

\$56,416 reported as deferred outflows of resources related to pensions resulting from Council contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ending June 30, 2017. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2018	\$ 16,953
2019	17,019
2020	64,202
2021	37,070
2022	-
Thereafter	-

*Actuarial Assumptions* – The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.50 to 7.75 percent, including inflation and productivity factor
Investment rate of return	7.25 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the December 31, 2015 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	29.0%	1.4%
Global Equity	42.0%	5.3%
Real Estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation Protection	6.0%	4.0%
Total	<u>100%</u>	

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

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

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

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	1% Decrease (6.25%)	Discount Rate (7.25%)	1% Increase (8.25%)
Council's proportionate share of the net pension liability (asset)	\$ 596,919	\$ 251,497	\$ (37,026)

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

**B. Other Post-employment 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.

<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.

Membership of the HCB Plan consisted of the following at June 30, 2016, 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	15
Total	22

*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.

The current ARC rate is 3.11% of annual covered payroll. The Council obtains healthcare coverage through private insurers.

For the current year, the Council contributed \$47,738 or 6.83% 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* – Post-employment 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 fiscal year ended June 30, 2017.

**KERR-TAR REGIONAL COUNCIL OF GOVERNMENTS**  
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*Annual OPEB Cost and Net OPEB Obligation* – The Council’s annual other post-employment benefit (“OPEB”) cost (expense) is calculated based on the annual required contribution of the employer (“ARC”), an amount actuarially determined with the parameters of GASB Statement 45. 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 post-employment healthcare benefits:

Annual required contribution	\$	21,716
Interest on net OPEB obligation		14,223
Adjustment to annual required contribution		(13,587)
<b>Annual OPEB cost</b>		22,352
Contributions made in FYE 2017		(47,738)
<b>Increase (decrease) in net OPEB obligation</b>		(25,386)
Net OPEB obligation, beginning of year		355,566
Net OPEB obligation, end of year	\$	330,180

The Council’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of June 30, 2017 were as follows:

<b><u>Three-Year Trend Information</u></b>			
Fiscal Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2015	\$ 76,552	56.6%	\$ 330,700
2016	69,453	64.2%	355,566
2017	22,352	213.6%	330,180

*Funded Status and Funding Progress* – As of June 30, 2016, the most recent actuarial valuation date, the HCB Plan was funded in the amount of \$10,026. The actuarial accrued liability for benefits was \$383,717 and thus, the unfunded actuarial accrued liability (“UAAL”) was \$373,691. The covered payroll (annual payroll of active employees covered by the plan) was \$698,861, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 53.47%. Actuarial valuations of an ongoing plan involve 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 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.

**KERR-TAR REGIONAL COUNCIL OF GOVERNMENTS**  
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In the June 30, 2016 actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a 4.00 percent investment rate of return (net of administrative expenses), which is the expected long-term investment returns on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual medical cost trend increase of between 7.75 to 5.00 percent annually. The investment rate included a 3.00 percent inflation assumption. The actuarial value of assets, if any, was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2016 was 30 years.

**C. 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, 2017, the Council made contributions to the State for death benefits of \$623. The Council's required contributions for employees not engaged in law enforcement and for law enforcement officers represented .08% 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, 2017**

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion
<b>Governmental Activities:</b>					
Other post-employment benefits	\$ 355,566	\$ -	\$ 25,386	\$ 330,180	\$ -
Net pension liability (LGERS)	63,415	188,082	-	251,497	-
Compensated absences	44,947	52,088	53,067	43,968	43,968
Governmental activity long-term liabilities	<u>\$ 463,928</u>	<u>\$ 240,170</u>	<u>\$ 78,453</u>	<u>\$ 625,645</u>	<u>\$ 43,968</u>

**KERR-TAR REGIONAL COUNCIL OF GOVERNMENTS**  
**Notes to Financial Statements**  
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**B. Operating Leases**

The Council leases copiers under operating leases. Also, the Council leases office space under an operating lease of \$4,010 per month with a term through December 30, 2020. The following represents annual minimum lease payments under these noncancellable operating leases as of June 30, 2017:

Year Ending June 30,		
2018	\$	62,079
2019		53,560
2020		25,663
2021		1,070
2022		-
Total		\$ 142,372

Rent expense under all leases was \$59,887 for the year ended June 30, 2017.

**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, 2017:

From the Revolving Loan Fund to the General Fund to offset administrative costs	\$	15,924
From the Micro-Enterprise Loan Fund to the General Fund to offset administrative costs	\$	2,920

**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, 2017, no request for reimbursement by the grantor agencies existed for those grants which have been subjected to grantor audits.

**KERR-TAR REGIONAL COUNCIL OF GOVERNMENTS**  
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**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 41% and 44% of the Council's total revenue for the year ended June 30, 2017, 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 – Subsequent Events**

The Council has evaluated subsequent events through December 15, 2017, in connection with the preparation of these basic financial statements, which is the date the basic financial statements were available to be issued.

**REQUIRED SUPPLEMENTARY INFORMATION**

**KERR-TAR REGIONAL COUNCIL OF GOVERNMENTS**  
**Other Postemployment Benefits**  
**Required Supplementary Information**

**Schedule of Funding Progress**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) – Projected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b - a) / c)
12/31/2013	\$ 10,000	\$ 1,612,323	\$ 1,602,323	0.62%	\$ 695,848	230.27%
12/31/2014	10,016	1,605,502	1,595,486	0.62%	798,641	199.78%
12/31/2015	10,021	1,438,136	1,428,110	0.70%	720,938	198.09%
6/30/2016	10,026	383,717	373,691	2.61%	698,861	53.47%

**Schedule of Employer Contributions**

Year Ended June 30,	Annual Required Contribution	Percentage Contributed	Contributions Made
2014	\$ 79,950	37.9%	\$ 30,304
2015	75,260	57.5%	43,312
2016	68,423	65.2%	44,587
2017	21,716	219.8%	47,738

**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	6/30/2016
Actuarial cost method	Entry Age Normal, Level Percentage of Pay
Amortization method	Level Percentage of Pay, Closed
Remaining amortization period:	30 Years
Asset valuation method	Market Value of Assets
Actuarial assumptions:	
Investment rate of return*	4.00%
Pre-Medicare trend rate	7.75% - 5.00%
Post-Medicare trend rate	5.75% - 5.00%
Year of ultimate trend rate	2022
*Includes inflation at	3.00%

**KERR-TAR REGIONAL COUNCIL OF GOVERNMENTS**  
**Local Government Employees' Retirement System**  
**Required Supplementary Information**  
**Last Three Fiscal Years\***

**Schedule of the Proportionate Share of Net Pension Liability (Asset)**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
KTR-COG's proportion of the net pension liability (asset) (%)	0.01185%	0.01413%	0.01296%	0.01500%
KTR-COG's proportion of the net pension liability (asset) (\$)	\$ 251,497	\$ 63,415	\$ (76,341)	\$ 177,191
KTR-COG's covered-employee payroll	\$ 720,938	\$ 720,938	\$ 798,641	\$ 695,848
KTR-COG's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	34.88%	8.80%	-9.56%	25.46%
Plan fiduciary net position as a percentage of the total pension liability**	91.47%	98.09%	102.64%	94.35%

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

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

**Schedule of Contributions**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 56,416	\$ 48,087	\$ 56,464	\$ 48,773
Contributions in relation to the contractually required contribution	56,416	48,087	56,464	48,773
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
KTR-COG's covered-employee payroll	\$ 778,154	\$ 720,938	\$ 798,461	\$ 695,848
Contributions as a percentage of covered-employee payroll	7.25%	6.67%	7.07%	7.01%

**SUPPLEMENTARY INFORMATION**

**KERR-TAR REGIONAL COUNCIL OF GOVERNMENTS**  
**Schedule of Released Time and Fringe Benefits Allocation**  
**For the Year Ended June 30, 2017**

**Released Time and Fringe Benefits Allocable**

FICA tax	\$ 56,784
Group Insurance	116,834
Retirement	57,039
Retirement Supplement	7,674
Retiree Benefits	48,052
Unemployment	6,100
	<u>\$ 292,483</u>

**Released Time and Fringe Benefits Allocated**

Council (allocable as indirect)	\$ 74,377
Kerr-Tar Regional Economic Development Corporation	8,652
Economic Development Administration	12,525
CFAT	4,125
Mobility Manager	10,286
Bunn Zoning	1,052
Triangle North Healthcare	63
Triangle North RGP	144
Rural Transportation Planning Organization	15,879
Aging - Planning and Administration	23,773
Aging - Ombudsman	17,683
Aging - Elder Abuse	639
Aging - LCA/CRC	5,623
Aging - Evidence Based	3,062
Aging - AAA	7,488
Aging - Medicare SHIIP	1,029
Aging - MIPPA	1,529
Aging - Caregiver Category I	15,759
Workforce Development:	
WIA Adult - Program	20,356
WIA Youth - Program	18,559
WIA Dislocated Workers - Program	17,309
WIA Administration	21,226
WIA NEG OJT	2,601
WIOA Career Pathways Plan	1,855
WIOA Career Pathways Implementation	6,889
	<u>\$ 292,483</u>

**Calculation of Fringe Benefit Rate**

Chargeable salaries	<u>\$ 778,154</u>
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**Rate**

Released time and fringe benefits divided by chargeable salaries

$$\$ 292,483 \quad \text{Divided by} \quad \$ 778,154 \quad = \quad 37.6\%$$

**KERR-TAR REGIONAL COUNCIL OF GOVERNMENTS**  
**Schedule of Indirect Expense and Program Expense Allocation - General Fund**  
**For the Year Ended June 30, 2017**

	<u>Indirect Expenses</u>	<u>Program Costs</u>
<b><u>Council - Allocable Expenses</u></b>		
Salaries	\$ 197,374	\$ -
Professional services	55,772	-
Released time and fringe benefits	74,377	-
Travel	9,302	-
Dues and subscriptions	11,800	-
Insurance and bonds	22,525	-
Board expenses	8,145	-
Advertising	306	-
Bank service charges	1,306	-
Software	15,424	-
Telephone and postage	-	15,780
Utilities	-	7,373
Maintenance and repairs - equipment	-	38,940
Contracted utilities and cleaning - Vance Co. Schools	-	12,850
Office supplies	-	9,224
Office space	-	48,119
	<u>\$ 396,331</u>	<u>\$ 132,286</u>
<b><u>Allocated Expenses</u></b>		
Kerr-Tar Regional Economic Development Corporation	\$ 14,343	\$ 5,412
Economic Development Administration - Planning Assistance	20,317	8,100
CFAT	7,629	1,499
Rural Transportation Planning Organization	29,264	10,068
Mobility Manager	20,089	5,795
Bunn Zoning	1,573	676
Triangle North Healthcare	118	44
Triangle North RGP	297	157
Aging - Planning and Administration	42,476	14,597
Aging - Ombudsman	32,735	10,787
Aging - Elder Abuse	984	363
Aging - LCA/CRC	10,678	3,119
Aging - Evidence Based	5,562	2,212
Aging - AAA	14,105	4,594
Aging - Medicare SHIIP	1,899	715
Aging - MIPPA	2,422	859
Aging - Caregiver Category I	28,725	9,578
Workforce Development:		
WIA Administration	38,151	12,074
WIA Adult - Program	42,628	12,530
WIA Youth - Program	34,360	11,475
WIA Dislocated Workers - Program	30,160	10,961
WIA NEG OJT	4,242	1,561
WIOA Career Pathways Plan	3,138	1,078
WIOA Career Pathways Implementation	10,436	4,032
	<u>\$ 396,331</u>	<u>\$ 132,286</u>
<b><u>Calculation of Fringe Benefit Rate</u></b>		
Direct chargeable salaries		\$ 580,780
Released time and fringe benefits		292,483
		<u>\$ 873,263</u>

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

**Rate**

Indirect costs subject to rate divided by adjusted chargeable salaries				
\$ 396,331	Divided by	\$ 873,263	=	45.4%
Program costs subject to rate divided by adjusted chargeable salaries				
\$ 132,286	Divided by	\$ 873,263	=	15.1%

**KERR-TAR REGIONAL COUNCIL OF GOVERNMENTS**  
**Combining Balance Sheet**  
**Non-Major Governmental Funds**  
**June 30, 2017**

	<b>Micro-Enterprise Loan Fund</b>	<b>Revolving Loan Fund - Green Jobs</b>	<b>Total Non-Major Governmental Funds</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 89,056	\$ 5,583	\$ 94,639
Notes receivable, net of allowance for bad debts	1,276	115,000	116,276
Total assets	<u>\$ 90,332</u>	<u>\$ 120,583</u>	<u>\$ 210,915</u>
<b>LIABILITIES</b>			
Accounts payable and accrued liabilities	\$ -	\$ -	\$ -
Total liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>FUND BALANCES</b>			
Non Spendable			
Notes receivable	\$ 1,276	\$ 115,000	\$ 116,276
Assigned	<u>89,056</u>	<u>5,583</u>	<u>94,639</u>
Total fund balances	<u>90,332</u>	<u>120,583</u>	<u>210,915</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 90,332</u>	<u>\$ 120,583</u>	<u>\$ 210,915</u>

**KERR-TAR REGIONAL COUNCIL OF GOVERNMENTS**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Non-Major Governmental Funds**  
**For the Year Ended June 30, 2017**

	<u>Micro-Enterprise Loan Fund</u>	<u>Revolving Loan Fund - Green Jobs</u>	<u>Total Non-Major Governmental Funds</u>
<b>REVENUES</b>			
Interest on loans	\$ 292	\$ -	\$ 292
Total revenues	<u>292</u>	<u>-</u>	<u>292</u>
<b>EXPENDITURES</b>			
Legal	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>292</u>	<u>-</u>	<u>292</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers from other funds	-	-	-
Transfers (to) other funds	<u>(2,920)</u>	<u>-</u>	<u>(2,920)</u>
Total other financing sources (uses)	<u>(2,920)</u>	<u>-</u>	<u>(2,920)</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses and net change in fund balance	<u>(2,628)</u>	<u>-</u>	<u>(2,628)</u>
<b>FUND BALANCES, beginning</b>	<u>92,960</u>	<u>120,583</u>	<u>213,543</u>
<b>FUND BALANCES, ending</b>	<u>\$ 90,332</u>	<u>\$ 120,583</u>	<u>\$ 210,915</u>

**KERR-TAR REGIONAL COUNCIL OF GOVERNMENTS**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual**  
**Micro-Enterprise Loan Fund**  
**For the Year Ended June 30, 2017**

	<b>Micro-Enterprise Loan Fund</b>			<b>Variance Positive (Negative)</b>
	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual Amounts</b>	
<b>Revenues</b>				
Interest	\$ -	\$ -	\$ 292	\$ 292
Total revenues	<u>-</u>	<u>-</u>	<u>292</u>	<u>292</u>
<b>Expenditures</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>292</u>	<u>292</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers from other funds	-	-	-	-
Transfers (to) other funds	<u>-</u>	<u>-</u>	<u>(2,920)</u>	<u>(2,920)</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(2,920)</u>	<u>(2,920)</u>
Excess (deficiency) of revenues and other sources over expenditures	<u>-</u>	<u>-</u>	<u>(2,628)</u>	<u>(2,628)</u>
Fund balance appropriated	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>(2,628)</u>	<u>\$ (2,628)</u>
<b>FUND BALANCES, beginning</b>			<u>92,960</u>	
<b>FUND BALANCES, ending</b>			<u>\$ 90,332</u>	

**KERR-TAR REGIONAL COUNCIL OF GOVERNMENTS**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual**  
**Revolving Loan Fund - Green Jobs**  
**For the Year Ended June 30, 2017**

	<b>Revolving Loan Fund - Green Jobs</b>			
	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual Amounts</b>	<b>Variance Positive (Negative)</b>
<b>Revenues</b>				
Interest	\$ -	\$ -	\$ -	\$ -
Total revenues	-	-	-	-
<b>Expenditures</b>	-	-	-	-
Loans	-	-	-	-
Legal	-	-	-	-
Total expenditures	-	-	-	-
Excess (deficiency) of revenues over expenditures	-	-	-	-
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers from other funds	-	-	-	-
Transfers (to) other funds	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Excess (deficiency) of revenues and other sources over expenditures	-	-	-	-
Fund balance appropriated	-	-	-	-
Net change in fund balance	\$ -	\$ -	-	\$ -
<b>FUND BALANCES, beginning</b>			<u>120,583</u>	
<b>FUND BALANCES, ending</b>			<u>\$ 120,583</u>	

**COMPLIANCE SECTION**



**William L. Stark and Company**  
Certified Public Accountants

**Independent Auditor's Report on Internal Control Over Financial Reporting  
And On Compliance And Other Matters Based On An Audit Of Financial  
Statements Performed In Accordance With *Government Auditing Standards***

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

We have audited, 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, 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, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Kerr-Tar Regional Council of Governments' basic financial statements, and have issued our report thereon dated December 15, 2017.

**Internal Control Over Financial Reporting**

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

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

Our consideration of internal control was for limited purposes 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Compliance and Other Matters**

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

## **Purpose of this Report**

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

*William L. Stark and Company*

Certified Public Accountants  
Henderson, North Carolina

December 15, 2017



**William L. Stark and Company**  
Certified Public Accountants

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

To the 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' compliance with the types of compliance requirements described in the OMB *Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the Kerr-Tar Regional Council of Governments' major federal programs for the year ended June 30, 2017. The Kerr-Tar Regional Council of Governments' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

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

**Auditor's Responsibility**

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

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

## **Opinion on Each Major Federal Program**

In our opinion, the Kerr-Tar Regional Council of Governments complied, in all material respects, with the 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, 2017.

## **Report on Internal Control Over Compliance**

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

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

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

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

*William L. Stark and Company*

Certified Public Accountants  
Henderson, North Carolina

December 15, 2017



**William L. Stark and Company**  
Certified Public Accountants

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

To the 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' 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 Kerr-Tar Regional Council of Governments' major State programs for the year ended June 30, 2017. The Kerr-Tar Regional Council of Governments' major State programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

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

**Auditor's Responsibility**

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

We believe that our audit provides a reasonable basis for our opinion. However, our audit does not provide a legal determination of the Kerr-Tar Regional Council of Governments' compliance.

## **Opinion on Each Major State Program**

In our opinion, the Kerr-Tar Regional Council of Governments complied, in all material respects, with the 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, 2017.

## **Report on Internal Control Over Compliance**

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

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

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

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

*William L. Stark and Company*

Certified Public Accountants  
Henderson, North Carolina

December 15, 2017

**KERR-TAR REGIONAL COUNCIL OF GOVERNMENTS**  
**Schedule of Findings and Questioned Costs**  
**For the Fiscal Year Ended June 30, 2017**

**Section I. Summary of Auditor's Results**

Financial Statements

Type of auditor's report issued:  
 financial statements audited were prepared  
 in accordance with GAAP:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?	___ Yes	<u>X</u> No	
Significant deficiency(s) identified?	___ Yes	<u>X</u> None reported	
Noncompliance material to financial statements noted?	___ Yes	<u>X</u> No	

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified?	___ Yes	<u>X</u> No	
Significant deficiency(s) identified?	___ Yes	<u>X</u> None reported	

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

Unmodified

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

\_\_\_ Yes    X No

Identification of major federal programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
	Workforce Innovation and Opportunity Act (WIOA) Cluster:
17.258	Adult Programs
17.259	Youth Activities
17.278	Dislocated Workers Program
11.307	Economic Adjustment Assistance

Dollar threshold used to distinguish between Type A and  
 Type B Programs:

\$ 750,000

Auditee qualified as low-risk auditee?

\_\_\_ Yes    X No



**KERR-TAR REGIONAL COUNCIL OF GOVERNMENTS**  
**Schedule of Expenditures of Federal and State Awards**  
**For the Year Ended June 30, 2017**

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Agency or Pass-through Number</u>	<u>Fed. (Direct &amp; Pass-through) Expenditures</u>	<u>State Expenditures</u>	<u>Pass-through to Subrecipients</u>
<b>FEDERAL AWARDS</b>					
<u>U.S. Department of Commerce</u>					
<u>Economic Development Administration</u>					
Direct Program					
Economic Development Support for Planning Organization	11.302		\$ 63,000	\$ -	\$ -
Economic Adjustment Assistance	11.307		\$ 889,790	\$ 296,597	\$ -
<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		\$ 4,035	\$ 237	\$ -
Special Programs for the Aging - Title III F					
Disease Prevention and Health Promotion Services	93.043		\$ 22,248	\$ 1,309	\$ -
Special Programs for the Aging - Title VII, Chapter 2					
Long Term Care Services	93.042		\$ 7,455	\$ 439	\$ -
<u>Aging Cluster</u>					
Special Programs for the Aging - Title III B					
Grants for Supportive Services and Senior Centers					
- Planning and Administration	93.044		\$ 40,595	\$ 2,225	\$ -
- Ombudsman	93.044		\$ 62,346	\$ 3,667	\$ -
- Legal Services	93.044		\$ 8,695	\$ 511	\$ -
- Access	93.044		\$ 76,626	\$ 4,507	\$ 81,133
- In Home Support	93.044		\$ 269,357	\$ 15,845	\$ 285,202
Special Programs for the Aging - Title III C					
Nutrition Services					
- Planning and Administration	93.045		\$ 70,300	\$ 3,852	\$ -
- Congregate Nutrition	93.045		\$ 239,421	\$ 14,084	\$ 253,505
- Home Delivered Meals	93.045		\$ 300,542	\$ 17,679	\$ 318,221
Nutrition Services Incentive Program	93.053		\$ 83,452	\$ -	\$ 83,452
Total Aging Cluster			\$ 1,151,334	\$ 62,370	\$ 1,021,513
National Family Caregiver Support					
- Planning and Administration	93.052		\$ 134,918	\$ 8,995	\$ 41,912
	93.052		\$ 26,437	\$ 1,449	\$ -
			\$ 161,355	\$ 10,444	\$ 41,912
Money Follows the Person Rebalancing Demo. Grant	93.791		\$ 27,487	\$ -	\$ -
Social Services Block Grant - State Adult Day Care	93.667		\$ 62,013	\$ 1,772	\$ 63,785
Passed through N.C. Dept. of Insurance:					
Medicare SHIIP	93.048		\$ 5,435	\$ -	\$ -
Medicare MIPPA	93.071		\$ 4,692	\$ -	\$ -
Total U.S. Department of Health and Human Services			\$ 1,446,054	\$ 76,571	\$ 1,127,210

**KERR-TAR REGIONAL COUNCIL OF GOVERNMENTS**  
**Schedule of Expenditures of Federal and State Awards**  
**For the Year Ended June 30, 2017**

U.S. Department of Labor

Employment and Training Administration

Passed through N.C. Dept. of Commerce:

Division of Employment and Training

Workforce Investment Act Cluster

Workforce Investment Act - Adult Program	17.258	\$ 835,799	\$ -	\$ 652,822
Workforce Investment Act - Youth Activities	17.259	\$ 539,344	\$ -	\$ 355,145
Workforce Investment Act - Dislocated Workers	17.278	\$ 709,637	\$ -	\$ 549,875
Total Workforce Investment Act Cluster		<u>\$ 2,084,780</u>	<u>\$ -</u>	<u>\$ 1,557,842</u>

National Emergency Grants	17.277	\$ 293,313	\$ -	\$ 207,879
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Total U.S. Department of Labor		<u>\$ 2,378,093</u>	<u>\$ -</u>	<u>\$ 1,765,721</u>
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U.S. Department of Housing and Urban Development

Community Planning and Development

Passed through N.C. Dept. of Commerce:

Community Development Block Grant - State's Program

Passed through member units of government for technical support services

Vance County NSP	14.228	\$ 4,859	\$ -	\$ -
Total Community Development Block Grant		<u>\$ 4,859</u>	<u>\$ -</u>	<u>\$ -</u>

Passed through N.C. Housing Finance Agency:

Single Family Rehabilitation

Franklin County SFR	14.239	\$ 5,123	\$ -	\$ -
Granville County SFR	14.239	\$ 7,464	\$ -	\$ -
		<u>\$ 12,587</u>	<u>\$ -</u>	<u>\$ -</u>

Total U.S. Department of Housing and Urban Development		<u>\$ 17,446</u>	<u>\$ -</u>	<u>\$ -</u>
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U.S. Department of Transportation

Community Planning and Development

Federal Transit Administration Cluster

Highway Planning and Construction Cluster

Kerr-Tar Rural Planning Organization	20.205	\$ 87,623	\$ -	\$ -
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Enhanced Mobility for Seniors and Individuals with Disabilities Cluster

Mobility Manager	20.513	\$ 51,513	\$ 6,438	\$ -
NC DOT Aging Project	20.513	\$ 237,894	\$ 29,733	\$ -
Total Enhanced Mobility for Seniors and Individuals with Disabilities Cluster		<u>\$ 289,407</u>	<u>\$ 36,171</u>	<u>\$ -</u>

Total U.S. Department of Transportation		<u>\$ 377,030</u>	<u>\$ 36,171</u>	<u>\$ -</u>
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**STATE AWARDS**

N.C. Department of Health and Human Services

Division of Aging:

90% State Funds - Ombudsman	-	\$ -	\$ 32,263	\$ -
90% State Funds - In Home Support	-	\$ -	\$ 655,951	\$ 655,951
90% State Funds - Home Delivered Meals	-	\$ -	\$ 98,627	\$ 98,627
90% State Funds - Access	-	\$ -	\$ 65,255	\$ 65,255
Administrative Support	-	\$ -	\$ 48,262	\$ -
Senior Center Development	-	<u>\$ -</u>	<u>\$ 75,146</u>	<u>\$ 75,146</u>

Total N.C. Department of Health and Human Services		\$ -	\$ 975,504	\$ 894,979
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<b>Total Federal and State Awards</b>		<u>\$ 5,171,413</u>	<u>\$ 1,384,843</u>	<u>\$ 3,787,910</u>
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**KERR-TAR REGIONAL COUNCIL OF GOVERNMENTS**  
**Schedule of Expenditures of Federal and State Awards**  
**For the Year Ended June 30, 2017**

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

1 Basis of Presentation

The accompanying schedule of expenditures of federal and state awards (SEFSA) includes the federal and state grant activity of the Council, under the programs of the federal government and the State of North Carolina for the year ended June 30, 2017. The information in this SEFSA is presented in accordance with the requirements of Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards and the State Single Audit Implementation Act. Because the schedule presents only a selected portion of the operations of the Council, it is not intended to and does not present the financial position, changes in financial position, or cash flows of the Council.

2 Summary of Significant Accounting Policies

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

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

3 Economic Development Administration

The Economic Development Administration expenditures for Economic Adjustment Assistance are calculated using the following method: Balance of the principal outstanding on loans at the end of the recipient's fiscal year, *plus* cash and investment balance at the end of the recipient's fiscal year, *plus* administrative expenses paid out of income during the recipient's fiscal year, *plus* the unpaid principal of all loans written off during the recipient's fiscal year, *then* multiple the sum by the federal share.

4 Community Development Block Grant Funds

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