

**Cape Fear Council of Governments  
Wilmington, North Carolina**

Financial and Compliance Reports  
Year Ended June 30, 2018

## Cape Fear Council of Governments

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Vice Chair

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Secretary/Treasurer

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Janet Dawson

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**Financial Section**

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RSM US LLP

## Independent Auditor's Report

To the Executive Committee  
Cape Fear Council of Governments  
Wilmington, North Carolina

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Cape Fear Council of Governments (the Council) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Council's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

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## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Cape Fear Council of Governments as of June 30, 2018, and the respective changes in financial position thereof and the respective budgetary comparisons of the major funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4-9 and the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability (Asset) and Contributions on pages 33-34 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Cape Fear Council of Governments' basic financial statements. The schedules and other information listed in the table of contents as supplementary information, and the Schedule of Expenditures of Federal and State Awards, as required by Title 2 US 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 listed in the table of contents in the compliance section, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information and the Schedule of Expenditures of Federal and State Awards identified in the preceding paragraph 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, the supplementary information and the Schedule of Expenditures of Federal and State Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.



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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2018, on our consideration of the Council's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 the effectiveness of the Council's 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 Cape Fear Council of Governments' internal control over financial reporting and compliance.

*RSM US LLP*

Wilmington, North Carolina  
December 10, 2018

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## **Management's Discussion and Analysis**

# Cape Fear Council of Governments

## Management's Discussion and Analysis (Unaudited)

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As management of Cape Fear Council of Governments (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, 2018. 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.

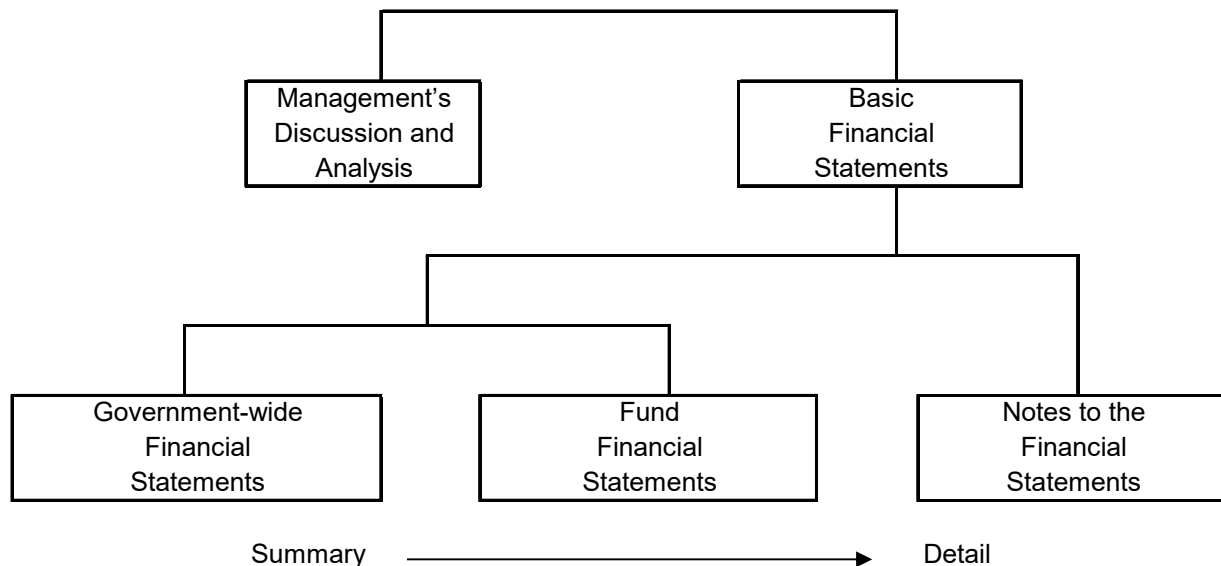
### Financial Highlights

- The assets and deferred outflows of the Council *exceeded* its liabilities and deferred inflows at the close of the fiscal year by \$437,670 (net position).
- The Council's total net position *increased* by \$51,850 from June 30, 2017 to June 30, 2018, primarily due to an increase in planning service contracts provided by the Council's Local Government Services department, and a decrease in compensated absences.
- As of the close of the current fiscal year, the Council's general fund reported ending fund balance of \$368,919 an *increase* of \$54,737 from June 30, 2017. Approximately 93.0% of this total amount, or \$342,722, which is the general fund's unassigned fund balance, is available for spending at the Council's discretion.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$342,722, or 13.5% of total expenditures for all funds (excluding pass through expenditures) for the 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. The Council's basic financial statements consist of three components: (1) government-wide financial statements, (2) fund financial statements and (3) notes to the financial statements (see Figure 1). The basic financial statements present two different views of the Council through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of the Council.

**Figure 1**



## Cape Fear Council of Governments

### Management's Discussion and Analysis (Unaudited)

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#### Basic Financial Statements

The first two statements (pages 10 and 11) 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 (pages 12 through 17) 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. Budgetary information required by the General Statutes can be found in this part of the statements.

The next section of the basic financial statements is the **Notes to Financial Statements**. The notes to financial statements explain in detail some of the data contained in those statements. After the notes, **required supplementary information** and **supplementary information** is provided to show details about the Council's individual funds. More budgetary information required by the General Statutes can be found in this part of the statements.

#### Government-Wide Financial Statements

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

The two government-wide financial 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 and total liabilities and deferred inflows. Measuring net position is one way to gauge the Council's financial condition.

The government-wide financial statements present governmental activities which are divided into five categories: (1) General; (2) Aging; (3) Workforce Development; (4) Continuum of Care; and (5) Non-major fund. The governmental activities include the Council's basic services. State and federal grant funds finance most of these activities.

The government-wide financial statements are on pages 10 and 11 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 the Council are governmental funds.

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

## Cape Fear Council of Governments

### Management's Discussion and Analysis (Unaudited)

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The Council adopts an annual budget for all funds as required by North Carolina General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the Council's 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 (the modified accrual basis) and is presented using the same format, language and classifications as the legal budget document. The statement shows four columns: (1) the original budget as adopted by the board; (2) the final budget as amended by the board; (3) the actual resources, charges to appropriations and ending balances in the General Fund; and (4) the difference or variance between the final budget and the actual resources and charges.

**Notes to 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 are on pages 17 through 31 of this report.

**Other Information** – In addition to the basic financial statements and accompanying notes, this report includes certain other supplementary information. That information can be found beginning on page 34 of this report.

#### Government-Wide Financial Analysis

	Governmental Activities	
	2018	2017
Current and other assets	\$ 1,268,223	\$ 1,556,548
Capital assets	15,875	10,292
<b>Total assets</b>	<b>1,284,098</b>	<b>1,566,840</b>
Deferred outflows of resources	196,010	286,530
Other liabilities	758,787	1,105,697
Net pension liability	188,827	270,174
Long-term liabilities	89,478	82,211
<b>Total liabilities</b>	<b>1,037,092</b>	<b>1,458,082</b>
Deferred inflows of resources	5,346	9,468
Net position:		
Invested in capital assets	15,875	10,292
Restricted:		
Stabilization by state statute	3,686	6,692
For aging programs	325,209	352,650
For workforce programs	313,863	727,407
For continuum of care	130,570	82,358
For local government services	130,463	72,637
Unrestricted (deficit)	(481,996)	(866,216)
<b>Total net position</b>	<b>\$ 437,670</b>	<b>\$ 385,820</b>

## Cape Fear Council of Governments

### Management's Discussion and Analysis (Unaudited)

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 \$437,670 as of June 30, 2018. The Council's net position *increased* by \$51,850 from June 30, 2017 to June 30, 2018. Additionally, \$15,875 of the net position is invested in capital assets, \$903,791 is restricted and the remaining balance (a deficit) of (\$481,996) is unrestricted.

	Governmental Activities	
	2018	2017
Revenues:		
Program revenues:		
Charges for services	\$ 191,108	\$ 247,792
Operating grants and contributions	7,984,686	7,539,991
General revenues:		
Local dues	200,337	159,100
Investment earnings, unrestricted	3,979	938
<b>Total revenues</b>	<b>8,380,110</b>	<b>7,947,821</b>
Expenses:		
General government	27,925	26,789
Area agency on aging	4,169,103	3,954,437
Continuum of care	546,008	228,820
Local government services	445,234	508,439
Workforce development	3,139,990	3,176,098
<b>Total expenses</b>	<b>8,328,260</b>	<b>7,894,583</b>
<b>Change in net position</b>	<b>51,850</b>	<b>53,238</b>
Net position, July 1	385,820	332,582
Net position, June 30	<b>\$ 437,670</b>	<b>\$ 385,820</b>

**Governmental Activities.** Governmental activities increased the Council's net position by \$51,850, thereby accounting for 100% of the total increase in the net position of the Council. Key elements of this increase are as follows:

- Decrease in the required local match in the Local Government Services and Aging programs.

## Cape Fear Council of Governments

### Management's Discussion and Analysis (Unaudited)

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#### **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 chief operating fund of the Council. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$342,722, while total fund balance of the General Fund was \$368,919. 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. General Fund unassigned fund balance represents 13.5% of total expenditures for all funds (excluding pass through expenditures).

At June 30, 2018, the governmental funds of the Council reported a combined fund balance of \$509,436, an approximate 16.6% increase from last year.

**Budgetary Highlights.** During the fiscal year, the Council revised the budget on several occasions. Generally, budget amendments fall into one of four 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; (3) increases in locally generated funds for planning service contracts and providing training workshops; and (4) decreases of federal and/or State grants due to reversion of under-utilized funds. Total amendments to the Council budget increased revenues by \$1,095,812. The increase was due to several factors:

- a. Continuum of Care program's providers applied for and received additional money from the ESG grant with the State of North Carolina.
- b. Local Government Services department received a two year grant from the Department of Defense starting in the Fall of 2017. This grant is used for a land use study at Sunny Point.
- c. The Aging and Workforce Development Programs saw the largest increase as a result of higher actual funding allocations than were anticipated when the original budget was prepared.

Approximately 70% of the Council's final budget is for contracted services or pass-through funds to other agencies. Should these agencies not provide the level of services for which they have been contracted, they do not receive reimbursement. Any unliquidated funds for the Workforce Development, Department of Defense and Continuum of Care Programs are carried forward and are available for expenditure in the following year.

#### **Capital Asset and Debt Administration**

**Capital Assets.** The Council's investment in capital assets for its governmental activities as of June 30, 2018, totals \$15,875 (net of accumulated depreciation). These assets include computer network servers, a telephone system and a printer-plotter.

Additional information on the Council's capital assets can be found in Note 1.F.5. and Note 2.A.1. of the Basic Financial Statements.

The Council does not have any long-term obligations other than accrued compensated absences and its pro-rata share of the net pension liability of the NC Local Government Employees Retirement System.



## **Cape Fear Council of Governments**

### **Management's Discussion and Analysis (Unaudited)**

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

The following key economic indicators reflect the stability and prosperity of the Council.

- During the past five years, the local economy has been in a recovery mode. This year, economists have guarded optimism fueled by rising housing starts and upward retail sales. The Council expects 2019 to be the best growth year of the decade, which should equate to less financial pressure on our local governments. Even with past financial constraints, member units continued to support the Council, and we do not expect that to change. The members have indicated that they will support next year's budget with dues and matching support at the same level as previous years.
- In September 2018, Hurricane Florence made landfall in our region. As a result, the Council anticipates many opportunities to apply for additional funding through current Federal and State Grants and possibly apply for new grants to better serve our communities. Some examples of additional funding include:
  - Local Government Services is planning to increase Planning Contracts with our communities utilizing State funding for recovery efforts.
  - The Council is in discussions with the Southeastern Economic Development Commission for additional funding resources that would allow the Council to better serve our community's recovery needs.
  - The Continuum of Care and Workforce Development programs have applied for additional funding from their State Agencies to assist our region with Recovery efforts in the Housing and Workforce areas.
- The Council is also exploring other options for increasing revenue other than Hurricane recovery efforts. The Council is considering applications for a Sunny Point Implementation Grant from the Department of Defense, a grant from the NC Clean Water management Trust Fund, and a Youth Enhancement Grant from the Division of Workforce Solutions.
- Since the Council's funding depends on Federal and State grants, the Council's management team will continue to monitor industry updates concerning Federal and State appropriations, and will adjust expenditure and budget projections to reflect any changes to current estimates.

#### ***Requests for Information***

This report is designed to provide an overview of the Council's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to Dawn Tucker, Finance Officer, Cape Fear Council of Governments, 1480 Harbour Drive, Wilmington, NC 28401, dtucker@capefearcog.org, (910) 395-4553, FAX (910) 395-2684.

**Cape Fear Council of Governments**

**Statement of Net Position  
June 30, 2018**

	<b>Governmental Activities</b>
<b>Assets</b>	
Cash and cash equivalents	\$ 475,883
Receivables:	
Accounts	130,463
Due from other governmental agencies	615,199
Prepaid costs	46,678
<b>Total current assets</b>	<u>1,268,223</u>
Capital assets, net of depreciation	15,875
<b>Total assets</b>	<u>1,284,098</u>
<b>Deferred Outflows of Resources</b>	
Pension deferrals	120,738
Contributions to pension plan in current fiscal year	75,272
<b>Total deferred outflows of resources</b>	<u>196,010</u>
<b>Liabilities</b>	
Accounts payable and accrued liabilities	664,971
Due to other governmental agencies	10,546
Unearned revenue	83,270
<b>Total current liabilities</b>	<u>758,787</u>
Net pension liability	188,827
Long-term liabilities	89,478
<b>Total liabilities</b>	<u>1,037,092</u>
<b>Deferred Inflows of Resources</b>	
Pension deferrals	5,346
<b>Total deferred inflows of resources</b>	<u>5,346</u>
<b>Net Position</b>	
Net investment in capital assets	15,875
Restricted:	
Stabilization by state statute	3,686
For aging programs	325,209
For workforce programs	313,863
For continuum of care	130,570
For local government services	130,463
Unrestricted (deficit)	<u>(481,996)</u>
<b>Total net position</b>	<u>\$ 437,670</u>

See notes to financial statements.

Cape Fear Council of Governments

Statement of Activities  
Year Ended June 30, 2018

Functions/Programs	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Change in Net Position
				Governmental Activities
Governmental activities:				
General government	\$ 27,925	\$ 6,191	\$ -	\$ (21,734)
Aging programs	4,169,103	-	4,098,469	(70,634)
Workforce development	3,139,990	-	3,138,599	(1,391)
Continuum of care	546,008	-	549,327	3,319
Local government services	445,234	184,917	198,291	(62,026)
<b>Total governmental activities</b>	<b>\$ 8,328,260</b>	<b>\$ 191,108</b>	<b>\$ 7,984,686</b>	<b>(152,466)</b>
General revenues:				
Local dues				200,337
Investment earnings				3,979
<b>Total general revenues</b>				<b>204,316</b>
Change in net position				51,850
Net position, beginning				385,820
Net position, ending				<b>\$ 437,670</b>

See notes to financial statements.

Cape Fear Council of Governments

Balance Sheet – Governmental Funds  
June 30, 2018

	Major Funds					Total Governmental Funds
	General	Aging Programs	Workforce Development Programs	Continuum of Care Fund	Local Government Services	
<b>Assets</b>						
Cash and investments	\$ 475,883	\$ -	\$ -	\$ -	\$ -	\$ 475,883
Receivables:						
Accounts	-	-	-	-	130,463	130,463
Due from other governmental agencies	3,686	253,567	299,983	57,963	-	615,199
Due from other funds	-	71,642	13,880	72,607	-	158,129
Prepaid items	22,511	-	13,750	10,417	-	46,678
<b>Total assets</b>	<b>\$ 502,080</b>	<b>\$ 325,209</b>	<b>\$ 327,613</b>	<b>\$ 140,987</b>	<b>\$ 130,463</b>	<b>\$ 1,426,352</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>						
Accounts payable and accrued liabilities	\$ 2,723	\$ 272,940	\$ 276,419	\$ 48,657	\$ 64,232	\$ 664,971
Due to other governmental agencies	-	10,546	-	-	-	10,546
Due to other funds	127,115	-	-	-	31,014	158,129
Unearned revenue	3,323	17,447	-	62,500	-	83,270
<b>Total liabilities</b>	<b>133,161</b>	<b>300,933</b>	<b>276,419</b>	<b>111,157</b>	<b>95,246</b>	<b>916,916</b>
<b>Fund Balances</b>						
Nonspendable:						
Prepaid items	22,511	-	13,750	10,417	-	46,678
Restricted:						
Stabilization by state statute	3,686	-	-	-	-	3,686
For aging programs	-	325,209	-	-	-	325,209
For workforce programs	-	-	313,863	-	-	313,863
For continuum of care	-	-	-	130,570	-	130,570
For local government services	-	-	-	-	130,463	130,463
Unassigned (deficit)	342,722	(300,933)	(276,419)	(111,157)	(95,246)	(441,033)
<b>Total fund balances</b>	<b>368,919</b>	<b>24,276</b>	<b>51,194</b>	<b>29,830</b>	<b>35,217</b>	<b>509,436</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 502,080</b>	<b>\$ 325,209</b>	<b>\$ 327,613</b>	<b>\$ 140,987</b>	<b>\$ 130,463</b>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds						15,875
Net pension liability						(188,827)
Contributions to the pension plan in the current fiscal year are deferred outflows of resources on the statement of net position						75,272
Accrued compensated absences are not expenditures and therefore are not reported in the funds						(89,478)
Pension related deferrals						115,392
<b>Net position of governmental activities</b>						<b>\$ 437,670</b>

See notes to financial statements.

Cape Fear Council of Governments

Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds  
Year Ended June 30, 2018

	Major Funds					Total Governmental Funds
	General	Aging Programs	Workforce Development Programs	Continuum of Care Fund	Local Government Services	
<b>Revenues</b>						
Federal	\$ -	\$ 1,990,426	\$ 3,138,599	\$ 353,352	\$ 183,668	\$ 5,666,045
State	-	2,106,215	-	-	14,493	2,120,708
Local	76,713	-	-	210,000	247,136	533,849
Other	-	69,554	-	-	-	69,554
Interest	3,979	-	-	-	-	3,979
<b>Total revenues</b>	<b>80,692</b>	<b>4,166,195</b>	<b>3,138,599</b>	<b>563,352</b>	<b>445,297</b>	<b>8,394,135</b>
<b>Expenditures</b>						
Current:						
General government	25,955	-	-	-	-	25,955
Aging programs	-	4,166,171	-	-	-	4,166,171
Workforce development	-	-	3,138,599	-	-	3,138,599
Continuum of care	-	-	-	545,521	-	545,521
Local government services	-	-	-	-	445,279	445,279
<b>Total expenditures</b>	<b>25,955</b>	<b>4,166,171</b>	<b>3,138,599</b>	<b>545,521</b>	<b>445,279</b>	<b>8,321,525</b>
<b>Revenues over (under) expenditures</b>	<b>54,737</b>	<b>24</b>	<b>-</b>	<b>17,831</b>	<b>18</b>	<b>72,610</b>
<b>Other financing sources (uses)</b>						
Transfers in / (out)	-	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net change in fund balance</b>	<b>54,737</b>	<b>24</b>	<b>-</b>	<b>17,831</b>	<b>18</b>	<b>72,610</b>
Fund balance, beginning of year	314,182	24,252	51,194	11,999	35,199	436,826
Fund balance, end of year	\$ 368,919	\$ 24,276	\$ 51,194	\$ 29,830	\$ 35,217	\$ 509,436

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

Net change in fund balances, total governmental funds (above)	\$ 72,610
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which outlays exceed depreciation expense in the current period	5,583
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	75,272
Governmental funds recognize revenues when measurable and available. Available is defined as cash to be received within 90 days. This is the amount by which the amount not recognized in revenue changed during the year	(14,025)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
Pension expense and changes in deferrals	(80,323)
Compensated absences	(7,267)
Change in net position of governmental activities	<u>\$ 51,850</u>

See notes to financial statements.

Cape Fear Council of Governments

Statement of Revenues, Expenditures and Changes in Fund Balances –  
Budget and Actual – General Fund  
Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
<b>Revenues</b>				
Local			\$ 76,713	
Interest			3,979	
<b>Total revenues</b>	<b>6,000</b>	<b>26,000</b>	<b>80,692</b>	<b>54,692</b>
<b>Expenditures</b>				
Current:				
Salaries			187,116	
Fringe			45,519	
Rent			48,051	
Telephone			2,275	
Supplies			12,039	
Postage			299	
Travel/training			16,201	
Dues and subscriptions			6,271	
Data processing			23,188	
Insurance			926	
Meeting costs			10,871	
Maintenance			5,334	
Leased equipment			4,034	
Advertising			171	
Audit			1,424	
Professional services			17,900	
	<b>426,637</b>	<b>391,600</b>	<b>381,619</b>	<b>9,981</b>
Overhead allocation	<b>(420,637)</b>	<b>(365,600)</b>	<b>(355,664)</b>	<b>(9,936)</b>
<b>Total expenditures</b>	<b>6,000</b>	<b>26,000</b>	<b>25,955</b>	<b>45</b>
<b>Revenues over expenditures</b>	<b>-</b>	<b>-</b>	<b>54,737</b>	<b>54,737</b>
<b>Other financing uses</b>				
Operating transfers in	-	-	-	-
<b>Revenues over expenditures and other financing uses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>54,737</b>	<b>\$ 54,737</b>
Fund balance, beginning of year			<u>314,182</u>	
Fund balance, end of year			<u><u>\$ 368,919</u></u>	

See notes to financial statements.

Cape Fear Council of Governments

Statement of Revenues, Expenditures and Changes in Fund Balances –  
Budget and Actual – Aging Programs Fund  
Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
<b>Revenues</b>				
Federal			\$ 1,990,426	
State			2,106,215	
Other			69,554	
<b>Total revenues</b>	<b>4,038,959</b>	<b>4,193,201</b>	<b>4,166,195</b>	<b>(27,006)</b>
<b>Expenditures</b>				
Current:				
Pass-through			3,410,574	
Salaries			334,585	
Fringe			118,433	
Rent			16,016	
Professional services			7,470	
Telephone			3,887	
Supplies			14,054	
Postage			484	
Travel/training			27,512	
Insurance			1,296	
Data processing			20,318	
Meeting costs			3,809	
Maintenance			1,788	
Leased equipment			4,621	
Dues and subscriptions			28,321	
Audit			13,796	
Advertising			17,510	
Overhead allocation			141,697	
<b>Total expenditures</b>	<b>4,038,959</b>	<b>4,193,201</b>	<b>4,166,171</b>	<b>27,030</b>
<b>Revenues over expenditures</b>	<b>-</b>	<b>-</b>	<b>24</b>	<b>24</b>
<b>Other financing sources</b>				
Operating transfers in	-	-	-	-
<b>Revenues under expenditures and other financing sources</b>	<b>\$ -</b>	<b>\$ -</b>	<b>24</b>	<b>\$ 24</b>
Fund balance, beginning of year			<u>24,252</u>	
Fund balance, end of year			<u>\$ 24,276</u>	

See notes to financial statements.

Cape Fear Council of Governments

Statement of Revenues, Expenditures and Changes in Fund Balances –  
 Budget and Actual – Workforce Development Programs Fund  
 Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
<b>Revenues</b>				
Federal			\$ 3,138,599	
<b>Total revenues</b>	<b>3,821,276</b>	<b>4,221,498</b>	<b>3,138,599</b>	<b>(1,082,899)</b>
<b>Expenditures</b>				
Current:				
Pass-through			2,383,019	
Salaries			296,370	
Fringe			88,889	
Rent			162,299	
Telephone			2,341	
Supplies			2,688	
Postage			553	
Travel/training			22,981	
Insurance			1,296	
Meeting costs			2,829	
Maintenance			10,026	
Utilities			16,982	
Leased equipment			3,802	
Data processing			9,472	
Dues and subscriptions			2,843	
Advertising			1,052	
Audit			14,253	
Overhead allocation			116,904	
<b>Total expenditures</b>	<b>3,821,276</b>	<b>4,221,498</b>	<b>3,138,599</b>	<b>1,082,899</b>
<b>Revenues under expenditures</b>	<b>\$ -</b>	<b>\$ -</b>	<b>-</b>	<b>\$ -</b>
Fund balance, beginning of year			51,194	
Fund balance, end of year			\$ 51,194	

See notes to financial statements.



**Cape Fear Council of Governments**

**Schedule of Revenues, Expenditures and Changes in Fund Balance –  
Budget and Actual – Continuum of Care Fund  
Year Ended June 30, 2018**

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
<b>Revenues</b>				
Federal:				
Department of Housing and Urban Development Emergency Solutions Grant			\$ 353,352	
Local:				
Other			210,000	
<b>Total revenues</b>	<b>391,729</b>	<b>642,701</b>	<b>563,352</b>	<b>(79,349)</b>
<b>Expenditures</b>				
Current:				
Salaries			56,317	
Fringe			19,832	
Rent			1,570	
Telephone			487	
Supplies			371	
Postage			126	
Travel/training			13,295	
Insurance			185	
Data processing			1,384	
Temporary services			1,000	
Meeting costs			602	
Maintenance			180	
Leased equipment			2,238	
Dues and subscriptions			67	
Audit			880	
Professional services			1,300	
Contracts and sub grants			423,874	
Overhead allocation			21,813	
<b>Total expenditures</b>	<b>391,729</b>	<b>642,701</b>	<b>545,521</b>	<b>97,180</b>
<b>Revenues over expenditures</b>	-	-	17,831	17,831
<b>Other financing sources</b>				
Operating transfers in	-	-	-	-
<b>Revenues over expenditures         and other financing sources</b>	<b>\$ -</b>	<b>\$ -</b>	<b>17,831</b>	<b>\$ 17,831</b>
Fund balance, beginning of year			11,999	
Fund balance, end of year			\$ 29,830	

See notes to financial statements.

**Cape Fear Council of Governments**

**Schedule of Revenues, Expenditures and Changes in Fund Balance –  
Budget and Actual – Local Government Services Fund  
Year Ended June 30, 2018**

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
<b>Revenues</b>				
Federal:				
Highway Planning and Construction			\$ 100,445	
Department of Defense				
Community Economic Adjustment Assistance for Compatible Use and Joint Land Use Studies			83,223	
			<u>183,668</u>	
State:				
North Carolina Department of Transportation				
Regional Bicycle Plan			14,493	
			<u>14,493</u>	
Local:				
Contract revenue			184,917	
Dues match			62,089	
Other			130	
			<u>247,136</u>	
<b>Total revenues</b>	<b>376,903</b>	<b>647,278</b>	<b>445,297</b>	<b>(201,981)</b>
<b>Expenditures</b>				
Current:				
Salaries			188,648	
Fringe			51,076	
Rent			6,254	
Telephone			901	
Supplies			1,982	
Postage			64	
Travel/training			10,456	
Insurance			740	
Data processing			7,083	
Meeting costs			531	
Maintenance			696	
Leased equipment			6,513	
Dues and subscriptions			2,606	
Audit			1,747	
Professional services			90,733	
Overhead allocation			75,249	
<b>Total expenditures</b>	<b>376,903</b>	<b>647,278</b>	<b>445,279</b>	<b>201,999</b>
<b>Revenues over expenditures</b>	-	-	18	18
<b>Other financing sources</b>				
Operating transfers in	-	-	-	-
<b>Revenues under expenditures         and other financing sources</b>	<b>\$ -</b>	<b>\$ -</b>	<b>18</b>	<b>\$ 18</b>
Fund balance, beginning of year			<u>35,199</u>	
Fund balance, end of year			<u>\$ 35,217</u>	

See notes to financial statements.

## Cape Fear Council of Governments

### Notes to Financial Statements

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#### Note 1. Summary of Significant Accounting Policies

The accounting policies of Cape Fear Council of Governments (the Council) conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies.

##### A. Reporting Entity

The Council was established in 1972 to perform and carry out such powers, duties and responsibilities as authorized by North Carolina legislation. The Council is one of the 18 regional planning and management agencies serving local governments in North Carolina. The Council serves Region O, which includes Brunswick, Columbus, New Hanover and Pender Counties and the municipalities within their boundaries as a jointly governed organization. Working under the direction of locally elected officials representing member governments, the Council plans and administers a variety of federal, state and local programs.

As described below, although the Council is accounted for as a governmental entity, the Council does not have the statutory authority to levy taxes or issue bonds.

The financial statements do not include any component units, legally separate entities for which the Council is considered to be financially accountable, because no such component units exist. Additionally, the Council is not considered to be a component unit of any other government.

##### B. Basis of Presentation and Measurement Focus Basis of Accounting

###### *Basis of Presentation*

*Government-Wide Statements:* The statement of net position and the statement of activities display information about the primary government (the Council). These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the governmental and business-type activities of a local government unit. Governmental activities generally are financed through intergovernmental revenues and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties. The Council has no business-type 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 not 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 are presented as general revenues.

*Fund Financial Statements:* The fund financial statements provide information about the Council's funds. The Council currently only maintains governmental funds. The emphasis of governmental fund financial statements is on major governmental funds, each displayed in a separate column, along with a column for aggregate non-major funds.

The Council reports the following major governmental funds:

*General Fund* – The General Fund accounts for and reports all financial resources not accounted for and reported in another fund.

## Cape Fear Council of Governments

### Notes to Financial Statements

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#### **Note 1. Summary of Significant Accounting Policies (Continued)**

*Aging Programs Special Revenue Fund* – The Aging Programs Fund facilitates the receipt of federal and State grants and the disbursement of the grant money to local governments and nonprofit agencies who fulfill the grant requirements by providing services to the State's elderly (60+) population, enabling those individuals to remain in their homes for as long as possible while at the same time providing care and a safe environment in their later years.

*Workforce Development Programs Special Revenue Fund* – The Workforce Development Programs Fund facilitates the receipt of federal and state grants and the disbursement of the grant money to State agencies, local governments and nonprofit agencies who fulfill the grant requirements by providing services designed to help Americans access the tools they need to manage their careers through information and high-quality services, and to help U.S. companies find skilled workers.

*Continuum of Care Fund* – The Continuum of Care Fund accounts for activities designed to promote communitywide commitment to the goal of ending homelessness; provide funding for efforts by nonprofit providers, and State and local governments to quickly rehouse homeless individuals and families while minimizing the trauma and dislocation caused to homeless individuals, families and communities by homelessness; promote access to and effect utilization of mainstream programs by homeless individuals and families; and optimize self-sufficiency among individuals and families experiencing homelessness.

*Local Government Services Fund* – The Local Government Services Fund accounts for activities designed to assist local area governments in developing growth plans and any other activity that may assist local governments in planning for the future of their communities.

#### **Measurement Focus/Basis of Accounting**

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

*Government-Wide Financial Statements* – The government-wide financial statements are reported using the economic resources measurement focus 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 flow takes place. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all 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) any capital grants and contributions.

*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 (available is defined as: cash to be received within 90 days after fiscal year-end). Expenditures are recorded when the related fund liability is incurred, except for compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds.

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 is both restricted and unrestricted net position available to finance the program. It is the Council's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

## Cape Fear Council of Governments

### Notes to Financial Statements

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#### Note 1. Summary of Significant Accounting Policies (Continued)

##### C. Budgetary Data

The Council's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the general fund and 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 fund level for all annually budgeted funds. Amendments are required for any revisions that alter total expenditures of any fund or that change functional appropriations by more than \$5,000. The governing board must approve all amendments. During the year, several amendments to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

##### D. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

##### E. Indirect Costs

Indirect costs in program or project expenditures are those costs not readily assignable to a program or incurred for a common or joint purpose benefiting more than one program or project. Indirect costs are charged to programs or projects during the year based on direct salaries and fringe benefits using a cost methodology plan.

As a local government entity, and a public authority, the Council complies with the indirect cost methodology regulated 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 North Carolina State Treasurer Policies, Section 55, User Fees – Utilizing Expense/Expenditure Information.

Per definition of the Uniform Grant Guidance, the Council is a multi-function entity. The multi-functions include five (5) categories or functions: General Government, Aging Programs, Workforce Development, Local Government Services and Continuum of Care. To comply with the requirements of CFR §200.56, the Council captures all indirect costs into one separate cost pool at the time of expenditure. On a monthly basis, the indirect costs are allocated to each function, and to individual awards and activities within that function, by means of the indirect cost methodology – direct salaries and wages. Each month a percentage relationship is determined between salaries of a particular award or activity and its relation to the total salaries for the Council as a whole. The determined percentage is applied to all indirect costs held in the pool. The indirect costs are then distributed to indirect line-items within each award or activity on that basis.

##### F. Assets, Liabilities, Deferred Inflows of Resources and Fund Equity

###### 1. Deposits and Investments

All deposits of the Council are made in board-designated official depositories and are collateralized as required by North Carolina General Statute 159-31. The Council may designate as an official depository, any bank or savings association whose principal office is located in North Carolina. The Council may establish time deposits such as NOW and SuperNOW accounts, money market accounts and certificates of deposit.

At June 30, 2018, the carrying amount of the Council's deposits was \$71,612 and the bank balance was \$665,069.

## Cape Fear Council of Governments

### Notes to Financial Statements

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#### **Note 1. Summary of Significant Accounting Policies (Continued)**

All of the Council's deposits are either insured or collateralized under the Pooling Method, a system of state-wide single financial institution collateral pools, whereby all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Council, these deposits are considered to be held by the Council's agent in the Council's name. The amount of the pledged collateral is based on an approved averaging method for non-interest-bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Council or the escrow agent. Because of the inability to measure the exact 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 Pooling Method depository. Of the bank balance, \$250,000 was covered by federal depository insurance and \$415,069 was covered by collateral held under the Pooling Method. The Board has no formal policy regarding custodial credit risk for deposits, but informally complies with North Carolina General Statute 159-31.

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

The Council's investments with a maturity of more than one year at acquisition and non-money market investments are carried at fair value as determined by quoted market prices. The Council's investments in the NCCMT Government Portfolio, a SEC-registered (2a7) money market mutual fund, are valued at amortized cost, which is the NCCMT's share price. Money market investments that have a remaining maturity at the time of purchase of one year or less are reported at amortized cost. Non-participating interest earnings and investment contracts are reported at cost. At June 30, 2018, the Council's investments consisted of \$404,271 and were limited to the NCCMT Government Portfolio, which carried a credit rating of AAAM by Standard and Poor's. The Council has no formal policy regarding credit risk.

#### **2. Cash and Cash Equivalents**

The Council pools substantially all of its funds in its General Fund to facilitate disbursement and investment and to maximize investment income. Deposits and investments with a maturity date of three months or less are considered cash or cash equivalents.

#### **3. Allowances for Doubtful Accounts**

The Council does not maintain an allowance for doubtful accounts. Losses arising from uncollected accounts receivable are estimated to be insignificant.

#### **4. Prepaid Costs**

Prepaid costs consist of various prepaid operational expenses.

## Cape Fear Council of Governments

### Notes to Financial Statements

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#### Note 1. Summary of Significant Accounting Policies (Continued)

##### 5. Capital Assets

Purchased capital assets are reported at cost in the government-wide financial statements. Minimum capitalization costs are as follows: furniture and equipment and all other capital assets, \$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:

	<u>Years</u>
Office and computer equipment	3-7

##### 6. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position/balance sheet 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 or fund balance 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 the criterion for this category in the government-wide financial statements: contributions made to the pension plan in the 2018 fiscal year and other pension related deferrals. In addition to liabilities, the statement of net position/balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Council has one item that meets the criterion for this category in the government-wide financial statements: pension related deferrals.

##### 7. Compensated Absences

The vacation policies of the Council provide for the accumulation of up to 300 hours earned vacation leave with such leave being fully vested when earned. Upon termination of employment, the entire accumulated vacation leave balance is paid out based on the compensation rate in effect at the date of termination. 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. At June 30, 2018, the Council had accrued \$89,478 for earned vacation leave. This amount is included in long-term liabilities on the accompanying statement of net position.

In the governmental fund financial statements, an expenditure and a liability for compensated absences is recorded when payable, which occurs when the vacation is used or upon termination of an eligible employee.

## Cape Fear Council of Governments

### Notes to Financial Statements

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#### Note 1. Summary of Significant Accounting Policies (Continued)

##### 8. Net Position/Fund Balances

###### Net Position

Net position in 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 three classifications designed to disclose the hierarchy of constraints placed on how fund balance can be spent.

The governmental fund balance types classify fund balances as follows:

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

**Prepays** – Portion of fund balance that is not an available resource because it represents the year-end balances of ending prepaids, which are not spendable resources.

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

**Restricted for stabilization by state statute** – Portion of fund balance, which is not available for appropriation under State law [G.S. 159-8(a)]. This amount is usually comprised of accounts receivable and interfund receivables, which are not offset by unearned revenues.

**Restricted for aging programs** – Portion of fund balance that is restricted by revenue source for use with aging programs.

**Restricted for workforce programs** – Portion of fund balance that is restricted by revenue source for use with workforce programs.

**Restricted for local government services** – Portion of fund balance that is restricted by revenue source for use with local government service programs.

**Restricted for continuum of care** – Portion of fund balance that is restricted by revenue source for use with continuum of care programs.

**Committed Fund Balance** – The portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of the Council's governing body (highest level of decision-making authority). The governing body can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

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

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



## Cape Fear Council of Governments

### Notes to Financial Statements

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#### Note 1. Summary of Significant Accounting Policies (Continued)

##### 9. Pensions

The Council participates in a cost-sharing multiple-employer, defined benefit plan that is administered by the state of North Carolina.

For purposes of measuring the net pension liability (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. LGERS' investments are reported at fair value.

##### G. Revenues, Expenditures and Expenses

###### 1. Other Resources

The General Fund provides the basis of local resources for the special revenue funds. These transactions are recorded as "Transfers out" or "Transfer of local matching funds" in the General Fund and "Transfers in" or "Transfer of local matching funds" in the receiving fund.

#### Note 2. Detail Notes on All Funds

##### A. Assets

###### 1. Capital Assets

Capital asset activity for the year ended June 30, 2018, is as follows:

	Beginning Balances	Additions	Deletions	Ending Balances
Governmental activities:				
Capital assets being depreciated:				
Equipment	\$ 31,842	\$ 8,375	\$ -	\$ 40,217
Less accumulated depreciation for equipment	21,550	2,792	-	24,342
Governmental activity capital assets, net	<u>\$ 10,292</u>	<u>\$ 5,583</u>	<u>\$ -</u>	<u>\$ 15,875</u>

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

General Government	\$ 721
Aging Programs	978
Workforce Development	599
Continuum of Care	56
Local Government Services	438
	<u>\$ 2,792</u>

## Cape Fear Council of Governments

### Notes to Financial Statements

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#### Note 2. Detail Notes on All Funds (Continued)

##### B. Liabilities and Deferred Inflows of Resources

###### 1. Pension Plan Obligations

###### North Carolina Local Governmental Employees' Retirement System

*Plan Description* – The Council is a participating employer in the statewide 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. LGERS is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, 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 (age 55 for firefighters). Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age (15 years of creditable service for firefighters and rescue squad members who are killed in the line of duty) or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic 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. The Council's 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, 2018, was 7.50% of compensation, 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 \$75,272 for the year ended June 30, 2018.

*Refund 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.

**Cape Fear Council of Governments**

**Notes to Financial Statements**

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**Note 2. Detail Notes on All Funds (Continued)**

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

At June 30, 2018, the Council reported a liability of \$188,827 for its proportionate share of the LGERS net pension liability. The net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016. The total pension liability was then rolled forward to the measurement date of June 30, 2017, 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, 2018, the Council's proportion was 0.01236%, which was a decrease of approximately 0.0004% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the Council recognized pension expense of \$5,051. At June 30, 2018, 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	\$ 10,882	\$ 5,346
Changes in assumptions	26,967	-
Net difference between projected and actual earnings on pension plan investments	45,847	-
Changes in proportion and differences between Council contributions and proportionate share of contributions	37,042	-
Contributions subsequent to the measurement date	75,272	-
	<u>\$ 196,010</u>	<u>\$ 5,346</u>

\$75,272 reported as deferred outflows of resources related to pensions resulting from Council's contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years ending June 30:	
2019	\$ 27,559
2020	67,242
2021	32,837
2022	(12,246)
	<u>\$ 115,392</u>

## Cape Fear Council of Governments

### Notes to Financial Statements

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#### Note 2. Detail Notes on All Funds (Continued)

*Actuarial Assumptions* – The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0%
Salary increases	3.50 to 7.75%, including inflation and productivity factor
Investment rate of return	7.20%, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the December 31, 2016 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.

## Cape Fear Council of Governments

### Notes to Financial Statements

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#### Note 2. Detail Notes on All Funds (Continued)

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, 2017, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
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%
	100%	

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 7.20%. 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.

**Cape Fear Council of Governments**

**Notes to Financial Statements**

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**Note 2. Detail Notes on All Funds (Continued)**

*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 7.20%, 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 (6.20%) or one percentage point higher (8.20%) than the current rate:

	1% Decrease (6.20%)	Discount Rate (7.20%)	1% Increase (8.20%)
Council's proportionate share of the net pension liability (asset)	\$ 566,862	\$ 188,827	\$ (126,713)

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

**2. Unearned Revenue**

The balance in unearned revenue at June 30, 2018, which generally consists of money received from the various funding sources in advance, is comprised of the following:

Aging Programs Fund	
Aging administration	\$ 17,447
General Fund	
Charges for services	3,323
Continuum of Care Fund	62,500
	<u>\$ 83,270</u>

**3. Changes in Long-Term Liabilities**

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental activities:				
Compensated absences	\$ 82,211	\$ 17,458	\$ 10,191	\$ 89,478

## Cape Fear Council of Governments

### Notes to Financial Statements

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#### Note 2. Detail Notes on All Funds (Continued)

##### C. Interfund Receivables and Payables

All cash accounts are recorded in the general fund and, as a result, interfund receivables and payables exist. Short-term interfund receivables and payables at June 30, 2018, were as follows:

<u>Fund</u>	<u>Receivable</u>	<u>Payable</u>
General Fund	\$ -	\$ 127,115
Aging Programs Fund	71,642	-
Workforce Development Fund	13,880	-
Local Government Services Fund	-	31,014
Continuum of Care Fund	72,607	-
	<u>\$ 158,129</u>	<u>\$ 158,129</u>

##### D. Fund Balance

The Council has a revenue spending policy for programs with multiple revenue sources. The Finance Officer works with the Department Director to ensure the use of resources in the following hierarchy: Federal funds, State funds, local funds and Council funds. For purposes of fund balance classification, expenditures are to be spent from restricted fund balance first, followed in order by committed, assigned and unassigned fund balance. The Finance Officer has Board authorization to deviate from this policy if it is in the best interest of the Council. The following shows to the public the portion of the General Fund balance that is available for appropriation:

Total fund balance - General Fund	\$ 368,919
Less:	
Stabilized by state statute	<u>3,686</u>
Remaining fund balance	<u>\$ 365,233</u>

## Cape Fear Council of Governments

### Notes to Financial Statements

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#### Note 3. Summary Disclosure of Other Significant Commitments and Contingencies

##### A. 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 League of Municipalities. Through these pools, the Council has general liability and auto liability coverage of \$1,000,000 per occurrence and workers' compensation coverage in accordance with statutory limits. The pools are reinsured through commercial companies for single occurrence claims against general liability, auto liability and property in excess of \$500,000 and \$1,000,000 up to statutory limits for workers' compensation. The Council carries commercial insurance for all other risks of loss. There have been no significant reductions in insurance coverage from the previous year and settled claims have not exceeded commercial insurance coverage in any of the past five fiscal years.

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

##### B. Operating Leases

The Council is committed under an office space lease, which is considered for accounting purposes to be an operating lease. If operational funding is not available for the Council, the Council may vacate the premises and void this lease provided the Council has given 60 days' written notice to the landlord. The Council also has noncancelable leases for certain office buildings and office equipment. Rent under these leases for the year ended June 30, 2018, amounted to \$251,616. Future minimum lease payments for the office and equipment leases are as follows:

Years ending June 30:	
2019	\$ 182,562
2020	176,455
2021	45,557
	<u>\$ 404,574</u>

The Council also leases additional storage space on a year-to-year basis and rents meeting space on an as-needed basis.

##### C. Federal and State Assisted Programs

The Council has received significant amounts of proceeds from federal and State grants. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant monies to the grantor agencies.



## Cape Fear Council of Governments

### Notes to Financial Statements

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#### Note 4. Related Party Transactions

During the year ended June 30, 2018, the Council received and recorded dues revenues of approximately \$200,000 from member governments, including Brunswick, Columbus, New Hanover and Pender Counties and the municipalities within their boundaries.

Also during the year ended June 30, 2018, the Council expended the following amounts to member governments, in the form of pass-through monies:

Columbus County	\$	637,228
New Hanover County		1,142,096
Pender County, directed to Pender Adult Services		511,793
Brunswick County, directed to Brunswick Senior Resources, Inc.		1,102,012
	\$	<u>3,393,129</u>

#### Note 5. Pronouncements Issued, Not Yet Implemented

The GASB has issued several pronouncements prior to June 30, 2018, that have effective dates that may affect future financial presentations.

Management has not currently determined what, if any, impact implementation of the following statement may have on the financial statements of the Council:

In January 2016, GASB issued GASB Statement Number 84, *Fiduciary Activities*, which improves guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The provisions of this Statement are effective for NHRMC beginning with its year ending September 30, 2020.

In June 2017, GASB issued GASB Statement Number 87, *Leases*, which increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for agreements that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The provisions of this Statement will be effective for NHRMC beginning with its year ending September 30, 2021.

In April 2018, GASB issued GASB Statement Number 88, *Certain Disclosures Related to Debt*, which clarifies which liabilities governments should include in their note disclosures related to debt. The provisions of this Statement will be effective for NHRMC beginning with its year ending September 30, 2019.

In June 2018, GASB issued GASB Statement Number 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, which establishes guidance designed to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period. It also simplifies accounting for interest cost incurred before the end of a construction period. The provisions of this Statement will be effective for NHRMC beginning with its year ending September 30, 2021.

In August 2018, GASB issued GASB Statement Number 90, *Majority Equity Interests*, which clarifies the accounting and financial reporting requirements for a state or local government's majority equity interest in an organization that remains legally separate after acquisition. The provisions of this Statement will be effective for NHRMC beginning with its year ending September 30, 2020.

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**Required Supplementary Information**

**Cape Fear Council of Governments**

**Schedule of Proportionate Share of Net Pension Liability (Asset)  
Required Supplementary Information  
Last Five Fiscal Years\***

**Local Government Employees' Retirement System**

	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Council's proportion of the net pension liability (asset) (%)	0.01236%	0.01273%	0.01163%	(0.00926%)	0.00900%
Council's proportion of the net pension liability (asset) (\$)	\$ 188,827	\$ 270,174	\$ 52,195	\$ (54,611)	\$ 108,485
Council's covered-employee payroll	\$ 939,503	\$ 965,255	\$ 930,506	\$ 728,226	\$ 798,127
Council's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	20.10%	27.99%	5.61%	-7.50%	13.59%
Plan fiduciary net position as a percentage of the total pension liability**	94.18%	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.

This schedule is intended to compile information for 10 years. Additional years will be presented as they are available.

**Cape Fear Council of Governments**

**Schedule of Contributions  
Required Supplementary Information  
Last Five Fiscal Years**

**Local Government Employees' Retirement System**

	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Contractually required contribution	\$ 75,272	\$ 68,114	\$ 64,383	\$ 65,786	\$ 51,486
Contributions in relation to the contractually required contribution	<u>75,272</u>	<u>68,114</u>	<u>64,383</u>	<u>65,786</u>	<u>51,486</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Council's covered-employee payroll	\$ 1,003,627	\$ 939,503	\$ 965,255	\$ 930,506	\$ 728,226
Contributions as a percentage of covered-employee payroll	7.50%	7.25%	6.67%	7.07%	7.07%

This schedule is intended to compile information for 10 years. Additional years will be presented as they are available.

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## **Supplementary Information**

Cape Fear Council of Governments

Combining Balance Sheet by Program – Aging Programs Fund  
June 30, 2018

	Aging Administration Title III B & C	Ombudsman Program	Family Caregiver Support	Other Aging Programs	Total
<b>Assets</b>					
Receivables:					
Due from other governmental agencies	\$ 229,426	\$ -	\$ 22,350	\$ 1,791	\$ 253,567
Due from other funds	41,371	12,837	10,348	7,086	71,642
<b>Total assets</b>	<b>\$ 270,797</b>	<b>\$ 12,837</b>	<b>\$ 32,698</b>	<b>\$ 8,877</b>	<b>\$ 325,209</b>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities</b>					
Accounts payable and accrued liabilities	\$ 229,074	\$ 2,291	\$ 32,698	\$ 8,877	\$ 272,940
Due to other governmental agencies	-	10,546	-	-	10,546
Unearned revenue	17,447	-	-	-	17,447
<b>Total liabilities</b>	<b>246,521</b>	<b>12,837</b>	<b>32,698</b>	<b>8,877</b>	<b>300,933</b>
<b>Fund Balances</b>					
Spendable:					
Restricted:					
For aging programs	270,797	12,837	32,698	8,877	325,209
Unassigned	(246,521)	(12,837)	(32,698)	(8,877)	(300,933)
<b>Total fund balances</b>	<b>24,276</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>24,276</b>
<b>Total liabilities and fund balances</b>	<b>\$ 270,797</b>	<b>\$ 12,837</b>	<b>\$ 32,698</b>	<b>\$ 8,877</b>	<b>\$ 325,209</b>



Cape Fear Council of Governments

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances by Program  
 Aging Programs Fund  
 Year Ended June 30, 2018

	Aging Administration Title III B & C	Ombudsman Program	Family Caregiver Support	Other Aging Programs	Total
<b>Revenues</b>					
Federal	\$ 1,459,885	\$ 94,693	\$ 209,408	\$ 226,440	\$ 1,990,426
State	1,586,458	84,712	13,961	421,084	2,106,215
Other	69,554	-	-	-	69,554
<b>Total revenues</b>	<b>3,115,897</b>	<b>179,405</b>	<b>223,369</b>	<b>647,524</b>	<b>4,166,195</b>
<b>Expenditures</b>					
Current:					
Pass-through	3,273,777	-	102,873	33,924	3,410,574
Administration:					
Title III	232,802	-	-	-	232,802
Ombudsman	-	199,328	-	-	199,328
Family Caregiver Support	-	-	120,496	-	120,496
Other Aging Programs	-	-	-	202,971	202,971
<b>Total expenditures</b>	<b>3,506,579</b>	<b>199,328</b>	<b>223,369</b>	<b>236,895</b>	<b>4,166,171</b>
<b>Revenues over (under) expenditures</b>	<b>(390,682)</b>	<b>(19,923)</b>	<b>-</b>	<b>410,629</b>	<b>24</b>
<b>Other financing sources (uses)</b>					
Operating transfers in (out)	390,706	19,923	-	(410,629)	-
<b>Revenues over expenditures and other financing sources</b>	<b>24</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>24</b>
Fund balance, beginning of year	24,252	-	-	-	24,252
Fund balance, end of year	\$ 24,276	\$ -	\$ -	\$ -	\$ 24,276

**Cape Fear Council of Governments**

**Schedule of Revenues, Expenditures and Changes in Fund Balances –  
Budget and Actual – Aging Administration Title III B & C Programs  
Year Ended June 30, 2018**

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
<b>Revenues</b>				
Federal			\$ 1,459,885	
State			1,586,458	
Other			69,554	
<b>Total revenues</b>	<b>3,020,737</b>	<b>3,529,331</b>	<b>3,115,897</b>	<b>(413,434)</b>
<b>Expenditures</b>				
Current:				
Pass-through			3,273,777	
Salaries			113,504	
Fringe			33,877	
Rent			7,787	
Professional services			30	
Telephone			954	
Supplies			3,620	
Postage			225	
Travel/training			5,213	
Insurance			555	
Data processing			5,514	
Meeting costs			571	
Maintenance			864	
Leased equipment			1,901	
Dues and subscriptions			380	
Audit			833	
Overhead allocation			56,974	
<b>Total expenditures</b>	<b>3,020,737</b>	<b>3,529,331</b>	<b>3,506,579</b>	<b>22,752</b>
<b>Revenues under expenditures</b>	-	-	(390,682)	(390,682)
<b>Other financing sources</b>				
Operating transfers in	-	-	390,706	390,706
<b>Revenues under expenditures and other financing sources</b>	<b>\$ -</b>	<b>\$ -</b>	<b>24</b>	<b>\$ 24</b>
Fund balance, beginning of year			<u>24,252</u>	
Fund balance, end of year			<u>\$ 24,276</u>	

Cape Fear Council of Governments

Schedule of Revenues, Expenditures and Changes in Fund Balances –  
Budget and Actual – Ombudsman Program  
Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
<b>Revenues</b>				
Federal			\$ 94,693	
State			84,712	
<b>Total revenues</b>	<b>173,926</b>	<b>200,621</b>	<b>179,405</b>	<b>(21,216)</b>
<b>Expenditures</b>				
Current:				
Salaries			92,231	
Fringe			37,788	
Rent			4,121	
Professional services			30	
Telephone			1,707	
Supplies			2,238	
Postage			42	
Travel/training			10,084	
Insurance			370	
Data processing			6,625	
Meeting costs			792	
Maintenance			456	
Leased equipment			1,277	
Dues and subscriptions			90	
Audit			759	
Overhead allocation			40,718	
<b>Total expenditures</b>	<b>173,926</b>	<b>200,621</b>	<b>199,328</b>	<b>1,293</b>
<b>Revenues under expenditures</b>	<b>-</b>	<b>-</b>	<b>(19,923)</b>	<b>(19,923)</b>
<b>Other financing sources</b>				
Operating transfers in			19,923	19,923
<b>Revenues under expenditures and other financing sources</b>	<b>\$ -</b>	<b>\$ -</b>	<b>-</b>	<b>\$ -</b>
Fund balance, beginning of year			-	
Fund balance, end of year			\$ -	

**Cape Fear Council of Governments**

**Schedule of Revenues, Expenditures and Changes in Fund Balances –  
Budget and Actual – Family Caregiver Support  
Year Ended June 30, 2018**

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
<b>Revenues</b>				
Federal			\$ 209,408	
State			13,961	
<b>Total revenues</b>	<b>216,547</b>	<b>224,817</b>	<b>223,369</b>	<b>(1,448)</b>
<b>Expenditures</b>				
Current:				
Pass-through			102,873	
Salaries			57,447	
Fringe			20,579	
Rent			2,108	
Professional services			30	
Telephone			298	
Supplies			3,137	
Postage			61	
Travel/training			4,134	
Insurance			186	
Data processing			4,324	
Meeting costs			1,505	
Maintenance			240	
Leased equipment			1,090	
Dues and subscriptions			125	
Audit			790	
Overhead allocation			24,442	
<b>Total expenditures</b>	<b>216,547</b>	<b>224,817</b>	<b>223,369</b>	<b>1,448</b>
<b>Revenues over expenditures</b>	-	-	-	-
<b>Other financing uses</b>				
Operating transfers out	-	-	-	-
<b>Revenues over expenditures and other financing uses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>-</b>	<b>\$ -</b>
Fund balance, beginning of year			-	
Fund balance, end of year			<u>\$ -</u>	

Cape Fear Council of Governments

Schedule of Revenues, Expenditures and Changes in Fund Balances –  
Budget and Actual – Other Aging Programs  
Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
<b>Revenues</b>				
Federal			\$ 226,440	
State			421,084	
<b>Total revenues</b>	<b>627,749</b>	<b>238,432</b>	<b>647,524</b>	<b>409,092</b>
<b>Expenditures</b>				
Current:				
Pass-through:				
Operation Fan			4,824	
Senior Center Outreach			29,100	
Salaries			71,403	
Fringe			26,189	
Rent			2,000	
Professional services			7,380	
Telephone			928	
Supplies			5,059	
Postage			156	
Travel/training			8,081	
Insurance			185	
Data processing			3,855	
Meeting costs			941	
Maintenance			228	
Leased equipment			353	
Dues and subscriptions			27,726	
Audit			11,414	
Advertising			17,510	
Overhead allocation			19,563	
<b>Total expenditures</b>	<b>627,749</b>	<b>238,432</b>	<b>236,895</b>	<b>1,537</b>
<b>Revenues over expenditures</b>	<b>-</b>	<b>-</b>	<b>410,629</b>	<b>410,629</b>
<b>Other financing uses</b>				
Operating transfers out	-	-	(410,629)	(410,629)
<b>Revenues over expenditures and other financing uses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>-</b>	<b>\$ -</b>
Fund balance, beginning of year			-	
Fund balance, end of year			\$ -	

Cape Fear Council of Governments

Schedule of Drawdowns and Expenditures – Workforce Development Fund  
 Budget and Actual – Workforce Development Programs  
 Year Ended June 30, 2018

Funding Source	Drawdowns			
	Funding Level	Prior to July 1, 2017	Fiscal Year June 30, 2018	Available June 30, 2018
15-2010-33	\$ 329,982	\$ (329,982)	\$ -	\$ -
16-2010-33	290,042	(234,100)	(55,942)	-
17-2010-33	343,483	-	(250,522)	92,961
	<u>963,507</u>	<u>(564,082)</u>	<u>(306,464)</u>	<u>92,961</u>
15-2020-33	1,012,095	(1,012,095)	-	-
16-2020-33	896,422	(824,252)	(71,549)	621
17-2020-33	1,097,523	-	(854,904)	242,619
	<u>3,006,040</u>	<u>(1,836,347)</u>	<u>(926,453)</u>	<u>243,240</u>
15-2030-33	884,895	(884,895)	-	-
16-2030-33	760,517	(613,496)	(147,021)	-
17-2030-33	829,497	-	(535,588)	293,909
	<u>2,474,909</u>	<u>(1,498,391)</u>	<u>(682,609)</u>	<u>293,909</u>
15-2040-33	1,072,858	(1,072,858)	-	-
16-2040-33	953,443	(785,678)	(167,765)	-
17-2040-33	1,164,334	-	(824,956)	339,378
	<u>3,190,635</u>	<u>(1,858,536)</u>	<u>(992,721)</u>	<u>339,378</u>
15-4031-33	4,561	(3,858)	-	703
	<u>4,561</u>	<u>(3,858)</u>	<u>-</u>	<u>703</u>
Statewide	136,143	-	(23,180)	112,963
	<u>136,143</u>	<u>-</u>	<u>(23,180)</u>	<u>112,963</u>
<b>Total</b>	<b>\$ 9,775,795</b>	<b>\$ (5,761,214)</b>	<b>\$ (2,931,427)</b>	<b>\$ 1,083,154</b>

Expenditures					
Prior to July 1, 2017	Fiscal Year June 30, 2018	Draws (Over)/Under Expenditures	Due From Grantor June 30, 2018	Deferred Revenue June 30, 2018	
\$ 329,982	\$ -	\$ -	\$ -	\$ -	
201,911	88,131	-	-	-	
-	250,522	-	-	-	
531,893	338,653	-	-	-	
1,012,095	-	-	-	-	
845,374	50,427	-	-	-	
-	854,904	-	-	-	
1,857,469	905,331	-	-	-	
884,895	-	-	-	-	
508,407	252,110	-	-	-	
-	535,588	-	-	-	
1,393,302	787,698	-	-	-	
1,072,858	-	-	-	-	
694,662	258,781	-	-	-	
-	824,956	-	-	-	
1,767,520	1,083,737	-	-	-	
3,858	-	-	-	-	
3,858	-	-	-	-	
-	23,180	-	-	-	
-	23,180	-	-	-	
\$ 5,554,042	\$ 3,138,599	\$ -	\$ -	\$ -	

**Cape Fear Council of Governments**

**Schedule of Indirect Costs  
For the Year Ended June 30, 2018**

		<b>FY 2018 Actual Cost</b>
<hr/>		
Total Indirect Annual Salaries		\$ 187,116
Total Indirect Fringe Benefits at 24.33% of Salary		45,519
Travel		16,201
Occupancy Costs		48,051
Operating Expense		58,777
<b>Total Indirect Expenditures</b>		<b><u>\$ 355,664</u></b>
Total Personnel Costs	\$ 1,386,785	
Less Total Indirect Salaries	(187,116)	
Less Total Indirect Fringe Benefits	<u>(45,519)</u>	
<b>Total Direct Personnel Costs</b>		<b><u>\$ 1,154,150</u></b>
<b>Indirect Rate Calculation</b>		
<u>Total Indirect Expenditures</u>	=	<u>\$ 355,664</u>
Total Direct Personnel Costs		\$ 1,154,150
		<b>30.82%</b>



**Cape Fear Council of Governments**

**Schedule of Fringe Benefits  
For the Year Ended June 30, 2018**

		<b>FY 2018 Actual Cost</b>
<b>Total Annual Salaries</b>		<b><u>\$ 1,063,036</u></b>
FICA		78,213
LGERS Retirement		75,272
Supplemental Retirement		7,568
Group Insurance		155,328
Workers' Comp		3,635
Unemployment Insurance		<u>3,733</u>
<b>Total Fringe Benefits</b>		<b><u>\$ 323,749</u></b>
<b>Fringe Benefit Rate Calculation</b>		
<u>Total Fringe Benefits</u>	=	<u>\$ 323,749</u>
Total Annual Salaries		<u>\$ 1,063,036</u>
		<b>30.46%</b>
Total Annual Salaries		\$ 1,063,036
Total Fringe Benefits		<u>323,749</u>
<b>Total Personnel Cost</b>		<b><u>\$ 1,386,785</u></b>

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**Compliance Section**

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**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 Executive Committee  
Cape Fear Council of Governments  
Wilmington, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Cape Fear Council of Governments (the Council) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Council's basic financial statements, and have issued our report thereon dated December 10, 2018.

**Internal Control Over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs that we consider to be significant deficiencies (2018-001, 2018-002 and 2018-003).

**Compliance and Other Matters**

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

**Council's Responses to Findings**

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

**Purpose of this Report**

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

*RSM US LLP*

Wilmington, North Carolina  
December 10, 2018



RSM US LLP

## **Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance**

To the Executive Committee  
Cape Fear Council of Governments  
Wilmington, North Carolina

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

We have audited Cape Fear Council of Governments' (the Council) 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 Council's major federal programs for the year ended June 30, 2018. The Council's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

### **Management's Responsibility**

Management is responsible for compliance with federal and state statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the Council's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; 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 Council's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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

In our opinion, the Council complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

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

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

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a 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 material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as item 2018-004, that we consider to be a significant deficiency.

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

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.

*RSM US LLP*

Wilmington, North Carolina  
December 10, 2018



**Independent Auditor's Report on Compliance  
for the Major State Program and  
Report on Internal Control Over Compliance**

To the Executive Committee  
Cape Fear Council of Governments  
Wilmington, North Carolina

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

We have audited Cape Fear Council of Governments' (the Council) compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina* issued by the Local Government Commission that could have a direct and material effect on the Council's major state program for the year ended June 30, 2018. The Council's major state program is 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 state statutes, regulations, and the terms and conditions of its state awards applicable to its state programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for the Council's major state program 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; the applicable sections of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, the applicable sections of 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 state program occurred. An audit includes examining, on a test basis, evidence about the Council's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

**Opinion on the Major State Program**

In our opinion, the Council complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major state program for the year ended June 30, 2018.

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

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency as described in the accompanying Schedule of Findings and Questioned Costs as item 2018-005.

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

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 and the State Single Audit Implementation Act. Accordingly, this report is not suitable for any other purpose.

*RSM US LLP*

Wilmington, North Carolina  
December 10, 2018

**Cape Fear Council of Governments**

**Schedule of Findings and Questioned Costs  
Year Ended June 30, 2018**

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

Financial Statements

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

Internal control over financial reporting:

Material weakness(es) identified?

Significant deficiency(ies) identified?

		Unmodified	
	Yes	X	No
	X		None Reported

Noncompliance material to financial statements noted?

	Yes	X	No
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Federal Awards

Internal control over major federal programs:

Material weakness(es) identified?

Significant deficiency(ies) identified?

	Yes	X	No
	X		None Reported

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

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

		Unmodified	
	X	Yes	No

Identification of major federal programs:

CFDA Number	Program Name
WIA Cluster 17.258 17.259 17.260	WIA Adult Program WIA Youth Activities WIA Dislocated Workers
Aging Cluster 93.044 93.045 93.053	Special Programs for the Aging – Title III, Part B – Grants for Supportive Services and Senior Centers Special Programs for the Aging – Title III, Part C – Nutrition Services Nutrition Services Incentive Program

(Continued)



**Cape Fear Council of Governments**

**Schedule of Findings and Questioned Costs (Continued)  
Year Ended June 30, 2018**

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**Section II – Financial Statement Findings**

**Finding 2018-001:**

Significant Deficiency in Internal Control – Segregation of Duties

Criteria:	Duties should be segregated to provide reasonable assurance that transactions are handled properly.
Condition:	There are inherent limitations in the effectiveness of the internal controls due to the lack of segregation of duties among the Council's personnel. General ledger functions, in some circumstances, may not be properly segregated from the origination of entries.
Effect:	Transactions may not be subject to review by someone not involved with their origination, and errors or irregularities may be more likely to occur without being detected.
Cause/Context:	Due to budgetary constraints, there is a limited number of personnel in certain functions.
Identification of a repeat finding:	This is a repeat finding from the immediate previous audit, 2017-001.
Recommendation:	The duties should continue to be separated as much as possible and alternative controls implemented as practical. The governing board may continue to provide some of these controls.
Views of responsible officials:	Refer to the Corrective Action Plan

(Continued)

**Cape Fear Council of Governments**

**Schedule of Findings and Questioned Costs (Continued)  
Year Ended June 30, 2018**

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**Finding 2018-002:**

Significant Deficiency in Internal Control – Insufficient Management Review

Criteria:	Management review should be performed over fund balance to ensure that fund balances are appropriately stated.
Condition:	Accounting staff is limited in size due to budgetary constraints and there are not sufficient levels of review.
Effect:	The Council understated fund balance and overstated revenue in the current year.
Cause/Context:	The Council double booked an entry which resulted in the understatement of beginning fund balance and overstatement of revenues in the current year. The error was not caught prior to the audit due to insufficient management review.
Recommendation:	We recommend the Council perform a thorough management review which includes a fund balance rollforward.
Views of responsible officials:	Refer to the Corrective Action Plan

(Continued)

**Cape Fear Council of Governments**

**Schedule of Findings and Questioned Costs (Continued)  
Year Ended June 30, 2018**

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**Finding 2018-003:**

Significant Deficiency in Internal Control – Insufficient Management Review

Criteria:	Expenses should be recorded in the proper period based upon service dates.
Condition:	The Council recorded an additional month of rent expense in the prior year. The expense should have been recorded as a prepaid expense in the prior year as it related to FY18 rent expense.
Effect:	The Council overstated rent expense and understated prepaid expenses in the prior year. This caused expenses to be understated and fund balance to be overstated in the current year by not recording expenses in the proper period.
Cause/Context:	Insufficient management review.
Recommendation:	We recommend the Council closely monitor expenses and ensure they are recorded in the proper period.
Views of responsible officials:	Refer to the Corrective Action Plan

(Continued)

**Cape Fear Council of Governments**

**Schedule of Findings and Questioned Costs (Continued)  
Year Ended June 30, 2018**

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

**Finding 2018-004:**

Significant Deficiency in Internal Control over Compliance – Segregation of Duties

CFDAs 17.258, 17.259 and 17.260

Compliance requirements = A, B, C, G, H, I, L and M.

CFDAs 93.044, 93.045 and 93.053

Compliance requirements = A, B, C, E, G, H, L, M and N.

The limited size of the Council's staff, as described in Finding 2018-001 under Government Auditing Standards findings, also applies to the Council's major federal awards (repeat finding).

Questioned Cost: None identified.

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

**Finding 2018-005:**

Significant Deficiency in Internal Control over Compliance – Segregation of Duties

Compliance requirements = A, B, C, E, G, H, L, M and N.

Ombudsman

Access

InHome/Support Services

Home Delivered Meals

Congregate Meals

Legal

The limited size of the Council's staff, as described in Finding 2018-001 under Government Auditing Standards findings, also applies to the Council's major state award (repeat finding).

Questioned Cost: None identified.



**Serving Local  
Government in:**

**Brunswick  
County**

Bald Head Island  
Belville  
Boiling Spring Lakes  
Bolivia  
Calabash  
Carolina Shores  
Caswell Beach  
Holden Beach  
Leland  
Navassa  
Northwest  
Oak Island  
Ocean Isle Beach  
Sandy Creek  
Shallotte  
Southport  
St. James  
Sunset Beach  
Varnamtown

**Columbus  
County**

Boardman  
Bolton  
Brunswick  
Cerro Gordo  
Chadbourne  
Fair Bluff  
Lake Waccamaw  
Sandyfield  
Tabor City  
Whiteville

**New Hanover  
County**

Carolina Beach  
Kure Beach  
Wilmington  
Wrightsville Beach

**Pender  
County**

Atkinson  
Burgaw  
St. Helena  
Surf City  
Topsail Beach  
Wallace  
Watha

**Affiliate  
Members**

Holly Ridge  
North Topsail Beach



**Corrective Action Plan**

**Year Ended June 30, 2018**

**Financial Statement Findings**

**Finding 2018-001:**

Significant Deficiency in Internal Control – Segregation of Duties

Condition: Lack of segregation of duties.

Contact Person: Finance Director

Corrective Action: Financial duties will continue to be segregated as much as possible and alternative controls will be used to compensate for lack of segregation. The Board will continue to be involved in providing some of these controls.

Proposed Completion Date: The Council will continue to segregate duties as much as possible until they are able to support the hire of a financial accounting assistant.

**Finding 2018-002 and 2018-003:**

Significant Deficiencies in Internal Control – Insufficient Management Review

Condition: Accounting staff is limited in size due to budgetary constraints and there are not sufficient levels of review.

Contact Person: Finance Director

Corrective Action: The Council staff will perform a thorough management review at year end which includes a fund balance roll-forward.

Proposed Completion Date: June 30, 2019

**Federal Award Findings and Questioned Costs**

See Corrective Action Plan for Finding 2018-001

**State Award Findings and Questioned Costs**

See Corrective Action Plan for Finding 2018-001

**Cape Fear Council of Governments**

  
Chris May, Executive Director

  
Dawn Tucker, Finance Director

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[www.capefearcog.org](http://www.capefearcog.org)

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**Serving Local  
Government in:**

**Brunswick  
County**

Bald Head Island  
Belville  
Boiling Spring Lakes  
Bolivia  
Calabash  
Carolina Shores  
Caswell Beach  
Holden Beach  
Leland  
Navassa  
Northwest  
Oak Island  
Ocean Isle Beach  
Sandy Creek  
Shallotte  
Southport  
St. James  
Sunset Beach  
Varnamtown

**Columbus  
County**

Boardman  
Bolton  
Brunswick  
Cerro Gordo  
Chadbourn  
Fair Bluff  
Lake Waccamaw  
Sandyfield  
Tabor City  
Whiteville

**New Hanover  
County**

Carolina Beach  
Kure Beach  
Wilmington  
Wrightsville Beach

**Pender  
County**

Atkinson  
Burgaw  
St. Helena  
Surf City  
Topsail Beach  
Wallace  
Watha

**Affiliate  
Members**

Holly Ridge  
North Topsail Beach



**Cape Fear Council of Governments**

**Summary Schedule of Prior Audit Findings  
Year Ended June 30, 2018**

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**Financial Statement Findings**

**Findings 2017-001, 2017-003 and 2017-004:**

Status: Duties are being separated as much as possible. Repeat findings in current year as Findings 2018-001, 2018-003 and 2018-004.

**Finding 2017-002:**

Status: The Council monitored grant revenue and expenditures to ensure they were recorded in the proper periods.

**Cape Fear Council of Governments**




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Chris May, Executive Director




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Dawn Tucker, Finance Director

Cape Fear Council of Governments

Schedule of Expenditures of Federal and State Awards  
Year Ended June 30, 2018

Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass- Through Grantor's Number	Federal Expenditures	State Expenditures	Pass-Through to Subrecipient
<b>Federal Awards</b>					
<u>U.S. Department of Health and Human Services</u>					
Passed-through the N.C. Department of Health and Human Services – Division of Aging Adult Services Aging Cluster: (93.044, 93.045 & 93.053):					
Special Programs for the Aging – Title III B Ombudsman	93.044	NC-15	\$ 49,846	\$ 2,932	\$ 51,991
Legal			16,459	969	17,445
Access			283,167	16,657	295,353
In-home/Support Services			48,261	2,839	50,338
Special Programs for the Aging – Title III C Congregate meals	93.045	NC-15	478,161	28,127	493,386
Home-delivered meals			402,124	23,654	414,928
Nutrition Services Incentive Program (NSIP)	93.053	NC-15	214,683	-	214,683
<b>Total Aging Cluster</b>			<b>1,492,701</b>	<b>75,178</b>	<b>1,538,124</b>
Money Follows the Person Rebalancing Demonstration	93.791	NC-15	16,032	-	-
Special Programs for the Aging – Title III D and F Preventive health	93.043	NC-15	55,845	1,711	-
Social Services Block Grant In-home	93.667	NC-15	159,836	4,567	106,829
Elder Abuse Prevention Title III Elder Abuse	93.041	NC-15	6,780	399	-

(Continued)

**Cape Fear Council of Governments**

**Schedule of Expenditures of Federal and State Awards (Continued)  
Year Ended June 30, 2018**

<b>Grantor/Pass-Through Grantor/Program Title</b>	<b>Federal CFDA Number</b>	<b>Pass- Through Grantor's Number</b>	<b>Federal Expenditures</b>	<b>State Expenditures</b>	<b>Pass-Through to Subrecipient</b>
Special Programs for the Aging – Title VII E Ombudsman	93.042	NC-15	\$ 44,847	\$ 2,638	\$ -
National Family Caregiver Support Program Family Caregiver Services	93.052	NC-15	209,408	13,961	102,873
<b>Total Family Caregiver Services</b>			<b>209,408</b>	<b>13,961</b>	<b>102,873</b>
Passed-through the N.C. Department of Insurance Senior's Health Insurance Information Program	93.048	NC-15	4,977	-	-
<b>Total U.S. Department of Health and Human Services</b>			<b>1,990,426</b>	<b>98,454</b>	<b>1,747,826</b>
<u>U.S. Department of Labor</u>					
Passed-through the N.C. Department of Commerce – Division of Employment and Training Workforce Investment Act Cluster: (17.258, 17.259, 17.260)					
WIA Adult Program	17.258	NC-33	905,851	-	687,778
WIA Adult Program (2010 Administration)	17.258	NC-33	109,588	-	83,206
WIA Youth Activities	17.259	NC-33	1,083,344	-	822,542
WIA Youth Activities (2010 Administration)	17.259	NC-33	131,061	-	99,510
WIA Dislocated Workers	17.260	NC-33	810,681	-	615,519
WIA Dislocated Workers (2010 Administration)	17.260	NC-33	98,074	-	74,464
<b>Total workforce cluster</b>			<b>3,138,599</b>	<b>-</b>	<b>2,383,019</b>
<b>Total U.S. Department of Labor</b>			<b>3,138,599</b>	<b>-</b>	<b>2,383,019</b>

(Continued)

**Cape Fear Council of Governments**

**Schedule of Expenditures of Federal and State Awards (Continued)  
Year Ended June 30, 2018**

Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass- Through Grantor's Number	Federal Expenditures	State Expenditures	Pass-Through to Subrecipient
<u>U.S. Department of Housing and Urban Development</u>					
Emergency Solutions Grant	14.231	NC-15	\$ 353,352	\$ -	\$ -
<u>U.S. Department of Defense</u>					
Community Economic Adjustment Assistance for Compatible Use and Joint Land Use Studies	12.610	NC-7	83,223	-	-
<u>U.S. Department of Transportation</u>					
Passed-through the N.C. Department of Transportation Highway Planning and Construction (Federal- Aid Highway Program)	20.205	NC-15	100,445	-	-
<b>State Grants</b>					
<u>N.C. Department of Health and Human Services</u>					
Division of Aging					
Ombudsman 90% State funds	-	NC-11	-	79,142	77,962
Access – 90% State funds	-	NC-12	-	149,657	147,425
In-home/Support Services – 90% State funds	-	NC-13	-	1,017,495	1,002,323
Home-delivered meals – 90% State funds	-	NC-14	-	335,958	327,397
Title III P&A/AAA Administration	-	NC-15	-	232,439	-
Project CARE	-	NC-15	-	97,084	11,655
Senior Center Development	-	NC-15	-	91,162	91,162
Operation Fan	-	NC-15	-	4,824	4,824
<b>Total N.C. Department of Health and Human Services</b>			<b>-</b>	<b>2,007,761</b>	<b>1,662,748</b>
<u>N.C. Department of Transportation</u>					
Regional Bicycle Planning	-	DOT-24	-	14,493	-
<b>Total assistance expended</b>			<b>\$ 5,666,045</b>	<b>\$ 2,120,708</b>	<b>\$ 5,793,593</b>

See Notes to Schedule of Expenditures of Federal and State Awards.

**Cape Fear Council of Governments**

**Notes to the Schedule of Expenditures of Federal and State Awards  
Year Ended June 30, 2018**

The accompanying schedule represents the activity of all federal and State financial assistance programs of Cape Fear Council of Governments. All federal and State financial assistance received directly or indirectly from federal and State agencies are included on the Schedule.

**Note 1. Basis of Presentation**

The accompanying schedule of expenditures of federal and State awards includes the federal and State grant activity of Cape Fear Council of Governments and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of 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*. Therefore some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements. The Council has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

**Note 2. Subrecipients**

Federal and State awards have been passed-through to subrecipients as follows for the year ended June 30, 2018:

<b>Subrecipient</b>	<b>Program Name</b>	<b>Federal CFDA/ State Pass-Through Number</b>	<b>Federal and State Amount</b>
Brunswick Senior Resources, Inc.	Special Programs for the Aging-Title III B	93.044	\$ <b>535,780</b>
Columbus County Dept. of Aging	Special Programs for the Aging-Title III B	93.044	<b>293,002</b>
New Hanover County Dept. of Aging	Special Programs for the Aging-Title III B	93.044	<b>543,636</b>
Pender Adult Services	Special Programs for the Aging-Title III B	93.044	<b>235,529</b>
Legal Services of the Lower Cape Fear	Special Programs for the Aging-Title III B	93.044	<b>17,445</b>
Brunswick Senior Resources, Inc.	Special Programs for the Aging-Title III C	93.045	<b>411,748</b>
Columbus County Dept. of Aging	Special Programs for the Aging-Title III C	93.045	<b>225,173</b>
New Hanover County Dept. of Aging	Special Programs for the Aging-Title III C	93.045	<b>417,785</b>
Pender Adult Services	Special Programs for the Aging-Title III C	93.045	<b>181,005</b>

(Continued)

Cape Fear Council of Governments

Notes to the Schedule of Expenditures of Federal and State Awards (Continued)  
Year Ended June 30, 2018

Note 2. Subrecipients (Continued)

Subrecipient	Program Name	Federal CFDA/ State Pass-Through Number	Federal and State Amount
Columbus County Dept. of Aging	Social Services Block Grant In-home Support	93.667	\$ 29,194
New Hanover County Dept. of Aging	Social Services Block Grant In-home Support	93.667	54,167
Pender Adult Services	Social Services Block Grant In-home Support	93.667	23,468
Brunswick Senior Resources, Inc.	Family Caregiver Services	93.052	26,531
Columbus County Dept. of Aging	Family Caregiver Services	93.052	23,001
New Hanover County Dept. of Aging	Family Caregiver Services	93.052	25,551
Pender Adult Services	Family Caregiver Services	93.052	27,790
Brunswick Senior Resources, Inc.	Nutrition Services Incentive Program	93.053	84,425
Columbus County Dept. of Aging	Nutrition Services Incentive Program	93.053	35,287
New Hanover County Dept. of Aging	Nutrition Services Incentive Program	93.053	77,946
Pender Adult Services	Nutrition Services Incentive Program	93.053	17,025
Brunswick Senior Resources, Inc.	Senior Center Outreach and General Purpose	NC-15	42,651
Columbus County Dept. of Aging	Senior Center Outreach and General Purpose	NC-15	30,470
New Hanover County Dept. of Aging	Senior Center Outreach and General Purpose	NC-15	21,211
Pender Adult Services	Senior Center Outreach and General Purpose	NC-15	25,930
Brunswick Senior Resources, Inc.	FANS	NC-15	877
Columbus County Dept. of Aging	FANS	NC-15	1,101
New Hanover County Dept. of Aging	FANS	NC-15	1,800
Pender Adult Services	FANS	NC-15	1,046
<b>Aging Programs Pass-Through</b>			<b>3,410,574</b>
Southeastern Community College	WIA Adult Program – 2020	17.258	162,980
Two Hawk	WIA Adult Program – 2020	17.258	150,000
LINC	WIA Adult Program – 2020	17.258	106,932
Education Data Systems	WIA Adult Program - 2020	17.258	362,660
Southeastern Community College	WIA Youth Activities – 2040	17.259	191,928
LINC	WIA Youth Activities – 2040	17.259	95,972
Education Data Systems	WIA Youth Activities - 2040	17.259	530,985
Telemon Corporation	WIA Youth Activities – 2040	17.259	190,747
Education Data Systems	WIA Dislocated Workers – 2030	17.260	289,803
Two Hawk	WIA Dislocated Workers – 2030	17.260	157,500
Southeastern Community College	WIA Dislocated Workers – 2030	17.260	143,512
<b>Workforce Development Programs Pass-Through</b>			<b>2,383,019</b>
<b>Total Federal and State Awards Passed-Through to Subrecipients</b>			<b>\$ 5,793,593</b>