

TRIANGLE J COUNCIL OF GOVERNMENTS

FINANCIAL STATEMENTS AND COMPLIANCE REPORT

As of and for the Year Ended June 30, 2017

And Report of Independent Auditor

TRIANGLE J COUNCIL OF GOVERNMENTS

TABLE OF CONTENTS

REPORT OF INDEPENDENT AUDITOR	1-2
--	-----

MANAGEMENT’S DISCUSSION AND ANALYSIS	3-8
---	-----

FINANCIAL STATEMENTS

Government-wide Financial Statements:

Statement of Net Position	9
---------------------------------	---

Statement of Activities	10
-------------------------------	----

Fund Financial Statements:

Balance Sheet – General Fund	11
------------------------------------	----

Statement of Revenues, Expenditures, and Changes in Fund Balances – General Fund.....	12
---	----

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of the General Fund to the Statement of Activities.....	13
--	----

Statement of Revenues, Expenditures, and Changes in Fund Balances Annual Budget and Actual – General Fund	14
--	----

Statement of Fiduciary Net Position – OPEB Trust Fund.....	15
--	----

Statement of Changes in Fiduciary Net Position – OPEB Trust Fund.....	16
---	----

Notes to the Financial Statements	17-31
---	-------

REQUIRED SUPPLEMENTAL INFORMATION

Other Postemployment Healthcare Benefits – Schedule of Funding Progress, Schedule of Employer Contributions, Notes to the Required Schedules, and Schedule of Changes

In Net OPEB Liability and Related Ratios	32-33
--	-------

Local Government Employees’ Retirement System – Schedule of Proportionate Share

of Net Pension Asset and Schedule of Contributions.....	34
---	----

SUPPLEMENTARY INFORMATION

Schedule of Indirect Costs – Budget and Actual.....	35
---	----

Schedule of Indirect Costs Applied to Programs	36
--	----

Supplemental Schedule of Program Revenues – Budget and Actual – General Fund.....	37-38
---	-------

Supplemental Schedule of Program Expenditures – Budget and Actual – General Fund.....	39-40
---	-------

COMPLIANCE SECTION

Report of Independent Auditor on Internal Control over Financial Reporting and on Compliance and on Other Matters Based on an Audit of Financial

Statements Performed in Accordance with <i>Government Auditing Standards</i>	41-42
--	-------

Report of Independent Auditor on Compliance for Each Major Federal Program on Internal Control over Compliance with the OMB Uniform Guidance

and the State Single Audit Implementation Act	43-44
---	-------

Report of Independent Auditor on Compliance with Requirements Applicable to Each Major State Program and on Internal Control over Compliance Required

by the OMB Uniform Guidance and the State Single Audit Implementation Act	45-46
---	-------

Schedule of Expenditures of Federal and State Awards	47-48
--	-------

Schedule of Findings and Questioned Costs.....	49-51
--	-------

Report of Independent Auditor

To the Board of Delegates
Triangle J Council of Governments
Research Triangle Park, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the general fund of the Triangle J Council of Governments (the "Council"), as of and for the year ended June 30, 2017, 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 an opinion 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 of material misstatement.

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

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

Opinions

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and the general fund of the Council, as of June 30, 2017, and the respective changes in financial position and budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 6 to the financial statements, the Council implemented Governmental Accounting Standards Board ("GASB") Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* beginning July 1, 2016. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplemental information, as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2017, on our consideration of the Council's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Council's internal control over financial reporting and compliance.

Cherry Bekaert LLP

Raleigh, North Carolina
November 30, 2017

TRIANGLE J COUNCIL OF GOVERNMENTS

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2017

The Triangle J Council of Governments (the "Council") is a voluntary organization of municipal and county governments in North Carolina's Region J. This regional council is one of 16 regional councils established in 1972 by the General Assembly to aid, assist, and improve the capabilities of local governments in administration, planning, fiscal management, and development. The legislature designated that Region J be comprised of Durham, Orange, Wake, Chatham, Johnston, and Lee counties. These six counties and the 30 municipalities therein were eligible for membership in the Council. The Council has since established itself as a leader in intergovernmental cooperation and planning, bringing together elected officials and local government staff to address issues on a regional basis. Upon the dissolution of Region H in the summer of 2001, the Council gained Moore County as a seventh member county of Region J. The Council serves as administrator for programs related to Public Safety, Transportation, Economic and Physical Development, Environmental Protection, and Human Services.

This section of the Council's financial report represents our discussion and analysis of the financial performance of the Council for the year ended June 30, 2017. This information should be read in conjunction with the audited financial statements included in this report.

Financial Highlights

- The assets of the Council exceeded its liabilities at the close of the fiscal year by \$395,299 (*net position*).
- The Council's total net position decreased by \$26,287 as a result of the increase in revenues being less than the increase in expenses. The increase in expenses can be attributed to the creation of a trust for the Council's other postemployment benefit plan ("OPEB"). The Council made a contribution of \$107,575 to establish the trust in the current fiscal year.
- As of the close of the current fiscal year, the Council's general fund reported an ending fund balance of \$912,423. The general fund fund balance is restricted by State statute and available only for spending on governmental programs.

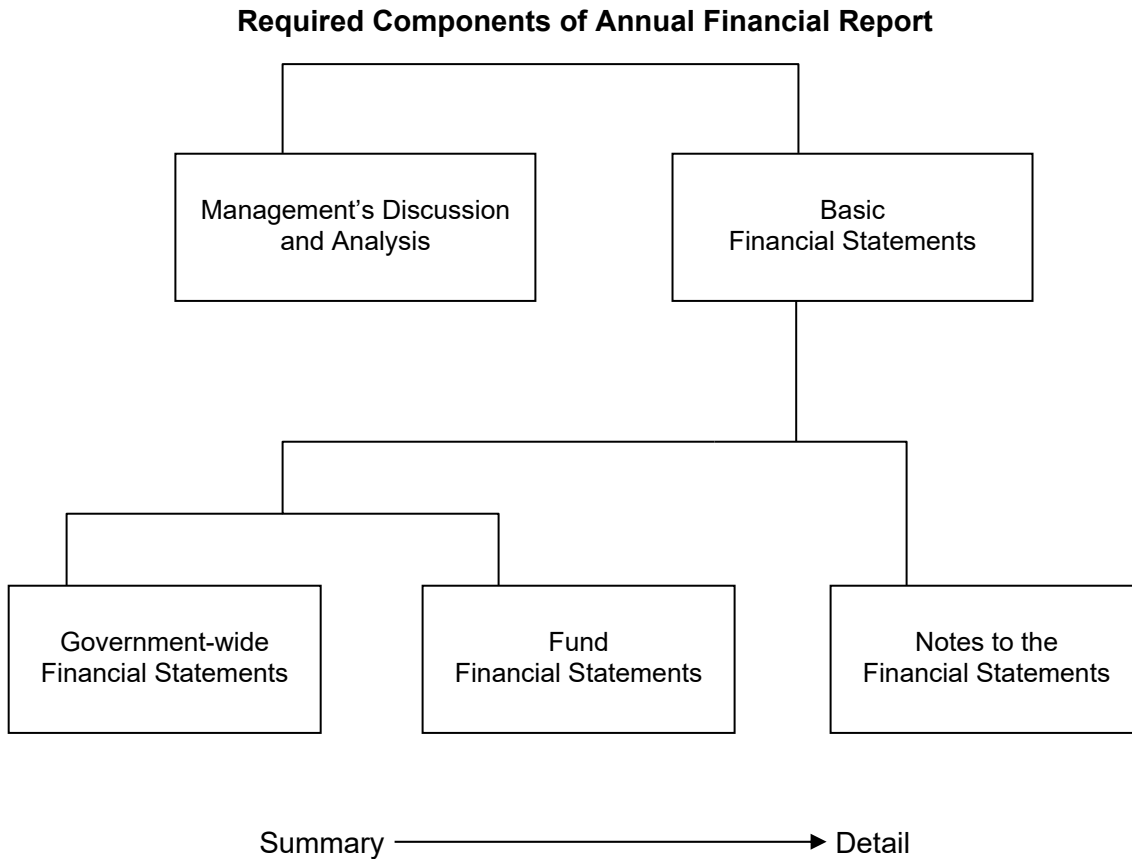
Overview of the Financial Statements

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

**TRIANGLE J COUNCIL OF GOVERNMENTS
MANAGEMENT’S DISCUSSION AND ANALYSIS**

JUNE 30, 2017

Figure 1



Basic Financial Statements

The first two statements (pages 9 and 10) in the basic financial statements are the *government-wide statements*. They provide both short and long-term information about the Council's financial status. The next statements (pages 11 through 16) are *fund financial statements*. These statements focus on the activities of the individual parts of the Council's government. These statements provide more detail than the government-wide statements. There are three parts to the fund financial statements: 1) the governmental funds statements, 2) the budgetary comparison statements, and 3) the OPEB trust fund statements.

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

TRIANGLE J COUNCIL OF GOVERNMENTS

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2017

Government-Wide Financial Statements

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

The two government-wide statements report the Council's net position and how it has changed. Net position is the difference between the Council's total assets and total liabilities. Measuring net position is one way to gauge the Council's financial condition.

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

Fund Financial Statements

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

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

The Council adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the constituent member local governments, the management of the Council, and the decisions of the Board of Delegates ("Board") about which services to provide and how to pay for them. It also authorizes the Council to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the Council complied with the budget ordinance and whether or not the Council succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document.

The statement shows four columns: 1) the original budget as adopted by the Board, 2) the final budget as amended by the Board, 3) the actual resources, charges to appropriations, and ending balances in the General Fund, and 4) the difference or variance between the final budget and the actual resources and charges.

Fiduciary Fund – Fiduciary funds are used to account for resources held for the benefit of parties outside of the Council. The Council's fiduciary fund is for their OPEB trust fund.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 17 of this report.

TRIANGLE J COUNCIL OF GOVERNMENTS
MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2017

Government-Wide Financial Analysis

Table 1
Condensed Statement of Net Position
June 30,

	Governmental Activities	
	2017	2016
Assets:		
Current assets	\$ 3,210,555	\$ 2,551,806
Capital assets	20,185	28,103
	<u>3,230,740</u>	<u>2,579,909</u>
Deferred Outflows of Resources	<u>425,525</u>	<u>92,172</u>
Liabilities:		
Current liabilities	2,319,362	1,700,831
Noncurrent liabilities	911,199	481,550
	<u>3,230,561</u>	<u>2,182,381</u>
Deferred Inflows of Resources	<u>30,405</u>	<u>68,114</u>
Net Position:		
Net investment in capital assets	1,959	5,320
Restricted by Stabilization of State Statute	1,494,018	1,450,349
Unrestricted	(1,100,678)	(1,034,083)
	<u>\$ 395,299</u>	<u>\$ 421,586</u>

As noted earlier, net assets may serve over time as one useful indicator of a government's financial condition. The assets of the Council exceeded liabilities by \$395,299 as of June 30, 2017. The Council's net position decreased by \$26,287 for the fiscal year ended June 30, 2017. Of the net position, \$1,959 reflects the Council's net investment in capital assets (office and computer equipment and software). The Council uses these capital assets to provide services to constituent local government members; consequently these assets are not available for future spending.

TRIANGLE J COUNCIL OF GOVERNMENTS
MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2017

Table 2
Condensed Statement of Activities
June 30,

	Governmental Activities	
	2017	2016
Revenues:		
Program revenues:		
Charges for services	\$ 678,153	\$ 430,118
Intergovernmental revenues	11,523,254	11,474,893
General revenues:		
Local government dues	832,277	837,269
Unrestricted investment earnings	4,733	2,633
Total Revenues	<u>13,038,417</u>	<u>12,744,913</u>
Expenses:		
Governmental activities:		
General government	556,243	385,069
Transportation	105,532	126,075
Environmental protection	2,835,013	2,718,104
Economic and physical development	60,703	57,185
Human services	9,507,213	9,414,256
Total Expenses	<u>13,064,704</u>	<u>12,700,689</u>
Change in net position	(26,287)	44,224
Net position, July 1	421,586	377,362
Net position, June 30	<u>\$ 395,299</u>	<u>\$ 421,586</u>

Governmental Activities. Governmental activities decreased the Council's net position by \$26,287.

The Council's revenues were \$13.0 million. 88% of the Council's revenues come from Federal and State revenues.

The Council's expenditures were \$13 million. 73% of the Council's expenditures were related to Human Services programs and 22% of expenses were environmental protection program related.

Financial Analysis of the Council's Funds

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

TRIANGLE J COUNCIL OF GOVERNMENTS

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2017

Governmental Funds. The focus of the Council's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Specifically, unreserved fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year. The General Fund is the operating fund of the Council. At the end of the fiscal year, the General Fund unassigned fund balance reflects a deficit of \$906,703 while total fund balance was \$912,423 a consequence of State statute requirements that program receivables are restricted. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. The purpose of the comparison is to understand what resources are available for the coming year operations. At June 30, 2017, the fund balance of the governmental funds of the Council decreased by \$15,043 over the prior year.

Governmental Funds Budgetary Highlights. During the fiscal year, the Council revised the budget on several occasions. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments to recognize new funding amounts from external sources, such as Federal and State grants; and 3) increases in appropriations that become necessary to maintain services. The Council's total revenues were \$1.9 million less than budgeted and the Council's total expenses were \$1.8 million less than budgeted.

Capital Asset and Debt Administration

Capital Assets. The Council's investment in capital assets for its governmental activities as of June 30, 2017 totals \$20,185 (net of accumulated depreciation). These assets include the GIS software system, vehicles, furniture, fixtures and equipment, and are substantially depreciated. This amount is small because the Council does not own the bulk of its facilities, but operates under operating leases which call for payments of rent.

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

Long-Term Debt. The Council's long-term debt consisted of the following for its governmental activities as of June 30, 2017: an OPEB obligation of \$325,332, compensated absences accrued of \$87,542, net pension liability of \$485,166, and capital leases of \$18,226, totaling \$916,357.

Additional information on the Council's debt can be found in Note 6 of the Basic Financial Statements.

Economic Factors and Next Year's Budgets and Rates

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

The proposed budget for the coming fiscal year calls for funded expenditures of approximately \$13.1 million. The change in the proposed budget over the current year is attributable to an expected decrease in grant funding.

Requests for Information

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

Judy Weller, Finance Director
4307 Emperor Blvd., Suite 110
Durham, NC 27703

TRIANGLE J COUNCIL OF GOVERNMENTS
STATEMENT OF NET POSITION

JUNE 30, 2017

	Governmental Activities
ASSETS	
Current Assets:	
Cash and cash investments	\$ 1,678,757
Accounts receivable	1,494,018
Prepaid items	37,780
Total Current Assets	<u>3,210,555</u>
Noncurrent Assets:	
Capital assets, net of accumulated depreciation	20,185
Total Noncurrent Assets	<u>20,185</u>
Total Assets	<u><u>3,230,740</u></u>
DEFERRED OUTFLOWS OF RESOURCES	
Pension Deferral	<u>425,525</u>
LIABILITIES	
Current Liabilities:	
Accounts payable and accrued liabilities	2,077,577
Unearned grant revenue	236,718
Current portion of capital leases	5,067
Total Current Liabilities	<u>2,319,362</u>
Noncurrent Liabilities:	
OPEB obligation	325,332
Compensated absences accrued	87,542
Capital leases	13,159
Net pension liability	485,166
Total Noncurrent Liabilities	<u>911,199</u>
Total Liabilities	<u><u>3,230,561</u></u>
DEFERRED INFLOWS OF RESOURCES	
Pension deferral	<u>30,405</u>
NET POSITION	
Net investment in capital assets	1,959
Restricted:	
Stabilization by State Statute	1,494,018
Unrestricted	<u>(1,100,678)</u>
Total Net Position	<u><u>\$ 395,299</u></u>

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

TRIANGLE J COUNCIL OF GOVERNMENTS
STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2017

Functions/Programs	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Position
				Primary Governmental Activities
Governmental Activities:				
General government	\$ 556,243	\$ 145,060	\$ 310,695	\$ (100,488)
Transportation	105,532	-	75,532	(30,000)
Environmental protection	2,835,013	41,996	1,858,671	(934,346)
Economic and physical development	60,703	417,673	175,292	532,262
Human services	9,507,213	73,424	9,103,064	(330,725)
Total Governmental Activities	\$ 13,064,704	\$ 678,153	\$ 11,523,254	(863,297)
General Revenues:				
				832,277
				4,733
				837,010
				(26,287)
				421,586
				\$ 395,299

TRIANGLE J COUNCIL OF GOVERNMENTS

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
GENERAL FUND**

YEAR ENDED JUNE 30, 2017

ASSETS

Assets:

Cash and investments	\$ 1,678,757
Accounts receivable	1,494,018
Prepaid items	37,780
Total Assets	\$ 3,210,555

LIABILITIES AND FUND BALANCES

Liabilities:

Program accounts payable and accrued expenses	\$ 2,077,577
Unearned grant revenue	220,555
Total Liabilities	2,298,132

Fund Balances:

Nonspendable for prepaid items	37,780
Restricted:	
Stabilization by State statute	1,494,018
Committed:	
Unemployment insurance	39,478
Assigned:	
Triangle Area Water Supply Monitoring Project	65,287
Clean Water Education Partnership	141,778
Music in My Mind	8,417
DIP	20,987
CORE	11,381
Unassigned	(906,703)
Total Fund Balances	912,423
Total Liabilities and Fund Balances	\$ 3,210,555

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

Ending fund balances - governmental funds	\$ 912,423
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	20,185
Some liabilities, including capital lease obligations, OPEB, and accrued vacation are not due and payable in the current period and therefore, are not reported in the funds	(431,100)
Accounts receivable due from other governments not collected within 90 days after year-end is deferred in the fund	(16,163)
Pension activity (including long-term liability, deferred outflows, and deferred inflows) is not reported in the funds	(90,046)
Net position of governmental activities	\$ 395,299

TRIANGLE J COUNCIL OF GOVERNMENTS

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
GENERAL FUND**

YEAR ENDED JUNE 30, 2017

Revenues:	
Federal government grants	\$ 942,679
State government grants	530,930
Federal and state pass through	9,486,028
Member assessments	590,707
Special assessments	525,868
Local aging share	306,409
Program income/fees	605,795
Other income	(10,927)
Interest income	4,733
Total Revenues	<u>12,982,222</u>
Expenditures:	
General government	496,722
Transportation	105,532
Environmental protection	2,835,013
Economic and physical development	60,703
Human services	9,499,295
Total Expenditures	<u>12,997,265</u>
Net change in fund balances	(15,043)
Fund balances, beginning of year	<u>927,466</u>
Fund balances, end of year	<u>\$ 912,423</u>

TRIANGLE J COUNCIL OF GOVERNMENTS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF THE GENERAL FUND TO THE STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2017

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

Net change in fund balances - total governmental funds	\$ (15,043)
Pension expense, not included on the statement of activities	(125,487)
Current year contributions to the Local Government Employees' Retirement System	119,540

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 in the current period:

Depreciation expense for governmental assets	(7,918)
--	---------

Some expenses reported in the statement of activities do not require the use of current financial resources in governmental funds:

Principal payments made on capital leases	4,131
OPEB expenses in the statement of activities	72,358
Increase in OPEB obligation	(53,559)
Current year accrued absences	\$ (87,542)
Prior year accrued absences	<u>83,396</u>
Additions to compensated absences	(4,146)

Accounts receivable due from other governments not collected within 90 days after year-end is deferred in the fund

(16,163)

Change in net position of governmental activities

\$ (26,287)

TRIANGLE J COUNCIL OF GOVERNMENTS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
ANNUAL BUDGET AND ACTUAL – GENERAL FUND

YEAR ENDED JUNE 30, 2017

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
Revenues:				
Federal government grants	\$ 993,126	\$ 1,077,234	\$ 942,679	\$ (134,555)
State government grants	624,632	628,677	530,930	(97,747)
Federal and state pass through	9,935,774	10,758,748	9,486,028	(1,272,720)
Member assessments	590,707	590,714	590,707	(7)
Special assessments	525,927	525,927	525,868	(59)
Local aging share	306,409	306,409	306,409	-
Program income/fees	557,332	720,579	605,795	(114,784)
Other income	114,324	297,183	(10,927)	(308,110)
Interest income	-	2,800	4,733	1,933
Total Revenues	13,648,231	14,908,271	12,982,222	(1,926,049)
Expenditures:				
General government	388,091	498,047	496,722	1,325
Transportation	126,075	126,075	105,532	20,543
Environmental protection	3,487,808	3,617,855	2,835,013	782,842
Economic and physical development	74,000	74,000	60,703	13,297
Human services	9,572,257	10,592,294	9,499,295	1,092,999
Total Expenditures	13,648,231	14,908,271	12,997,265	1,911,006
Net change in fund balances	\$ -	\$ -	(15,043)	\$ (15,043)
Fund balances - beginning of year			927,466	
Fund balances - end of year			\$ 912,423	

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

TRIANGLE J COUNCIL OF GOVERNMENTS
STATEMENT OF FIDUCIARY NET POSITION – OPEB TRUST FUND

YEAR ENDED JUNE 30, 2017

ASSETS

Cash and cash equivalents	\$ 107,575
	<u>\$ 107,575</u>

LIABILITIES

OPEB liability	\$ 46,797
	<u>\$ 46,797</u>

NET POSITION

Restricted for pension benefits	\$ 60,778
	<u>\$ 60,778</u>

TRIANGLE J COUNCIL OF GOVERNMENTS

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION – OPEB TRUST FUND

YEAR ENDED JUNE 30, 2017

Additions:

Employer contributions	\$ 107,575
Total Additions	<u>107,575</u>

Deductions:

Benefit payments	46,797
Total Deductions	<u>46,797</u>

Changes in net position	60,778
Net position, beginning of year	<u>-</u>
Net position, end of year	<u>\$ 60,778</u>

TRIANGLE J COUNCIL OF GOVERNMENTS

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2017

Note 1—Summary of significant accounting policies

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

Reporting Entity – The Council is one of 16 regional councils of government formed pursuant to the General Statutes of North Carolina, Chapter 160A, Article 20, Part 2. Membership in the Council consists of six counties (Durham, Orange, Wake, Chatham, Johnston, and Lee) and 31 municipalities from within those counties. The Board of Delegates is comprised of one delegate from each governmental unit.

Purpose – The Council’s purpose is to provide a forum for consideration of multi-jurisdictional matters affecting health, safety, welfare, education, recreation, economic conditions, regional planning, and development. The amount of local contribution from the members for the year ended June 30, 2017 (based on July 1999 capital) was \$0.39 for the first 150,000 persons, then \$0.20 per person thereafter. County dues exclude the incorporated population of the municipalities.

During the year ended June 30, 2017, the Council created Triangle J Regional Corporation, a 501(c)(3) not-for-profit organization. There was no activity within Triangle J Regional Corporation during the year ended June 30, 2017.

Basis of Presentation

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

The statement of activities presents a comparison between direct expenses and program revenues for each function of the Council’s governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational requirements of a particular program. Revenues that are not classified as program revenues, including member dues, are presented as general revenues.

Fund Financial Statements – The fund financial statements provide information about the Council’s funds. The Council maintains one governmental fund and one fiduciary fund which are described as follows:

General Fund – The General Fund is the general operating fund of the Council. The General Fund accounts for all financial resources except those that are required to be accounted for in another fund. The primary revenue sources are technical assistance contracts, contracts and fees, and member dues. The primary expenditures are for area agencies on aging, planning assistance and administration, and the regional initiatives group.

OPEB Trust Fund – The Council maintains one OPEB Trust Fund - the Other Postemployment Benefit Fund. The OPEB Trust Fund is used to report resources that are required to be held in trust for the members and beneficiaries of the other postemployment benefit plan. The Other Postemployment Benefit Fund accounts for the Council’s contributions for health care coverage provided to qualified retirees.

Measurement Focus and Basis of Accounting – In accordance with North Carolina Statutes, all funds of the Council are maintained during the year using the modified accrual basis of accounting.

TRIANGLE J COUNCIL OF GOVERNMENTS

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2017

Note 1—Summary of significant accounting policies (continued)

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 flows take place. Non-exchange transactions, in which the Council gives (or receives) value without directly receiving (or giving) equal value in exchange, include grants. Revenues from grants are recognized in the fiscal year in which all eligibility requirements have been satisfied.

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. General capital asset acquisitions are reported as expenditures in governmental funds.

During the year ended June 30, 2017, the Council implemented Governmental Accounting Standards Board (“GASB”) Statement No. 74, *Financial Reporting for Postemployment Benefits Other Than Pension Plans*. As the Council’s Other Postemployment Benefit Plan is administered through a trust, the Council is now required to present two financial statements – a statement of fiduciary net position and a statement of changes in fiduciary net position – along with additional plan disclosures.

Budgetary Data – The Council’s budget ordinance is adopted, as required by the North Carolina General Statutes, on or before July 1 for the next fiscal year.

Expenditures may not legally exceed appropriations at the program or project level. The Council’s finance officer is authorized to transfer appropriations within a program or project; however, any revisions that alter total expenditure of any program must be approved by the governing board.

The appropriations are formally budgeted and legally controlled on a program or project basis. The annual budget, which is prepared on the modified accrual basis of accounting as required by North Carolina statute, is amended during the fiscal year by the Board of Delegates, and the budget amounts reflected in the statement of revenues, expenditures, and changes in fund balance represent the budget as amended to June 30, 2017. Unencumbered annual appropriations lapse at each fiscal year-end and must be re-appropriated in the following fiscal year’s budget.

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

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 the actual rate.

Assets, Liabilities, and Fund Equity

Deposits and Investments – All deposits of the Council are made in board designated official depositories and are either insured by the Federal Deposit Insurance Corporation (“FDIC”) or held in investment vehicles authorized by the State Treasurer.

State law [G.S. 159-30 (c)] authorizes the Council to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public council; obligations of certain non-guaranteed Federal agencies; certain high quality issues of commercial paper and bankers’ acceptances; and the North Carolina Capital Management Trust (“NCCMT”).

TRIANGLE J COUNCIL OF GOVERNMENTS

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2017

Note 1—Summary of significant accounting policies (continued)

The Council investments are primarily in securities of the NCCMT Government Portfolio. The securities of the NCCMT Government Portfolio, a SEC-registered (2a-7) external investment pool, are measured at amortized cost, which is the NCCMT's share price. Non-participating interest earnings and investment contracts are reported at cost.

Cash and Cash Equivalents – The Council combines cash from program awards into one operating account to facilitate disbursements and investment and to maximize investment income. The Council considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash and cash equivalents.

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

Those revenues susceptible to accrual are member dues, investment earnings, technical assistance contracts, contracts and fees, and Federal and State restricted intergovernmental revenues. Expenditures driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been satisfied.

The Council provides for losses on receivables on the allowance method. The allowance method is based on experience, third-party contracts, and other circumstances, which may affect the ability of debtors to meet their obligations. It is the Council's policy to charge off uncollectible receivables when management determines the receivable will not be collected. Management of the Council believes that all receivables will be collected. Therefore, no allowance for uncollectible accounts is considered necessary.

Capital Assets – Capital assets are defined by the Council as assets with an initial, individual cost greater than or equal to \$5,000 and an estimated useful life in excess of two years. Council assets meeting this definition are recorded at original cost at the time of acquisition and depreciated over the useful lives, ranging from 5-10 years, on a straight-line basis. When an asset is disposed of, the cost of the asset and the related accumulated depreciation are removed from the books. Any gain or loss on disposition is reflected in the earnings for the period.

Compensated Absences – Council policy provides the accumulation of earned vacation up to 240 hours. Leave is fully vested when earned. Accumulated earned vacation at June 30, 2017 was \$87,542. Accumulated vacation is accounted for on a LIFO basis, assuming that employees are taking leave as it is earned. The current portion of the accumulated vacation pay is not considered to be material and, therefore, no provision has been made in the accompanying financial statements. Employees can accumulate an unlimited amount of sick leave. Accrued sick leave may be used in the determination of length of service for retirement benefit purposes. Since the Council has no further obligation for accumulated sick leave, no accrual for sick leave has been made.

Coverage for other post-retirement benefits is provided through common insurance carriers.

Net OPEB Liability – The Council maintains one postemployment benefit plan. The plan's financial statement is prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Contributions are recognized when due, and the Council will provide the contributions to the Plan. Benefits and refunds are recognized when due and payable in accordance with the term of the plan. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. Short-term money market debt instruments, deposits, and repurchase agreements are reported at cost or amortized cost, which approximates fair value. Certain longer term United States Government and United States Agency securities are valued at the last reported sales price. Administration costs of the plan are financed through investment earnings.

TRIANGLE J COUNCIL OF GOVERNMENTS

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2017

Note 1—Summary of significant accounting policies (continued)

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

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

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

The governmental fund types classify fund balances as follows:

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

Prepaid Items – Portion of fund balance that is not an available resource because it represents amounts prepaid relating to ensuing year's budget which are not spendable resources.

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

Stabilization by State Statute – Portion of fund balance that is restricted by State Statute [G.S. 159-8(a)].

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

Unemployment Insurance – Portion of fund balance restricted by the board for use for unemployment insurance.

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

Subsequent Year's Expenditures – Portion of fund balance that is appropriated in the next year's budget that is not already classified in restricted or committed. The governing body approves the appropriation; however, the budget ordinance authorizes the manager to modify the appropriations by resource or appropriation within funds.

When both restricted and unrestricted resources are available to use, it is the Council's policy to use restricted resources first then unrestricted resources, as they are needed.

Pensions – For purposes of measuring the net pension liability, 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 members' 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 contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of LGERS. Investments are reported at fair value.

TRIANGLE J COUNCIL OF GOVERNMENTS
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2017

Note 2—Deposits and investments

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

At June 30, 2017, the Council's deposits had a carrying amount of \$143,138 and a bank balance of \$149,084. The entire bank balance was covered by FDIC.

At June 30 2017, the Council had \$1,535,459 invested with the North Carolina Capital Management Trust's Government Portfolio, which carried a credit rating of AAAM by Standard and Poor's. The Council has no formal policy regarding credit risk of its investments.

At June 30, 2017, the Council's OPEB fund had \$107,575 in cash invested within an irrevocable trust held by Wells Fargo. The Council did not hold any investments within their OPEB trust as of June 30, 2017.

Note 3—Receivables

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

DHHS – Office of the Secretary	\$ 823,902
NC Department of Transportation	434,562
Other receivables	<u>235,554</u>
Total	<u><u>\$ 1,494,018</u></u>

TRIANGLE J COUNCIL OF GOVERNMENTS
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2017

Note 4—Capital assets

The capital assets of the Council at June 30, 2017, consist of administrative and program equipment and vehicles. The following is a schedule of capital assets by Council function:

	<u>June 30, 2016</u> Balances	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2017</u> Balance
Capital assets being depreciated:				
Vehicles	\$ 23,524	\$ -	\$ -	\$ 23,524
Capital leases	22,783	-	-	22,783
	<u>46,307</u>	<u>-</u>	<u>-</u>	<u>46,307</u>
Less accumulated depreciation for:				
Vehicles	18,204	3,361	-	21,565
Capital leases	-	4,557	-	4,557
	<u>18,204</u>	<u>\$ 7,918</u>	<u>\$ -</u>	<u>26,122</u>
Governmental activities capital assets, net of depreciation	<u>\$ 28,103</u>			<u>\$ 20,185</u>

Note 5—Retirement plan

Local Governmental Employees' Retirement System

Plan Description – The Council is a participating employer in the statewide Local Governmental Employees' Retirement System ("LGERS"), a cost-sharing multiple-employer defined benefit pension plan (the "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 member. LGERS is included in the Comprehensive Annual Financial Report ("CAFR") for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

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 partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service. Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

TRIANGLE J COUNCIL OF GOVERNMENTS

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2017

Note 5—Retirement plan (continued)

Contributions – Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Organization employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Council's contractually required contribution rate for the year ended June 30, 2017 was 7.25% of compensation for general employees, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Council were \$119,540 for the year ended June 30, 2017. The contributions made from the Council equaled the required contributions for the year.

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 the employer contributions or any other benefit provided by LGERS.

Supplemental Retirement Income Plan

All full-time employees of the Council, who are members of LGERS, can voluntarily elect to participate in the Supplemental Retirement Income Plan of North Carolina. This Plan is a defined contribution pension plan governed by the Department of the State Treasurer and a Board of Trustees. Participation begins at the date of employment in a defined contribution plan; benefits depend solely on amounts contributed to the plan plus investment earnings. The Council contributes amounts equal to 5% of each employee's gross annual salary. Contributions are remitted bi-weekly and such contributions vest immediately. Council contributions to the plan totaled \$76,813 for the year ended June 30, 2017.

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

At June 30, 2017, the Council reported a liability of \$485,166 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015. The total pension liability was then rolled forward to the measurement date of June 30, 2016, utilizing update procedures incorporating the actuarial assumptions. The Council's proportion of the net pension liability was based on a projection of the Council's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2016, the Council's proportion was 0.023%, which was a decrease of 0.001% from its proportion measured at June 30, 2015.

TRIANGLE J COUNCIL OF GOVERNMENTS
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2017

Note 5—Retirement plan (continued)

For the year ended June 30, 2017, the Council recognized pension expense of \$125,487. At June 30, 2017, the Council reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 9,115	\$ 17,001
Changes of assumptions	33,230	
Net difference between projected and actual earnings on pension plan investments	263,397	-
Changes in proportion and differences between Council contributions and proportionate share of contributions	243	13,404
Council contributions subsequent to the measurement date	119,540	-
Total	<u>\$ 425,525</u>	<u>\$ 30,405</u>

Deferred outflows of resources related to pensions resulting from the Council's contributions subsequent to the measurement date of \$119,540 will be recognized as an increase of the net pension liability in the year ending June 30, 2018. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Years Ending June 30,</u>	
2018	\$ 40,378
2019	40,414
2020	118,750
2021	76,038
	<u>\$ 275,580</u>

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

Inflation	3%
Salary increases	3.50% to 7.75%, including inflation and productivity factor
Investment rate of return	7.25%, net of pension plan investment expense, including inflation

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

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

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

TRIANGLE J COUNCIL OF GOVERNMENTS
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2017

Note 5—Retirement plan (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 weighing 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, 2016, are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Estate
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%
	100.0%	

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

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

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

	1% Decrease (6.25%)	Discount Rate (7.25%)	1% Increase (8.25%)
Agency's proportionate share of the net pension liability (asset)	\$ 1,151,525	\$ 485,166	\$ (71,427)

TRIANGLE J COUNCIL OF GOVERNMENTS
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2017

Note 5—Retirement plan (continued)

Pension Plan Fiduciary Net Position – Detailed information about the pension plan’s fiduciary net position is available in the separately issued CAFR for the State of North Carolina.

Note 6—Other postemployment benefits

Other Postemployment Benefits (“OPEB”)

Healthcare Benefits – Plan Description – Under the terms of a Council resolution, the Council administers a single-employer defined benefit healthcare plan (the “Retiree Health Plan”). The plan provides postemployment healthcare benefits to retirees of the Council, provided they participate in the North Carolina LGERS and have at least five years of creditable service with the Council. The Council pays a percentage of the premium for the coverage based on the equivalent years of service as follows:

5-10 years	25%
10-15 years	50%
15-20 years	75%
Over 20 years	100%

Membership in the Retiree Health Plan consisted of 10 retirees and 20 active employees for a total of 30 employees included in the calculation as of June 30, 2017.

Also, the Council's retirees can purchase coverage for their dependents at the Council's group rates. The City Council may amend the benefit provisions. A separate report was not issued for the plan.

Funding Policy – By Council resolution, the Council pays the full cost of coverage for the healthcare benefits paid to qualified retirees. The Council has chosen to fund the healthcare benefits on a pay as you go basis. Postemployment expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting. No funds are set aside to pay benefits and administration costs. These expenditures are paid as they come due. In fiscal year ended June 30, 2017, the Council’s total contributions were \$46,797.

Benefits Provided – The Council’s plan provides healthcare benefits for retirees. The Council pays a percentage of the cost of coverage for employees’ benefits through private insurers.

The following are the Council’s contributions to the Plan based on years of creditable service as of June 30, 2017:

<u>Years of Creditable Service</u>	<u>Date Hired Pre-July 1, 2007</u>	<u>Date Hired On or after July 1, 2007</u>
Less than 10 years	43.75%	0.00%
10-14 years	75.00%	0.00%
15-19 years	93.75%	
More than 20 years	100.00%	0.00%

Investment Policy – The Council’s policy in regard to the allocation of invested assets is established and may be amended by the Board by a majority vote of its members. It is the policy of the Board to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The Council discourages the use of cash and cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans. Investments are valued at fair value.

TRIANGLE J COUNCIL OF GOVERNMENTS
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2017

Note 6—Other postemployment benefits (continued)

The following was the Board’s adopted asset allocation policy as of June 30, 2017:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected</u>
Cash and Cash Equivalents	100%	0.03%
Total	100%	0.03%

For the year ended June 30, 2017, the annual money weighted rate of return on investments, net of investment expense, was 0.03%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net OPEB Liability of the Council

The components of the net OPEB liability of the Council at June 30, 2017 were as follows:

Total OPEB Liability	\$ 1,524,548
Plan fiduciary net position	<u>60,778</u>
Net OPEB liability	<u>\$ 1,463,770</u>

Plan fiduciary net position as a percentage of the total OPEB liability	3.99%
---	-------

Actuarial Assumptions – The total OPEB liability was determined by an actuarial valuation as of June 30, 2017 using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	3.00%
Real wage growth	0.50%
Wage inflation	3.50%
Salary increases	3.50 - 7.75%
Investment rate of return	4.00%
Municipal bond index rate - prior measurement date	3.01%
Municipal bond index rate - measurement date	3.56%
Healthcare cost trend rates - Pre-Medicare	7.75% for 2016 decreasing to an ultimate rate of 5.00% by 2022
Healthcare cost trend rates - Medicare	5.75% for 2016 decreasing to an ultimate rate of 5.00% by 2019

The discount rate used to measure the total OPEB liability was based upon the Single Equivalent Interest Rate.

Mortality rates were based on the RP-2017 mortality tables, with adjustments for LGERS experience and generational mortality improvements using Scale MP-2015.

TRIANGLE J COUNCIL OF GOVERNMENTS
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2017

Note 6—Other postemployment benefits (continued)

The demographic actuarial assumptions for retirement, disability incidence, withdrawal, and salary increases used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period January 1, 2010 – December 31, 2014, adopted by the LGERS.

The remaining actuarial assumptions used in the June 30, 2016 valuation were based on a review of recent plan experience done concurrently with the June 30, 2016 valuation.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate – The following presents the net OPEB liability of the Council, as well as what the Council’s net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

	1% Decrease (2.54 percent)	Discount Rate (3.54 percent)	1% Increases (4.54 percent)
Net OPEB Liability	\$ 1,752,567	\$ 1,463,770	\$ 1,235,089

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate – The following presents the net OPEB liability of the Council, as well as what the Council’s net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

	1% Decrease (6.50 percent)	Discount Rate (7.50 percent)	1% Increases (8.50 percent)
Net OPEB Liability	\$ 1,201,272	\$ 1,463,770	\$ 1,804,503

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

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

Annual required contributions	\$ 99,870
Interest earned on net OPEB Obligation	10,871
Adjustment to annual required contribution	10,385
Annual OPEB cost	100,356
Contribution made in FY 2017	46,797
Increase in Net OPEB Obligation	53,559
Net OPEB Obligation, beginning of fiscal year	271,773
Net OPEB Obligation, end of fiscal year	<u>\$ 325,332</u>

TRIANGLE J COUNCIL OF GOVERNMENTS
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2017

Note 6—Other postemployment benefits (continued)

Three-Year Trend Information

Fiscal Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2015	\$ 106,610	56.1%	\$ 238,883
2016	109,882	70.1%	271,773
2017	100,356	46.6%	325,332

Funded Status and Funding Progress – As of June 30, 2016, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$1,232,257, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$1,223,575, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 100.7%.

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents information about the actuarial value of plan assets and the actuarial accrued liabilities for benefits.

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

In the June 30, 2016 actuarial valuation, the Projected Unit Credit Actuarial Cost Method was used. The actuarial assumptions included a 4.0% investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer’s own investments calculated based on the funded level of the plan at the valuation date. The medical cost trend rate varied between 7.75 - 5.00%. Both rates included a 3.00% inflation assumption. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of pay, open basis. The remaining amortization period at June 30, 2016, was 30 years.

Note 7—Long-term obligations

Capital Leases – In 2016, the Council entered into a capital lease agreement for a copier. The economic substance of the lease is the Council is financing the acquisition of the asset through the lease and, accordingly, the lease is recorded in the Council’s assets and liabilities.

The following is an analysis of the leased assets included in capital assets:

Capital assets	\$ 46,307
Less accumulated depreciation	(26,122)
	<u>\$ 20,185</u>

TRIANGLE J COUNCIL OF GOVERNMENTS
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2017

Note 7—Long-term obligations (continued)

The lease agreements contain bargain purchase options at the end of the lease term.

The following is a schedule by years of future minimum payments required under the capital leases together with their present value as of June 30, 2017:

2018	\$ 5,159
2019	5,159
2020	5,159
2021	4,639
Total minimum lease payments	<u>20,116</u>
Less amount representing interest	<u>(1,890)</u>
Present value of minimum lease payments	<u><u>\$ 18,226</u></u>

Amortization of assets held under capital leases is included with depreciation expense.

Change in Long-Term Obligations – A summary of changes in long-term obligations for the year ended June 30, 2017 is as follows:

	<u>June 30, 2016</u>	<u>Net Increase (Decrease)</u>	<u>June 30, 2017</u>	<u>Due Within One Year</u>
OPEB	\$ 271,773	\$ 53,559	\$ 325,332	\$ -
Compensated absences	83,396	4,146	87,542	-
Capital leases	22,783	(4,557)	18,226	5,067
Net pension liability	<u>108,159</u>	<u>377,007</u>	<u>485,166</u>	<u>-</u>
	<u><u>\$ 486,111</u></u>	<u><u>\$ 430,155</u></u>	<u><u>\$ 916,266</u></u>	<u><u>\$ 5,067</u></u>

Operating Leases – The Council leases property under an operating lease with a term through July 2023, which requires future minimum rental payments as of June 30, 2017, according to the following schedule:

<u>Years Ending June 30,</u>	
2018	\$ 203,153
2019	208,737
2020	214,511
2021	220,388
2022	226,447
Thereafter	<u>252,131</u>
	<u><u>\$ 1,325,367</u></u>

Rent expense under all leases was \$203,192 for the year ended June 30, 2017.

TRIANGLE J COUNCIL OF GOVERNMENTS

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2017

Note 8—Risk management

The Council is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Council participates in two self-funded risk financing pools administered by the North Carolina League of Municipalities. Through these pools, the Council obtains general liability of \$3 million per occurrence, auto liability coverage of \$2 million per occurrence, property coverage up to the total insurance values of the property policy, workers' compensation coverage up to statutory limits, and employee health from BlueCross BlueShield coverage with no lifetime limit and in-network providers. The pools are reinsured through commercial companies for single occurrence claims against general liability, auto liability, and property in excess of \$500,000 and \$300,000 up to statutory limits for workers' compensation. The property liability pool has an aggregate limit for the total property losses in a single year, with the reinsurance limit based upon a percentage of the total insurance values.

The Council carries commercial coverage for all other risks of loss. There have been no significant reductions in insurance coverage in the prior year and settled claims have not exceeded coverage in any of the past fiscal years. A Public Officials Bond has been purchased for the Finance Officer in the amount of \$50,000.

Note 9—Contingent liabilities

The Council is the recipient of various State and Federal awards for specific purposes that are subject to review and possibly final audit by the grantor agencies. Such audits could lead to requests by the grantor agencies for reimbursement of expenditures disallowed under the compliance terms of the grant. At June 30, 2017, no request for reimbursement by the grantor agencies existed for those grants which have been subjected to grantor audits.

Note 10—Concentration of risk

A material part of the Council's support is derived from grants from the North Carolina Department of Health and Human Services – Division of Aging. This support represented 73.1% of the Council's total revenue for the year ended June 30, 2017. The loss of this revenue would have an adverse effect on the Council's ability to continue to provide its aging services.

Note 11—Subsequent events

Subsequent to June 30, 2017, the Council accepted the following entities as new members: the Town of Aberdeen, the Town of Southern Pines, the Town of Micro, and the Village of Pinehurst.

The Council has evaluated subsequent events through November 30, 2017 in connection with the preparation of these financial statements, which is the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY FINANCIAL DATA

This section contained additional information required by governmental accounting standards board.

- Schedule of Funding Progress for the Other Postemployment Benefit Plan
- Schedule of Employer Contributions for the Other Postemployment Benefit Plan
- Notes to the Required Schedule for the Other Postemployment Benefit Plan
- Schedule of Change in Net OPEB Liability and Related Ratios
- Schedule of Proportionate Share of Net Pension Liability – Local Governmental Employees' Retirement System
- Schedule of Contributions – Local Governmental Employees' Retirement System

TRIANGLE J COUNCIL OF GOVERNMENTS

OTHER POSTEMPLOYMENT HEALTHCARE BENEFITS –

SCHEDULE OF FUNDING PROGRESS, SCHEDULE OF EMPLOYER CONTRIBUTIONS, NOTES TO THE REQUIRED SCHEDULES, AND SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS

YEAR ENDED JUNE 30, 2017*

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Projected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
6/30/2011	\$ -	\$ 822,073	\$ 822,073	0.00%	\$ 1,519,641	54.1%
6/30/2012	-	848,061	848,061	0.00%	1,550,353	54.7%
12/31/2013	-	1,237,322	1,237,322	0.00%	1,318,043	93.9%
6/30/2016	-	1,232,257	1,232,257	0.00%	1,223,575	100.7%

Schedule of Employer Contributions

Year Ended June 30,	Annual Required Contribution	Percentage Contributed
2015	106,267	51.4%
2016	109,455	70.3%
2017	99,870	46.9%

Notes to the Required Schedules

Valuation Date	June 30, 2016	Actuarial Assumptions	
Actuarial cost method	Projected Unit Credit	Investment rate of return	4.00%
Amortization method	Level percent of pay closed	Medical cost trend rate	5% - 7.75%
Remaining amortization period	30 years	Includes inflation at	3.00%
Asset valuation method	Market value of assets	Cost-of-living adjustments	N/A

*The information presented is limited to available data.

TRIANGLE J COUNCIL OF GOVERNMENTS**OTHER POSTEMPLOYMENT HEALTHCARE BENEFITS –****SCHEDULE OF FUNDING PROGRESS, SCHEDULE OF EMPLOYER CONTRIBUTIONS, NOTES TO THE REQUIRED SCHEDULES, AND SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS (CONTINUED)**

YEAR ENDED JUNE 30, 2017

	2017
Total OPEB liability	
Service Cost	\$ 74,614
Interest	47,205
Changes of benefit terms	-
Difference between expected and actual experience	-
Changes in assumptions	(147,357)
Benefit payments	(46,797)
Net change in total OPEB liability	(72,335)
Total OPEB liability - Beginning	1,596,883
Total OPEB liability - Ending	\$ 1,524,548
Plan fiduciary net position	
Contributions - employer	\$ 107,575
Net investment income	-
Benefit payments	(46,797)
Administrative expense	-
Net change in plan fiduciary net position	60,778
Plan fiduciary net position - Beginning	-
Plan fiduciary net position - Ending	\$ 60,778
Net OPEB liability - Ending	\$ 1,463,770
Plan fiduciary net position as a percentage of the total OPEB liability	3.99%
Covered-employee payroll	\$ 1,223,575
Net OPEB liability as a percentage of covered-employee payroll	119.63%
Annual money-weighted rate of return, net of investment expenses	0.03%

TRIANGLE J COUNCIL OF GOVERNMENTS
LOCAL GOVERNMENT EMPLOYEES' RETIREMENT SYSTEM –
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION ASSET AND SCHEDULE OF
CONTRIBUTIONS

*LAST FOUR FISCAL YEARS ENDED JUNE 30**

Schedule of Proportionate Share of Net Pension Liability (Asset)

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Council's proportion of the net pension liability (asset) (%)	0.023%	0.024%	(0.027%)	0.027%
Council's proportion of the net pension liability (asset) (\$)	\$ 485,166	\$ 108,159	\$ (156,814)	\$ 323,043
Council's covered-employee payroll	1,376,448	1,472,426	1,451,793	1,237,322
Council's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	35.25%	7.35%	(10.65%)	22.25%
Plan fiduciary net position as a percentage of the total pension liability	97.97%	98.09%	102.64%	94.35%

Schedule of Contributions

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 119,540	\$ 91,809	\$ 105,581	\$ 105,921
Contributions in relation to the contractually required contribution	119,540	91,809	105,581	105,921
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Council's covered-employee payroll	\$ 1,376,448	\$ 1,376,448	\$ 1,472,426	\$ 1,451,793
Contributions as a percentage of covered-employee payroll	8.68%	6.67%	7.17%	7.30%

*The amounts presented for each fiscal year were determined as of the prior fiscal year ending June 30. Information is not available for years prior to those presented.

TRIANGLE J COUNCIL OF GOVERNMENTS
SCHEDULE OF INDIRECT COSTS –
BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2017

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Indirect Personnel Costs:			
Salaries	\$ 348,837	\$ 358,746	\$ (9,909)
Fringe benefits	118,758	118,317	441
	<u>467,595</u>	<u>477,063</u>	<u>(9,468)</u>
Administrative Costs:			
Telecommunications	96,534	105,379	(8,845)
Travel-mileage	3,000	244	2,756
Leased equipment	12,000	8,343	3,657
Maintenance:			
Equipment/software maintenance	8,000	7,830	170
Vehicle usage	5,150	-	5,150
Rent building	202,994	203,192	(198)
Rent facility	2,500	2,475	25
Office supplies	8,000	3,812	4,188
Postage	4,000	1,000	3,000
Printing	9,000	8,479	521
Meeting expense	7,000	4,802	2,198
Conferences/training	9,000	10,160	(1,160)
Contractual	1,000	2,355	(1,355)
Legal cost	500	-	500
Audit cost	24,000	24,000	-
Dues & subscriptions	13,000	15,275	(2,275)
Insurance	12,000	11,069	931
Miscellaneous	3,000	2,795	205
	<u>420,678</u>	<u>411,210</u>	<u>9,468</u>
Total Indirect Costs	<u>\$ 888,273</u>	<u>\$ 888,273</u>	<u>\$ -</u>

TRIANGLE J COUNCIL OF GOVERNMENTS
SCHEDULE OF INDIRECT COSTS APPLIED TO PROGRAMS

YEAR ENDED JUNE 30, 2017

	Program Salaries and Fringe	Actual Indirect Costs Allocated to Programs Based on Salaries
Member Services	\$ 129,902	\$ 68,182
Drug Alcohol Testing Program	20,308	11,548
Triangle Area Rural Planning Organization	64,177	35,114
Foreign Trade Zone	31,628	17,162
Water Resources	38,675	21,123
Jordan Lake Partnership Work plan	2,523	1,595
Little Cross Creek	2,337	1,136
Triangle Regional Resiliency	385	251
Telework Toolkit	12,653	6,371
Hurricane Matthew Resiliency	2,873	1,482
Triangle Area Water Supply Monitoring Project	10,842	5,992
Transit Oriented Development Project	42,677	21,999
Duke Water Grant	11,964	6,880
Siler City Conservation Planning	6,911	3,993
Clean Water Education Partnership (CWEP)	22,655	12,594
NSAB & NCDP Facilitation	3,488	1,955
Upper Cape Fear River Basin Association	11,234	6,275
Transportation Demand Management (TDM)	208,862	114,027
Triangle Clean Cities	15,479	9,136
Energy and Environment Project Planning	7,363	3,998
Clean Fuels Advanced Technologies	31,858	17,455
Clean Cities Mentoring	10,019	5,271
Southeast AFV Demonstrative Initiative	13,632	7,859
Regional Data Center/GIS	9,953	5,475
Center of the Region Enterprise (CORE)	13,366	7,112
Development and Infrastructure Planning	38,592	20,772
Smart Growth Education	39,609	22,158
Land Use - Transportation - Air Quality	166,282	93,869
Chatham Housing Project	27,658	14,364
Siler City Land Development Plan	3,242	1,695
Aging:		
Planning	256,781	135,572
Ombudsman	267,493	148,195
Family Caregiver	86,997	48,068
Caregiver Alternatives to Running on Empty	683	277
Elder Abuse	9,922	5,766
Health Promotion	1,887	72
Geriatric Workforce Enhancement Program	7,022	3,480
Total Indirect Costs	\$ 1,631,932	\$ 888,273

TRIANGLE J COUNCIL OF GOVERNMENTS
SUPPLEMENTAL SCHEDULE OF PROGRAM REVENUES –
BUDGET AND ACTUAL – GENERAL FUND

YEAR ENDED JUNE 30, 2017

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
General Government:			
Member Services	\$ 220,655	\$ 216,155	\$ (4,500)
Drug Alcohol Testing Program	70,561	64,585	(5,976)
Regional Summit	3,145	-	(3,145)
Non-Departmental & Contingency	203,686	107,159	(96,527)
	<u>498,047</u>	<u>387,899</u>	<u>(110,148)</u>
Transportation:			
TARPO planning	126,075	105,532	(20,543)
Environmental Protection:			
Water resources	65,378	65,377	(1)
Jordan Lake Partnership Regional Water Supply Study	11,119	11,118	(1)
Little Cross Creek	7,971	4,009	(3,962)
Triangle Regional Resiliency	7,650	7,636	(14)
Telework Toolkit	40,698	19,094	(21,604)
Hurricane Matthew Resiliency	6,462	4,534	(1,928)
Triangle Area Water Supply Monitoring Project	304,255	302,407	(1,848)
Transit Oriented Development Project	132,134	66,780	(65,354)
Duke Water Grant	48,393	48,393	-
Siler City Conservation Planning	12,986	12,985	(1)
Clean Water Education Partnership	159,679	147,093	(12,586)
NSAB & NCDP Facilitation	38,258	35,927	(2,331)
Upper Cape Fear River Basin Association	20,000	20,000	-
Transportation Demand Management	1,842,905	1,485,224	(357,681)
Triangle Clean Cities	32,089	26,953	(5,136)
Energy and Environment Project Planning	12,124	12,123	(1)
Clean Fuels Advanced Technologies	75,333	54,431	(20,902)
Clean Cities Mentoring	45,000	15,435	(29,565)
Southeast AFV Demonstrative Initiative	229,427	76,526	(152,901)
Regional Data Center and GIS	20,300	20,299	(1)
Center of the Region Enterprise	32,500	32,500	-
Development and Infrastructure Planning	83,043	83,043	-
Smart Growth Education and Technical Assistance	63,947	63,946	(1)
Land Use - Transportation - Air Quality	272,604	263,925	(8,679)
Chatam Housing Project	43,600	42,818	(782)
Siler City Land Development Plan	10,000	5,154	(4,846)
	<u>3,617,855</u>	<u>2,927,730</u>	<u>(690,125)</u>

TRIANGLE J COUNCIL OF GOVERNMENTS
SUPPLEMENTAL SCHEDULE OF PROGRAM REVENUES –
BUDGET AND ACTUAL – GENERAL FUND (CONTINUED)

YEAR ENDED JUNE 30, 2017

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Economic and Physical Development:			
Foreign Trade Zone	\$ 74,000	\$ 62,000	\$ (12,000)
Human Services:			
Aging Program:			
Planning	582,043	439,069	(142,974)
Ombudsman	468,675	431,580	(37,095)
Family Caregiver	500,899	500,897	(2)
Caregiver Alternatives to Running on Empty	86,403	85,548	(855)
Music in My Mind	1,000	-	(1,000)
Elder Abuse	20,161	15,932	(4,229)
Aging Program Subtotal	<u>1,659,181</u>	<u>1,473,026</u>	<u>(186,155)</u>
Home Com Care Block Grant	8,354,078	7,557,453	(796,625)
Legal	28,205	28,203	(2)
Health Promotion	95,556	94,833	(723)
Aging Fans	24,655	18,636	(6,019)
Aging Senior Center - GP	137,782	137,774	(8)
MIPPA - II	98,732	52,007	(46,725)
Local Contact Agency	90,000	67,086	(22,914)
Durham Community Resource Connections	42,899	18,642	(24,257)
Chatham-Orange Community Resource Connections	14,648	7,877	(6,771)
Geriatric Workforce Enhancement Program	46,558	43,524	(3,034)
	<u>10,592,294</u>	<u>9,499,061</u>	<u>(1,093,233)</u>
Total Program Revenues	<u>\$ 14,908,271</u>	<u>\$ 12,982,222</u>	<u>\$ (1,926,049)</u>

TRIANGLE J COUNCIL OF GOVERNMENTS
SUPPLEMENTAL SCHEDULE OF PROGRAM EXPENDITURES –
BUDGET AND ACTUAL – GENERAL FUND

YEAR ENDED JUNE 30, 2017

	Budget	Actual	Variance Positive (Negative)
General Government:			
Member Services	\$ 220,655	\$ 216,155	\$ 4,500
Drug Alcohol Testing Program	70,561	68,309	2,252
Regional Summit	3,145	-	3,145
Non-Departmental & Contingency	203,686	212,258	(8,572)
	<u>498,047</u>	<u>496,722</u>	<u>1,325</u>
Transportation:			
TARPO planning	126,075	105,532	20,543
Environmental Protection:			
Water resources	65,378	65,377	1
Jordan Lake Partnership Regional Water Supply Study	11,119	11,118	1
Little Cross Creek	7,971	4,009	3,962
Triangle Regional Resiliency	7,650	7,636	14
Telework Toolkit	40,698	19,094	21,604
Hurricane Matthew Resiliency	6,462	4,534	1,928
Triangle Area Water Supply Monitoring Project	304,255	298,942	5,313
Transit Oriented Development Project	132,134	66,780	65,354
Duke Water Grant	48,393	49,327	(934)
Siler City Conservation Planning	12,986	12,985	1
Clean Water Education Partnership	159,679	91,009	68,670
NSAB & NCDP Facilitation	38,258	35,927	2,331
Upper Cape Fear River Basin Association	20,000	18,277	1,723
Transportation Demand Management	1,842,905	1,485,418	357,487
Triangle Clean Cities	32,089	26,758	5,331
Energy and Environment Project Planning	12,124	12,123	1
Clean Fuels Advanced Technologies	75,333	54,431	20,902
Clean Cities Mentoring	45,000	15,435	29,565
Southeast AFV Demonstrative Initiative	229,427	76,526	152,901
Regional Data Center and GIS	20,300	20,299	1
Center of the Region Enterprise	32,500	21,119	11,381
Development and Infrastructure Planning	83,043	62,056	20,987
Smart Growth Education and Technical Assistance	63,947	63,946	1
Land Use - Transportation - Air Quality	272,604	263,925	8,679
Chatam Housing Project	43,600	42,808	792
Siler City Land Development Plan	10,000	5,154	4,846
	<u>3,617,855</u>	<u>2,835,013</u>	<u>782,842</u>

TRIANGLE J COUNCIL OF GOVERNMENTS
SUPPLEMENTAL SCHEDULE OF PROGRAM EXPENDITURES –
BUDGET AND ACTUAL – GENERAL FUND

YEAR ENDED JUNE 30, 2017

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Economic and Physical Development:			
Foreign Trade Zone	\$ 74,000	\$ 60,703	\$ 13,297
Human Services:			
Aging Program:			
Planning	582,043	439,069	142,974
Ombudsman	468,675	431,580	37,095
Family Caregiver	500,899	500,897	2
Caregiver Alternatives to Running on Empty	86,403	85,548	855
Music in My Mind	1,000	335	665
Elder Abuse	20,161	15,932	4,229
Aging Program Subtotal	<u>1,659,181</u>	<u>1,473,361</u>	<u>185,820</u>
Home Com Care Block Grant	8,354,078	7,557,453	796,625
Legal	28,205	28,203	2
Health Promotion	95,556	94,833	723
Aging Fans	24,655	18,636	6,019
Aging Senior Center - GP	137,782	137,774	8
MIPPA - II	98,732	52,007	46,725
Local Contact Agency	90,000	66,986	23,014
Durham Community Resource Connections	42,899	18,642	24,257
Chatham-Orange Community Resource Connections	14,648	7,877	6,771
Geriatric Workforce Enhancement Program	46,558	43,523	3,035
	<u>10,592,294</u>	<u>9,499,295</u>	<u>1,092,999</u>
Total Program Expenditures	<u><u>\$ 14,908,271</u></u>	<u><u>\$ 12,997,265</u></u>	<u><u>\$ 1,911,006</u></u>

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

To the Board of Delegates
Triangle J Council of Governments
Research Triangle Park, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities and the general fund of the Triangle J Council of Governments (the "Council"), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprises the Council's basic financial statements, and have issued our report thereon dated November 30, 2017.

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 Council'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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Council's financial statements are free 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*.

Purpose of This Report

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

Cheryl Bekaert LLP

Raleigh, North Carolina
November 30, 2017

Report of Independent Auditor on Compliance with Requirements Applicable to Each Major Federal Program and Internal Control over Compliance Required by the OMB Uniform Guidance and the State Single Audit Implementation Act

To the Board of Delegates
Triangle J Council of Governments
Research Triangle Park, North Carolina

Report on Compliance for Each Major Federal Program

We have audited the Triangle J 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, 2017. The Council's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Council's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* ("CFR") 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 of the Council's compliance.

Opinion on Each Major Federal Program

In our opinion, the Council complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Report on Internal Control over Compliance

Management of the Council is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Council's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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 combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that a material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

Chemy Bekaert LLP

Raleigh, North Carolina
November 30, 2017

**Report of Independent Auditor on Compliance with Requirements Applicable to
Each Major State Program and on Internal Control over Compliance Required by the
OMB Uniform Guidance and the State Single Audit Implementation Act**

To the Board of Delegates
Triangle J Council of Governments
Research Triangle Park, North Carolina

Report on Compliance for Each Major State Program

We have audited the Triangle J Council of Governments (the "Council") compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission that could have a direct and material effect on each of the Council's major State programs for the year ended June 30, 2017. The Council's major State programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major State Program

In our opinion, the Council complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major State programs for the year ended June 30, 2017.

Report on Internal Control over Compliance

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

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

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

Chemy Bekaert LLP

Raleigh, North Carolina
November 30, 2017

TRIANGLE J COUNCIL OF GOVERNMENTS
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

YEAR ENDED JUNE 30, 2017

Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	State/Pass-Through Grantor's Number	Expenditures		
			Federal	State	Pass-through to sub-recipients
U.S. Department of Health and Human Services:					
Programs passed-through North Carolina Department of Health and Human Services-Division of Aging:					
Special Programs for the Aging-Title VII, Chapter 3: Programs for Prevention of Elder Abuse,					
Neglect and Exploitation	93.041	NC-10	\$ 15,047	\$ 885	\$ -
Special Programs for the Aging-Title III-D:					
Disease Prevention and Health Promotion Services	93.043	NC-10	89,569	5,269	92,860
Special Programs for the Aging-Title VII-D:					
Long Term Care Ombudsman Services for Older Individuals	93.042	NC-10	17,252	1,015	-
Fan Heat		NC-10	-	17,660	17,660
Money Follows the Person Rebalancing Demonstration	93.791	NC-10	67,086	-	-
CARE		NC-10	-	85,548	84,588
			<u>188,954</u>	<u>110,377</u>	<u>195,108</u>
<u>Aging Cluster:</u>					
Special Programs for the Aging - Title III-B: Grants for Supportive Services and Senior Centers:					
Legal Services - Title III, Part B	93.044	NC-10	26,638	1,567	28,205
Ombudsman - Title III, Part B & 90% State Funds	93.044	NC-10	191,950	11,291	-
Access - 90% State Funds		NC-10	-	616,708	616,708
Access - Title III, Part B	93.044	NC-10	536,013	31,530	567,543
In-Home Services - 90% Funds		NC-10	-	3,435,002	3,435,002
Special Programs for the Aging - Title III-C: Nutrition Services:					
Planning and Administration - 79.11% State Funds					
Planning and Administration - Title III, Part C1	93.045	NC-10	292,433	16,025	-
Congregate Nutrition - Title III, Part C1	93.045	NC-10	887,146	52,185	939,331
Home Delivered Meals - 90% State Funds		NC-10	-	350,284	350,284
Senior Center Development		NC-10	-	137,780	137,780
Home Delivered Meals - Title III, Part C2	93.045	NC-10	919,618	54,095	973,713
Nutrition Services Incentive Program	93.053	NC-10	365,744	-	365,744
Total Aging Cluster			<u>3,219,542</u>	<u>4,746,684</u>	<u>7,414,310</u>
<u>Subsidized Child Care Cluster</u>					
Social Services Block Grant	93.667	NC-10	300,570	8,588	309,158
Total Subsidized Child Care Cluster			<u>300,570</u>	<u>8,588</u>	<u>309,158</u>
National Family Caregiver Support, Title III, Part E	93.052	NC-10	469,591	31,306	364,009
			<u>469,591</u>	<u>31,306</u>	<u>364,009</u>
Total U.S. Department of Health and Human Services			<u>4,178,657</u>	<u>4,896,955</u>	<u>8,282,585</u>
U.S. Department of Energy:					
Program passed through North Carolina Department of Energy:					
Conservation Research and Development:					
Triangle Clean Cities	81.086	DE-FE0004002	26,758	-	-
Southeast AFV Demonstrative Initiative	81.086		72,147	-	53,670

TRIANGLE J COUNCIL OF GOVERNMENTS
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS (CONTINUED)

YEAR ENDED JUNE 30, 2017

Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	State/Pass-Through Grantor's Number	Expenditures		
			Federal	State	Pass-through to sub-recipients
Highway Planning and Construction	20.205		42,381	-	-
Total U.S. Department of Energy			<u>141,286</u>	<u>-</u>	<u>53,670</u>
U.S. Department of Transportation:					
Program passed through North Carolina Department of Transportation:					
Highway Planning and Construction:					
TDM-CMAQ Project C-4954	20.205	44024.1.1	1,129,086	-	1,129,086
TARPO Planning	20.205	45439.1.18	83,314	-	-
Total U.S. Department of Transportation			<u>1,212,400</u>	<u>-</u>	<u>1,129,086</u>
U.S. Department of Insurance:					
Medicare Enrollment Assistance Program	93.071		83,828	-	21,000
U.S. Department of Commerce:					
Hurricane Matthre Resiliency	93.071		3,627	-	-
U.S. Environment Protection Agency					
Program passed through North Carolina Department of Environment and Natural Resources:					
Water Quality Management Planning:					
Low Impact Development Case Studies	66.454	5726	-	3,136	-
Siler City Conservation Planning	66.454	6724	-	12,087	-
Nutrient Scientific Advisory Board & Nutrient Criteria	66.454	6818	-	34,519	-
Total U.S. Environmental Protection Agency			<u>-</u>	<u>49,742</u>	<u>-</u>
Other Federal Awards					
Program passed through National Renewable Energy Laboratory:					
Clean Cities Monitoring	None	LGJ-4-23274-07	15,435	-	-
TOTAL FEDERAL AWARDS			<u>5,635,233</u>	<u>4,946,697</u>	<u>9,486,341</u>
STATE GRANTS					
North Carolina Department of Transportation					
Transportation Demand Management		2000004445 & 2000004447	-	355,738	-
Transportation Demand Management			15,355	1,919	-
TOTAL ASSISTANCE-STATE PROGRAMS			<u>15,355</u>	<u>357,657</u>	<u>-</u>
TOTAL ASSISTANCE			<u>\$ 5,650,588</u>	<u>\$ 5,304,354</u>	<u>\$ 9,486,341</u>

Notes to the Schedule of Expenditures of Federal and State Awards

Note 1.

Basis of Presentation: The accompanying schedule of expenditures of federal and state awards includes all federal and state grant activity of Triangle J 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 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. Therefore, some amounts presented in this schedule differ from amounts presented in, or used in the preparation of, the basic financial statements.

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

Note 2.

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

TRIANGLE J COUNCIL OF GOVERNMENTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2017

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

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

Federal Awards

Internal control over major Federal programs:

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

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

Any audit findings disclosed that are required to be
reported in accordance with the Uniform Guidance ___yes X no

Identification of major Federal programs:

<u>CFDA#</u>	<u>Program Name</u>
93.044, 93.045, 93.053	Aging Cluster

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

Auditee qualified as low-risk auditee X yes ___ no

TRIANGLE J COUNCIL OF GOVERNMENTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2017

State Awards

Internal control over major State programs:

- Material weakness(es) identified? ___ yes X no

- Significant deficiency(ies) identified
that are not considered to be
material weaknesses ___ yes X none reported

Noncompliance material to State awards ___ yes X no

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

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

Identification of major State programs:

<u>Program Name</u>	<u>Cluster or Grant Number</u>
NC DHHS Aging Cluster	93.044, 93.045, 93.053

TRIANGLE J COUNCIL OF GOVERNMENTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2017

SECTION II – FINDINGS AND QUESTIONED COSTS RELATED TO THE AUDIT OF FEDERAL AND STATE AWARDS

Section II – Financial Statement Findings

None reported.

Section III – Federal Awards Findings and Questioned Costs

None reported.

Section IV – State Awards Findings and Questioned Costs

None reported.