

**TRIANGLE J COUNCIL OF
GOVERNMENTS**

**FINANCIAL STATEMENTS AND
COMPLIANCE REPORT**

As of and for the Year Ended June 30, 2013

And Report of Independent Auditor

TRIANGLE J COUNCIL OF GOVERNMENTS

TABLE OF CONTENTS

<u>Exhibit Number</u>		<u>Page Number</u>
	Financial Section	
	Report of Independent Auditor	2-3
	Management's Discussion and Analysis.....	4-10
	Basic Financial Statements:	
	Government-wide Financial Statements:	
A	Statement of Net Position	11
B	Statement of Activities.....	12
	Fund Financial Statements:	
C	Balance Sheet – General Fund.....	13
D	Statement of Revenues, Expenditures and Changes in Fund Balances – General Fund	14
E	Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of the General Fund to the Statement of Activities	15
F	Statement of Revenues, Expenditures and Changes in Fund Balances Annual Budget and Actual – General Fund.....	16
	Notes to Financial Statements	17-27

TRIANGLE J COUNCIL OF GOVERNMENTS

TABLE OF CONTENTS

<u>Exhibit Number</u>		<u>Page Number</u>
	Required Supplemental Financial Data	
	Other Postemployment Healthcare Benefits – Schedule of Funding Progress, Employer Contributions and Notes to the Required Schedules.....	28
	Supplementary Information	
1	Schedule of Indirect Costs – Budget and Actual.....	29
2	Schedule of Indirect Costs Applied to Programs	30
3	Supplemental Schedule of Program Revenues – Budget and Actual – General Fund	31-32
4	Supplemental Schedule of Program Expenditures – Budget and Actual – General Fund	33-34
	Compliance Section	
	Report of Independent Auditor on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	35-36
	Report of Independent Auditor on Compliance for Each Major Federal Program; Report on Internal Control over Compliance; In Accordance with OMB Circular A-133; and the State Single Audit Implementation Act	37-38
	Report of Independent Auditor on Compliance for Each Major State Program; Report on Internal Control over Compliance; In Accordance with OMB Circular A-133; and the State Single Audit Implementation Act	39-40
	Schedule of Expenditures of Federal and State Awards	41-42
	Schedule of Findings and Questioned Costs	43-45
	Schedule of Corrective Action Plan.....	46
	Schedule of Prior Audit Findings.....	47

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, 2013, and the related notes to the financial statements, which collectively comprise the Council's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, 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, 2013, 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.

Other Matters

Emphasis of Matter

As discussed in Note 10 to the financial statements, the Council adopted the provisions of Governmental Accounting Standards Board Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, and Governmental Accounting Standards Board Statement No. 65, Items Previously Reported as Assets and Liabilities, effective July 1, 2012. Our opinion is not modified with respect to this matter.

Required Supplementary Information

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

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the Council. The supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying schedule of expenditures of federal and State awards is also presented for the purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the State Single Audit Implementation Act, and is also not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The supplementary information and the schedule of expenditures of federal and State awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information and the schedule of expenditures of federal and State awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2013, 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 Rowland LLP

Raleigh, North Carolina
November 21, 2013

TRIANGLE J COUNCIL OF GOVERNMENTS

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2013

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 18 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, 2013. 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 \$579,472 (*net position*).
- The Council's total net position increased by \$46,059 as a result of increase in revenues.
- As of the close of the current fiscal year, the Council's governmental funds reported a combined ending fund balance of \$808,393. The governmental fund net assets are restricted by State statute and available only for spending on governmental programs.

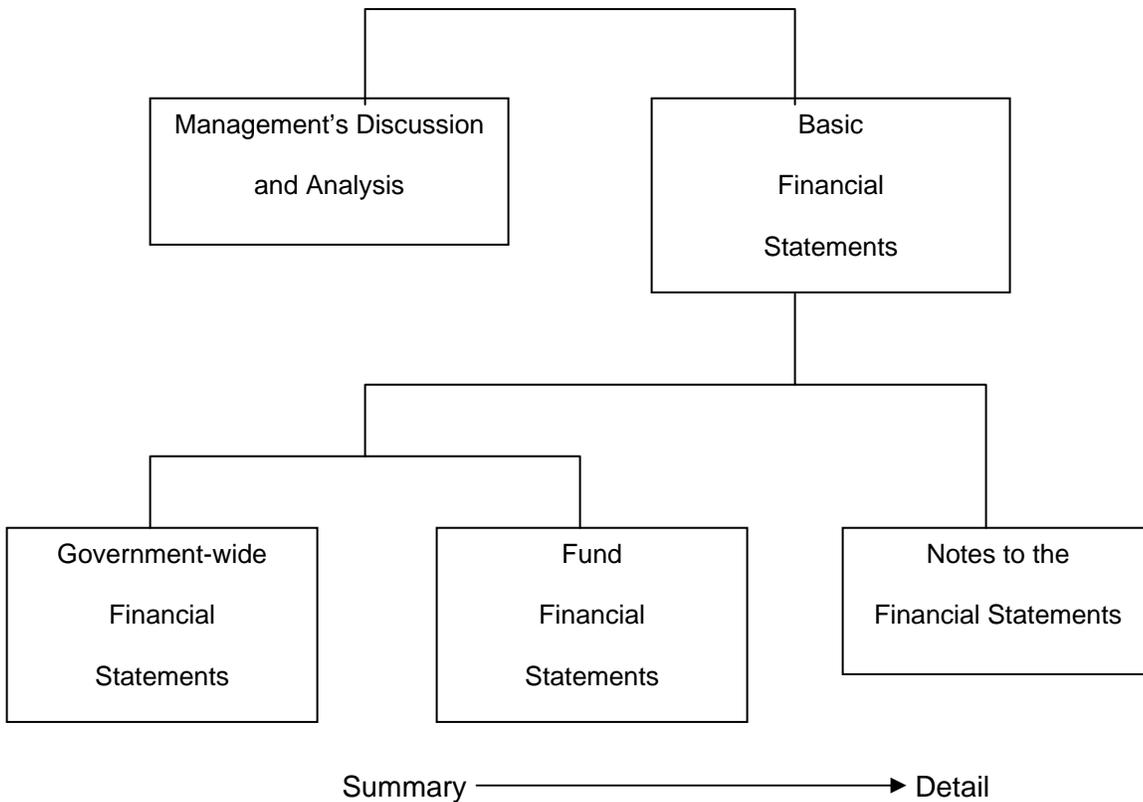
Overview of the Financial Statements

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 supplemental 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, 2013

Figure 1
Required Components of Annual Financial Report



Basic Financial Statements

The first two statements (Exhibits A and B) in the basic financial statements are the *government-wide statements*. They provide both short and long-term information about the Council's financial status. The next statements (Exhibits C through F) are *fund financial statements*. These statements focus on the activities of the individual parts of the Council's government. These statements provide more detail than the government-wide statements. There are two parts to the fund financial statements: 1) the governmental funds statements and 2) the budgetary comparison statements.

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

TRIANGLE J COUNCIL OF GOVERNMENTS

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2013

Government-wide Financial Statements

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

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

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

Fund Financial Statements

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

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

TRIANGLE J COUNCIL OF GOVERNMENTS
MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2013

Governmental Funds (continued)

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

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

Government-Wide Financial Analysis

Table 1
Condensed Statement of Net Position
June 30,

	Governmental Activities	
	2012	2013
Assets		
Current assets	\$ 3,641,520	\$ 2,893,629
Capital assets	76,396	58,167
	<u>3,717,916</u>	<u>2,951,796</u>
Liabilities		
Current liabilities	2,947,785	2,098,756
Noncurrent liabilities	236,718	273,568
	<u>3,184,503</u>	<u>2,372,324</u>
Net Position		
Net investment in capital assets	27,800	21,431
Restricted by Stabilization of State Statute	2,967,349	1,598,926
Unrestricted	(2,461,736)	(1,040,885)
	<u>\$ 533,413</u>	<u>\$ 579,472</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 \$579,472 as of June 30, 2013. The Council's net position increased by \$46,059 for the fiscal year ended June 30, 2013. Of the net position, \$21,431 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, 2013

Table 2
Condensed Statement of Activities
June 30,

	Governmental Activities	
	2012	2013
Revenues:		
Program revenues:		
Charges for services	\$ 481,723	\$ 485,931
Intergovernmental revenues	15,511,342	15,388,138
General revenues:		
Local government dues	756,315	816,856
Unrestricted investment earnings	589	359
Total revenues	<u>16,749,969</u>	<u>16,691,284</u>
Expenses:		
Governmental activities:		
General government	366,867	387,271
Transportation	116,473	114,130
Environmental protection	6,921,578	6,933,947
Economic and physical development	497,492	136,664
Human services	9,221,456	9,073,213
Total expenses	<u>17,123,866</u>	<u>16,645,225</u>
Change in net position	(373,897)	46,059
Net position, July 1	<u>907,310</u>	<u>533,413</u>
Net position, June 30	<u>\$ 533,413</u>	<u>\$ 579,472</u>

Governmental activities. Governmental activities increased the Council's net position by \$46,059.

The Council's revenues were \$16.7 million. Ninety-two percent of the Council's revenues come from federal and State revenues.

The Council's expenditures were \$16.6 million. Fifty-four percent of the Council's expenditures were related to Human Services programs, forty-two percent of expenses were environmental protection program related.

TRIANGLE J COUNCIL OF GOVERNMENTS

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2013

Financial Analysis of the Council's Funds

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

Governmental Funds. The focus of the Council's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. 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 \$1,252,712 while total fund balance was \$808,393, 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, 2013, the combined fund balance of the governmental funds of the Council increased by \$101,796 over the prior year.

Governmental Funds Budgetary Highlights:

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

Capital Asset and Debt Administration

Capital assets. The Council's investment in capital assets for its governmental activities as of June 30, 2013 totals \$58,167 (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, 2013: an OPEB obligation of \$140,101, compensated absences accrued of \$110,251 and capital leases (current and noncurrent portions) \$36,736 totaling \$287,088.

Additional information on the Council's debt can be found in Notes 1, 5 and 6 of the Basic Financial Statements.

TRIANGLE J COUNCIL OF GOVERNMENTS

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2013

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 \$13.4 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, 2013

	Governmental Activities
ASSETS	
Current assets	
Cash and cash investments	\$ 1,247,754
Grants receivable	1,598,925
Prepaid items	46,950
Total current assets	<u>2,893,629</u>
Capital assets	
Equipment, net of accumulated depreciation	58,167
Total assets	<u>2,951,796</u>
LIABILITIES	
Current liabilities	
Accounts payable and accrued liabilities	1,888,744
Unearned grant revenue	196,492
Current portion of capital leases	13,520
Total current liabilities	<u>2,098,756</u>
Noncurrent liabilities	
OPEB obligation	140,101
Compensated absences accrued	110,251
Capital leases	23,216
Total noncurrent liabilities	<u>273,568</u>
Total liabilities	<u>2,372,324</u>
NET POSITION	
Net investment in capital assets	21,431
Restricted:	
Stabilization by State Statute	1,598,926
Unrestricted	(1,040,885)
Total net position	<u>\$ 579,472</u>

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

TRIANGLE J COUNCIL OF GOVERNMENTS
STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2013

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Primary Governmental Activities
Governmental activities				
General government	\$ 387,271	\$ 55,658	\$ 327,308	\$ (4,305)
Transportation	114,130	-	84,130	(30,000)
Environmental Protection	6,933,947	130,608	6,021,803	(781,536)
Economic and physical development	136,664	283,665	159,616	306,617
Human services	9,073,213	16,000	8,795,281	(261,932)
Total governmental activities	\$ 16,645,225	\$ 485,931	\$ 15,388,138	(771,156)
		General revenues		
		Local revenues		816,856
		Unrestricted investment earnings		359
		Total general revenues		817,215
		Change in net position		46,059
		Net position - beginning		533,413
		Net position - ending		\$ 579,472

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

TRIANGLE J COUNCIL OF GOVERNMENTS
BALANCE SHEET - GENERAL FUND

JUNE 30, 2013

ASSETS

Assets:

Cash and investments	\$ 1,247,754
Accounts receivable	1,598,925
Prepaid items	46,950

Total assets	\$ 2,893,629
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LIABILITIES AND FUND BALANCES

Liabilities:

Program accounts payable and accrued expenses	\$ 1,888,744
Unearned grant revenue	196,492

Total liabilities	2,085,236
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Fund balances:

Nonspendable for prepaid items	46,950
Restricted:	
Stabilization by State statute	1,598,926
Committed	
Retiree hospitalization	244,056
Unemployment insurance	39,478
Assigned:	
Triangle Area Water Supply Monitoring Project	63,209
Clean Water Education Partnership	67,813
Music in My Mind	673
Unassigned	(1,252,712)

Total fund balances	808,393
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Total liabilities and fund balances	\$ 2,893,629
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Amounts reported for governmental activities in the statement of net position are different because:

Ending fund balances - governmental funds	\$ 808,393
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	58,167
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	(287,088)

Net position of governmental activities	\$ 579,472
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TRIANGLE J COUNCIL OF GOVERNMENTS**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GENERAL FUND***FOR THE YEAR ENDED JUNE 30, 2013*

Revenues:	
Federal government grants	\$ 880,920
State government grants	1,054,061
Shared awards	12,838,114
Member assessments	550,189
Local aging share	549,130
Special assessments	267,726
Program income/fees	480,669
Other income	70,116
Interest income	359
Total revenues	<u>16,691,284</u>
Expenditures:	
General government	349,763
Transportation	114,130
Environmental Protection	6,933,947
Economic and physical development	136,664
Human services	<u>9,054,984</u>
Total expenditures	<u>16,589,488</u>
Net change in fund balances	101,796
Fund balances - beginning of year	<u>706,597</u>
Fund balances - end of year	<u><u>\$ 808,393</u></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***FOR THE YEAR ENDED JUNE 30, 2013*

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

Net change in fund balances - total governmental funds	\$ 101,796
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Governmental funds report capital outlays as expenditures, however, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense in the current period:

Capital outlay expenditures which were capitalized	5,072
Loss on asset disposal	(4,067)
Depreciation expense for governmental assets	(19,234)

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	11,862
Current year accrued absences	\$ (110,251)
Prior year accrued absences	<u>105,406</u>
Additions to compensated absences	(4,845)
Increase in OPEB obligation	<u>(44,525)</u>

Change in net position of governmental activities	<u>\$ 46,059</u>
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TRIANGLE J COUNCIL OF GOVERNMENTS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
ANNUAL BUDGET AND ACTUAL – GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Federal government grants	\$ 1,200,337	\$ 1,200,337	\$ 880,920	\$ (319,417)
State government grants	756,282	756,282	1,054,061	297,779
Shared awards	11,078,687	11,078,687	12,838,114	1,759,427
Member assessments	550,189	550,189	550,189	-
Local aging share	570,547	570,547	549,130	(21,417)
Special assessments	267,725	267,725	267,726	1
Program income/fees	438,424	438,424	480,669	42,245
Other income	280,084	280,084	70,116	(209,968)
Interest income	-	-	359	359
Total revenues	15,142,275	15,142,275	16,691,284	1,549,009
Expenditures:				
General government	447,950	447,950	349,763	98,187
Transportation	124,542	124,542	114,130	10,412
Environmental Protection	5,445,099	5,445,099	6,933,947	(1,488,848)
Economic and physical development	102,037	102,037	136,664	(34,627)
Human services	9,022,647	9,022,647	9,054,984	(32,337)
Total expenditures	15,142,275	15,142,275	16,589,488	(1,447,213)
Net change in fund balances	\$ -	\$ -	101,796	\$ 101,796
Fund balances - beginning of year			706,597	
Fund balances - end of year			\$ 808,393	

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

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TRIANGLE J COUNCIL OF GOVERNMENTS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

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:

A. 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 seven counties (Durham, Orange, Wake, Chatham, Johnston, Lee and Moore) and thirty municipalities from within those counties. The Board of Delegates is comprised of one delegate from each governmental unit.

B. 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, 2013 (based on July 1999 capital) was \$0.39 for the first 100,000 persons, then \$0.20 per person thereafter. County dues exclude the incorporated population of the municipalities.

C. Basis of Presentation

Government-wide Statements – The Council has implemented Government Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and local governments, and related standards. The statement of net position and the statement of activities display information about the Council. These statements include the financial activities of the overall 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 which is 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.

D. Measurement Focus and Basis of Accounting

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

TRIANGLE J COUNCIL OF GOVERNMENTS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

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.

E. 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, 2013. Unencumbered annual appropriations lapse at each fiscal year-end and must be re-appropriated in the following fiscal year's budget.

F. Estimates

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

G. Indirect Costs

Indirect costs in program or project expenditures are those costs not readily assignable to a program or incurred for a common or joint purpose benefiting more than one program or project. Indirect costs are charged to programs or projects during the year based on direct salaries and fringe benefits using a provisional rate negotiated (for use on grants and contracts with the federal government) with the United States Department of Commerce. At year end, indirect costs applied to programs or projects are adjusted to reflect actual indirect costs incurred.

H. Stewardship, Compliance and Accountability

For the fiscal year ended June 30, 2013, the expenditures made in the environmental protection, economic and physical development, and human services exceeded budgeted expenditures by \$1,488,848, \$34,627, and \$32,337, respectively. This was due to offsetting increases in actual revenue exceeding expected amounts as well.

I. 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.

TRIANGLE J COUNCIL OF GOVERNMENTS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

Note 1—Summary of significant accounting policies (continued)

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

The Council investments are held primarily in securities of the NCCMT Cash Portfolio, an SEC-registered (2a7) money market mutual fund, are valued at fair value, which is the NCCMT's share price. The NCCMT Term Portfolio's securities are valued at fair value. Money market investments that have a remaining maturity at the time of purchase of one year or less are reported at amortized cost. Non-participating interest earnings and investment contracts are reported at cost.

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 ninety 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, 2013 was \$110,251. 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.

In addition to the above, the Council charges indirect costs in the general fund with an allocation for other post retirement benefits based on 2% of qualifying salaries and unemployment benefits. Coverage for other post retirement benefits is provided through common insurance carriers.

TRIANGLE J COUNCIL OF GOVERNMENTS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

Note 1—Summary of significant accounting policies (continued)

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.

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.

Retiree Hospitalization – portion of fund balance restricted by the board for use for retiree hospitalization.

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.

TRIANGLE J COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

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. The Council does not have policies regarding custodial credit risk for deposits.

At June 30, 2013, the Council's deposits had a carrying amount of \$357,151 and a bank balance of \$463,136. Of the bank balance, \$250,000 was covered by FDIC and \$213,136 was covered by collateral held under the Pooling Method.

At June 30, 2013, the Council's investments consisted of \$890,603 in the North Carolina Capital Management Trust's Cash Portfolio, which carried a credit rating of AAA by Standard and Poor's. The Council has no policy on credit risk.

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	\$ 579,225
NC Department of Environment and Natural Resources	57,108
NC Department of Transportation	412,843
US Department of Energy	232,197
City of Durham	93,329
City of Raleigh	53,820
Other local governments and receivables	<u>170,403</u>
Total	<u>\$ 1,598,925</u>

TRIANGLE J COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

Note 4—Capital assets

The capital assets of the Council at June 30, 2013 consist of administrative and program equipment and vehicles. The following is a schedule of capital assets by Council function:

	June 30, 2012			June 30, 2013
	Balances	Increases	Decreases	Balance
Capital Assets being depreciated:				
General Equipment	\$ 87,090	\$ 5,072	\$ -	\$ 92,162
Aging Equipment	8,095	-	-	8,095
RPO Equipment	27,399	-	(7,706)	19,693
Vehicles	23,524	-	-	23,524
Capital Leases	61,825	-	-	61,825
	<u>207,933</u>	<u>5,072</u>	<u>(7,706)</u>	<u>205,299</u>
Less accumulated depreciation for:				
General Equipment	84,128	4,653	-	88,781
Aging Equipment	8,095	-	-	8,095
RPO Equipment	23,332	-	(3,639)	19,693
Vehicles	4,761	3,360	-	8,121
Capital Leases	11,221	11,221	-	22,442
	<u>131,537</u>	<u>\$ 19,234</u>	<u>\$ (3,639)</u>	<u>147,132</u>
Business-type activities				
capital assets, net of depreciation	<u>\$ 76,396</u>			<u>\$ 58,167</u>

Note 5—Employee retirement systems and pension plans

A. Local Governmental Employees' Retirement System

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

Funding Policy. Plan members are required to contribute six percent of their annual covered salary. The Council is required to contribute at an actuarially determined rate. For the Council, the current rate for employees is 6.74% of annual covered payroll. The contribution requirements of members and of the Council are established and may be amended by the North Carolina General Assembly. The Council's contributions to LGERS for the years ended June 30, 2013, 2012 and 2011 were \$91,119, \$101,988, and \$96,026, respectively. The contributions made by the Council equaled the required contributions for each year.

B. 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.

TRIANGLE J COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

Note 5—Employee retirement systems and pension plans (continued)

The Council contributes amounts equal to 5% of each employee’s gross annual salary. Contributions are remitted bi-weekly. Such contributions vest immediately. Council contributions to the plan totaled \$75,792, \$73,401, and \$74,670 for the years ended June 30, 2013, 2012 and 2011, respectively.

C. 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	25%
10-15	50%
15-20	75%
Over 20	100%

Membership in the Retiree Health Plan consisted of 6 retirees, and 22 active employees for a total of 28 employees included in the calculation as of June 30, 2012.

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, 2013, the Council’s total contributions were \$50,955.

Annual OPEB Cost and Net OPEB Obligation. The Council’s annual other postemployment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution of the employer* (ARC). The Council has elected to calculate the ARC and related information using the alternative measurement method permitted by GASB Statement 45 for employers in plans with fewer than one hundred 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 thirty 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	\$ 95,196
Interest earned on net OPEB Obligation	3,820
Adjustment to annual required contribution	<u>(3,537)</u>
Annual OPEB cost	95,479
Contribution made in FY 2013	<u>50,955</u>
Increase in Net OPEB Obligation	44,524
Net OPEB Obligation, beginning of fiscal year	<u>95,577</u>
Net OPEB Obligation, end of fiscal year	<u><u>\$ 140,101</u></u>

TRIANGLE J COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

Note 5—Employee retirement systems and pension plans (continued)

Three Year Trend Information

Fiscal Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2011	\$ 89,671	58.26%	\$ 58,776
2012	95,448	99.60%	95,577
2013	95,479	49.83%	140,101

Funded Status and Funding Progress. As of June 30, 2012, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$848,061, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$1,550,353, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 54.7%.

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.

The following simplifying assumptions were made:

Retirement Age for Active Employees – Based on the historical average retirement age for the covered group, active plan members were assumed to retire at age 62, or at the first subsequent year in which the member would qualify for benefits.

Mortality – Life expectancies were based on mortality tables from the National Center for Health Statistics. The 2005 United States Life Tables for Males and for Females were used.

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

Healthcare Cost Trend Rate – The expected rate of increase in healthcare insurance premiums was a range of 5% - 8.5%.

Health Insurance Premiums – 2013 health insurance premiums for retirees were used as the basis for calculation of the present value of total benefits to be paid.

Inflation Rate – The expected long-term inflation assumption of 2.5 percent.

TRIANGLE J COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

Note 5—Employee retirement systems and pension plans (continued)

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

Based on the historical and expected returns of the Council’s short-term investment portfolio, a discount rate of 4 percent was used. In addition, a simplified version of the entry age actuarial cost method was used. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2013, was 29 years.

Note 6—Long term obligations

A. Capital leases

In 2011, the Council entered into two capital lease agreements, one for a vehicle and the other for a copier. The economic substance of those leases is the Council is financing the acquisition of the assets through the leases, and accordingly, the leases are recorded in the Council's assets and liabilities.

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

	<u>2013</u>
Capital Assets	\$ 61,825
Less accumulated depreciation	<u>(22,442)</u>
	<u>\$ 39,383</u>

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, 2013:

2014	\$ 15,000
2015	14,539
2016	<u>8,677</u>
Total minimum lease payments	38,216
Less amount representing interest	<u>(1,480)</u>
Present value of minimum lease payments	36,736
Less current portion	<u>(13,520)</u>
	<u>\$ 23,216</u>

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

TRIANGLE J COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

Note 6—Long term obligations (continued)

B. Change in Long-Term Obligations

A summary of changes in long-term obligations for the year ended June 30, 2013:

	June 30, 2012	Additions	Retirements	June 30, 2013	Due within one year
OPEB	\$ 95,577	\$ 95,479	\$ 50,955	\$ 140,101	\$ -
Compensated Absences	105,406	183,291	178,446	110,251	-
Capital Leases	48,597	-	11,861	36,736	13,520
	<u>\$ 249,580</u>	<u>\$ 278,770</u>	<u>\$ 241,262</u>	<u>\$ 287,088</u>	<u>\$ 13,520</u>

C. Operating Leases

The Council leases property under an operating lease with a term through July 2013 which requires future minimum rental payments as of June 30, 2013 according to the following schedule:

Year End June 30	Property
<u>2014</u>	<u>\$ 15,235</u>

Rent expense under all leases was \$195,935 for the year ended June 30, 2013.

Note 7—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 8—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, 2013, no request for reimbursement by the grantor agencies existed for those grants which have been subjected to grantor audits.

TRIANGLE J COUNCIL OF GOVERNMENTS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

Note 9—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 51% of the Council's total revenue for the year ended June 30, 2013. The loss of this revenue would have an adverse effect on the Council's ability to continue to provide its aging services.

Note 10—Accounting Pronouncements issued and implemented

The Council has implemented GASB Statements No. 63 and 65 that have effective dates affecting present and future financial statement presentation. There was no material impact during fiscal year 2013 and no material impact is expected in future years.

Note 11—Subsequent events

The Council has evaluated subsequent events through November 21, 2013, in connection with the preparation of these financial statements which is the date the financial statements were available to be issued.

On August 1, 2013 the Council entered into a new office space lease that will expire on July 31, 2023.

TRIANGLE J COUNCIL OF GOVERNMENTS
OTHER POSTEMPLOYMENT HEALTHCARE BENEFITS
REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2013

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%

Schedule of Employer Contributions

Year Ended June 30	Annual Required Contribution	Percentage Contributed
2011	\$ 89,533	58.3%
2012	95,196	61.6%
2013	95,196	53.3%

Notes to the Required Schedules

<u>Valuation date</u>	<u>06/30/2012</u>	<u>Actuarial assumptions:</u>	
Actuarial cost method	Entry age	Investment rate of return	4.00%
Amortization method	Level percent of pay open	Medical cost trend rate	5% - 8.5%
Remaining amortization period	29 years	Includes inflation at	2.50%
Asset valuation method	Market value of assets	Cost-of-living adjustments	N/A

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

FOR THE YEAR ENDED JUNE 30, 2013

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Indirect Personnel Costs			
Salaries	\$ 325,090	\$ 309,314	\$ 15,776
Salaries Contract	4,000	10,111	(6,111)
Fringe Benefits	129,647	90,327	39,320
	<u>458,737</u>	<u>409,752</u>	<u>48,985</u>
Administrative Costs			
Telecommunications	24,000	31,942	(7,942)
Travel-Mileage	9,000	3,287	5,713
Equipment	-	876	(876)
Leased Equipment	-	10,638	(10,638)
Maintenance:			
Equipment/Software Maintenance	6,000	5,402	598
Vehicle Usage	4,500	7,519	(3,019)
Rent Building	199,833	195,935	3,898
Office Supplies	12,000	6,806	5,194
Postage	5,000	3,079	1,921
Printing	12,000	8,113	3,887
Meeting Expense	5,000	4,880	120
Conferences/Training	4,000	1,593	2,407
Contractual	4,000	27,641	(23,641)
Legal Cost	1,500	400	1,100
Audit Cost	21,000	17,500	3,500
Dues & Subscriptions	7,500	8,496	(996)
Insurance	14,500	14,217	283
Miscellaneous	2,962	3,128	(166)
	<u>332,795</u>	<u>351,452</u>	<u>(18,657)</u>
Total Indirect Costs	<u>\$ 791,532</u>	<u>\$ 761,204</u>	<u>\$ 30,328</u>

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

FOR THE YEAR ENDED JUNE 30, 2013

	Program Salaries and fringe	Actual indirect costs allocated to programs based on salaries
Member Services Advocacy	\$ 78,711	\$ 34,888
Drug Alcohol Testing Program	18,239	8,352
Regional Appearance	8,188	3,783
TARPO Planning	75,540	33,871
CATV Broadband Consortium	2,685	1,162
Foreign Trade Zone	20,713	9,223
Comprehensive Economic Development Strategy	38,063	15,351
Water resources conservation	59,849	26,879
ARRA Jordan Lakes Nutrient Strategy	40,877	19,038
ARRA Upper Neuse Monitoring Plan	8,881	4,323
EEP Great Coharie Creek Phase II - III	52,947	23,935
Upper Cape Fear Watershed Prioritization	8,826	4,121
Jordan Jurisdiction	16,741	7,126
Ellerbe Creek Green Infrastructure	7,576	3,754
Triangle Water Supply Monitoring Project	14,416	6,246
Clean Water Education Partnership	37,143	16,778
Upper Cape Fear River Basin	17,237	7,810
Transportation Demand Management	116,500	36,151
Triangle Clean Cities	31,568	10,483
Energy and Environment Project Planning	3,947	1,489
Carolina Blue Skies	102,879	39,585
WRP Division of Air Quality	2,288	573
WRP NC DENR E3	23,396	9,387
WRP LOS Destination Green	4,703	285
WRP LOS Rural Energy for Agriculture Program	492	131
WRP DENR Solid Waste Management Trust	29,628	7,763
WRP LOS Energy Technical Service	6,646	726
WRP Statewide Capacity Building & Technical Assistance	50	-
Clean Fuels Advanced Technologies	6,756	2,943
Electric Vehicle Planning	30,295	12,622
Green Business Challenge	10,821	4,990
AFIT	10,395	3,341
Pittsboro Planning	425	216
Regional Data Center	14,956	6,291
Center of the Region Enterprise	28,523	14,123
Development and Infrastructure Planning	41,972	19,146
Smart Growth Education and Technical Assistance	37,011	15,973
Land Use - Transportation - Air Quality	127,502	57,214
NC Sustainability Project	3,754	1,509
McCrimmon Technical Assistance	2,035	1,060
Hillsborough Roadway Standards	225	-
Aging:		
Planning	295,214	137,247
Ombudsman	255,181	115,263
Family Caregiver	80,010	34,059
Elder Abuse	4,421	1,994
Health Promotion	129	-
Medicare Improvements Patient and Providers Act	9,327	-
Wake Community Resource Connections	40,331	-
CDSMP Expansion	5,526	-
Total Indirect Costs	<u>\$ 1,833,538</u>	<u>\$ 761,204</u>

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

FOR THE YEAR ENDED JUNE 30, 2013

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
General Government			
Member Services Advocacy	\$ 131,423	\$ 115,419	\$ (16,004)
Drug Alcohol Testing Program	59,562	48,623	(10,939)
Master Plan - Regional Public Safety Training Center	-	15,705	15,705
Regional Appearance	21,008	12,286	(8,722)
Local Projects / Non-Departmental	<u>235,957</u>	<u>191,274</u>	<u>(44,683)</u>
	<u>447,950</u>	<u>383,307</u>	<u>(64,643)</u>
Transportation			
TARPO planning	<u>124,542</u>	<u>114,130</u>	<u>(10,412)</u>
Environmental Protection			
Water resources conservation	80,766	80,766	-
Jordan Lake Partnership Regional Water Supply Study	30,000	61,061	31,061
ARRA Upper Neuse Monitoring Plan	13,018	13,890	872
EEP Great Coharie Creek Phase II - III	149,999	79,601	(70,398)
Upper Cape Fear Watershed Prioritization	11,144	25,113	13,969
Jordan Lake Modeling	153,634	148,266	(5,368)
Ellerbe Creek Green Infrastructure	-	11,503	11,503
Triangle Area Water Supply Monitoring Project	330,000	329,959	(41)
Clean Water Education Partnership	219,500	135,689	(83,811)
Upper Cape Fear River Basin	20,000	20,000	-
Transportation Demand Management	1,504,212	1,623,285	119,073
Triangle Clean Cities	95,302	68,972	(26,330)
Energy and Environment Project Planning	29,149	7,398	(21,751)
Carolina Blue Skies	2,119,604	3,801,169	1,681,565
WRP Division of Air Quality	2,250	5,250	3,000
WRP NC DENR E3	23,700	40,225	16,525
WRP LOS Destination Green	9,600	7,497	(2,103)
WRP LOS Rural Business	26,010	1,366	(24,644)
WRP DENR Solid Waste Management Trust	30,000	55,000	25,000
WRP LOS Energy	44,000	8,055	(35,945)
WRP Statewide Capacity Building & Technical Assistance	-	1,452	1,452
Clean Fuels Advanced Technologies	66,795	10,580	(56,215)
Electric Vehicle Planning	38,787	44,118	5,331
Green Business Challenge	46,357	23,180	(23,177)
AFIT	-	14,665	14,665
Pittsboro Planning	-	641	641
Regional Data Center and GIS	19,267	22,609	3,342
Center of the Region Enterprise	42,555	43,269	714
Development and Infrastructure Planning	84,806	59,306	(25,500)
Smart Growth Education and Technical Assistance	57,737	54,613	(3,124)
Land Use - Transportation - Air Quality	195,000	169,007	(25,993)
NC Sustainability Project	-	10,525	10,525
McCrimmon Technical Assistance	1,907	3,109	1,202
Hillsborough Roadway Standards	-	253	253
	<u>5,445,099</u>	<u>6,981,392</u>	<u>1,536,293</u>

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

FOR THE YEAR ENDED JUNE 30, 2013

	Budget	Actual	Variance Positive (Negative)
Economic and Physical Development			
CATV Broadband Consortium	\$ 37,725	\$ 37,725	\$ -
Foreign Trade Zone	27,500	38,000	10,500
Comprehensive Economic Development Strategy	36,812	57,723	20,911
	<u>102,037</u>	<u>133,448</u>	<u>31,411</u>
Human services:			
Aging Program:			
Planning	498,527	469,798	(28,729)
Ombudsman	410,933	410,326	(607)
Family Caregiver	555,574	528,135	(27,439)
Music in My Mind	-	785	785
Elder Abuse	21,843	12,461	(9,382)
Aging Program Subtotal	<u>1,486,877</u>	<u>1,421,505</u>	<u>(65,372)</u>
Home Com Care Block Grant	7,064,519	7,292,279	227,760
Legal	28,315	30,313	1,998
Health Promotion	77,535	79,395	1,860
Aging Fans	10,000	17,862	7,862
Medicare Improvements Patient and Providers	22,000	10,447	(11,553)
Aging Senior Center - GP	134,690	129,270	(5,420)
MIPPA - II	-	13,178	13,178
Wake Community Resource Connections	140,350	56,347	(84,003)
CDSMP Expansion	58,361	3,351	(55,010)
Chatham - Orange CRC	-	25,060	25,060
	<u>9,022,647</u>	<u>9,079,007</u>	<u>56,360</u>
Total program revenues	<u>\$ 15,142,275</u>	<u>\$ 16,691,284</u>	<u>\$ 1,549,009</u>

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

FOR THE YEAR ENDED JUNE 30, 2013

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
General Government			
Member Services Advocacy	\$ 131,423	\$ 115,419	\$ 16,004
Drug Alcohol Testing Program	59,562	48,261	11,301
Master Plan - Regional Public Safety Training Center	-	15,705	(15,705)
Regional Appearance	21,008	12,286	8,722
Local Project / non-departmental	235,957	158,092	77,865
	<u>447,950</u>	<u>349,763</u>	<u>98,187</u>
Transportation			
TARPO planning	124,542	114,130	10,412
Environmental Protection			
Water resources conservation	80,766	88,957	(8,191)
Jordan Lake Partnership Regional Water Supply Study	30,000	61,056	(31,056)
ARRA Upper Neuse Monitoring Plan	13,018	13,890	(872)
EEP Great Coharie Creek Phase II - III	149,999	79,592	70,407
Upper Cape Fear Watershed Prioritization	11,144	25,113	(13,969)
Jordan Lake Modeling	153,634	148,262	5,372
Ellerbe Creek Green Infrastructure	-	11,499	(11,499)
Triangle Area Water Supply Monitoring Project	330,000	330,059	(59)
Clean Water Education Partnership	219,500	170,071	49,429
Upper Cape Fear River Basin	20,000	26,412	(6,412)
Transportation Demand Management	1,504,212	1,624,942	(120,730)
Triangle Clean Cities	95,302	68,972	26,330
Energy and Environment Project Planning	29,149	7,398	21,751
Carolina Blue Skies	2,119,604	3,685,577	(1,565,973)
WRP Division of Air Quality	2,250	5,248	(2,998)
WRP NC DENR E3	23,700	40,220	(16,520)
WRP LOS Destination Green	9,600	7,497	2,103
WRP LOS Rural Business	26,010	1,366	24,644
WRP DENR Solid Waste Management Trust	30,000	55,008	(25,008)
WRP LOS Energy	44,000	8,055	35,945
WRP Statewide Capacity Building & Technical Assistance	-	1,452	(1,452)
Clean Fuels Advanced Technologies	66,795	10,580	56,215
Electric Vehicle Planning	38,787	44,118	(5,331)
Green Business Challenge	46,357	23,180	23,177
AFIT	-	14,665	(14,665)
Pittsboro Planning	-	641	(641)
Regional Data Center and GIS	19,267	24,202	(4,935)
Center of the Region Enterprise	42,555	43,269	(714)
Development and Infrastructure Planning	84,806	62,747	22,059
Smart Growth Education and Technical Assistance	57,737	54,613	3,124
Land Use - Transportation - Air Quality	195,000	186,661	8,339
NC Sustainability Project	-	5,263	(5,263)
McCrimmon Technical Assistance	1,907	3,109	(1,202)
Hillsborough Roadway Standards	-	253	(253)
	<u>5,445,099</u>	<u>6,933,947</u>	<u>(1,488,848)</u>

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

FOR THE YEAR ENDED JUNE 30, 2013

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Economic and Physical Development			
CATV Broadband Consortium	\$ 37,725	\$ 31,634	\$ 6,091
Foreign Trade Zone	27,500	47,307	(19,807)
Comprehensive Economic Development Strategy	36,812	57,723	(20,911)
	<u>102,037</u>	<u>136,664</u>	<u>(34,627)</u>
Human services:			
Aging Program:			
Planning	498,527	453,496	45,031
Ombudsman	410,933	398,064	12,869
Family Caregiver	555,574	528,121	27,453
Music in My Mind	-	112	(112)
Elder Abuse	21,843	13,732	8,111
Aging Program Subtotal	<u>1,486,877</u>	<u>1,393,525</u>	<u>93,352</u>
Home Com Care Block Grant	7,064,519	7,292,279	(227,760)
Legal	28,315	30,314	(1,999)
Health Promotion	77,535	79,668	(2,133)
Aging Fans	10,000	17,862	(7,862)
Medicare Improvements Patient and Providers	22,000	11,021	10,979
Aging Senior Center - GP	134,690	129,270	5,420
MIPPA - II	-	13,178	(13,178)
Wake Community Resource Connections	140,350	56,347	84,003
CDSMP Expansion	58,361	6,463	51,898
Chatham - Orange CRC	-	25,057	(25,057)
	<u>9,022,647</u>	<u>9,054,984</u>	<u>(32,337)</u>
Total program expenditures	<u>\$ 15,142,275</u>	<u>\$ 16,589,488</u>	<u>\$ (1,447,213)</u>

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

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, 2013, 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 21, 2013.

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 an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as 2013-01.

Response to Finding

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

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

Cherry Rickett LLP

Raleigh, North Carolina
November 21, 2013

**Report of Independent Auditor on Compliance For Each Major
Federal Program; Report on Internal Control over Compliance; In Accordance
With OMB Circular A-133; 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 *Circular A-133 Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the Council's major federal programs for the year ended June 30, 2013. The Council's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the Council complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

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

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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Channing Roubert LLP

Raleigh, North Carolina
November 21, 2013

**Report of Independent Auditor on Compliance for Each Major
State Program; Report on Internal Control over Compliance; In Accordance with
OMB Circular A-133; 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, 2013. The Council's major State programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major State Program

In our opinion, the Council complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major State programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

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

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

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

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

Cherry Rickett LLP

Raleigh, North Carolina
November 21, 2013

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

FOR THE YEAR ENDED JUNE 30, 2013

Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-through Grantor's Number	Expenditures	
			Federal	State
FEDERAL AWARDS				
<u>U.S. Department of Health and Human Services:</u>				
Programs passed-through North Carolina Department of Health and Human Services-Division of Aging:				
Elder Abuse-Title VII, Part B	93.041	NC-10	\$ 11,769	\$ 692
Chronic Disease Staff Management Program	93.725	NC-10	3,351	-
Preventive and Health Promotion Services - Title III, Part D	93.043	NC-10	74,989	4,411
Centers for Medicare and Medicaid Services Research, Demonstrations and Evaluations	93.779	NC-10	31,155	-
Medicare Improvements for Patients and Providers Act	93.518	NC-10	13,178	-
Aging and Disability Resource Center - Options Counseling	93.517	NC-10	5,977	-
Money Follows the Person Rebalancing Demonstration	93.791	NC-10	45,179	-
			<u>185,598</u>	<u>5,103</u>
<u>Aging Cluster</u>				
Special Programs for the Aging - Title III-B:				
Legal Services-Title III, Part B	93.044	NC-10	28,631	1,684
Ombudsman-Title III, Part B & 90% State Funds	93.044	NC-10	133,112	93,605
Planning and Administration-Title III, Part B, E & AAA	93.044	NC-10	143,788	56,141
Access-Title III, Part B	93.044	NC-10	767,491	520,422
In-Home Services-Title III, Part B	93.044	NC-10	251,745	3,298,056
Special Programs for the Aging - Title III-C:				
Planning and Administration-Title III, Part C1	93.045	NC-10	124,982	6,849
Congregate Nutrition-Title III, Part C1 & ARRA	93.045	NC-10	767,120	45,125
Senior Center Development	93.045	NC-10	-	129,270
Fan Heat	93.045	NC-10	-	17,418
Home Delivered Meals-Title III, Part C2 & ARRA	93.045	NC-10	772,479	582,035
Nutrition Services Incentive Program	93.053	NC-10	<u>287,849</u>	-
Total Aging Cluster			<u>3,277,197</u>	<u>4,750,605</u>
National Family Caregiver Support Program, Title III, Part E	93.052	NC-10	<u>503,642</u>	<u>33,142</u>
MIPPA Medicare Enrollment Assistance Program	93.518	NC-10	<u>10,448</u>	-
Total U.S. Department of Health and Human Services			<u>3,976,885</u>	<u>4,788,850</u>
<u>U.S. Department of Energy:</u>				
Programs passed through North Carolina Department of Energy:				
Conservation Research and Development:				
Carolina Blue Skies Initiative - ARRA	81.086	DE-EE0002491	3,819,738	-
Triangle Clean Cities	81.086	DE-FE0004002	32,500	-
Energy and Environment Project Planning - ARRA	81.086	DE-EE0005583	2,000	-
Electric Vehicle Planning	81.086	DE-EE0005583	38,300	-
Total U.S. Department of Energy			<u>3,892,538</u>	-
<u>U.S. Department of Transportation:</u>				
Programs passed through North Carolina Department of Transportation:				
Highway Planning and Construction:				
TDM-CMAQ Project C-4954	20.205-1	44024.1.1	931,873	-
TARPO Planning	20.205-8	45439.1.18	89,951	-
Total U.S. Department of Transportation			<u>1,021,824</u>	-
<u>U.S. Environmental Protection Agency:</u>				
Programs passed through North Carolina Department of Environment and Natural Resources:				
Water Pollution Control State, Interstate, and Tribal Program Support:				
205J Water Quality Management Planning Grant	66.454	3097	<u>8,920</u>	-
TOTAL FEDERAL AWARDS			<u>8,900,167</u>	<u>4,788,850</u>

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

FOR THE YEAR ENDED JUNE 30, 2013

Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-through Grantor's Number	Expenditures	
			Federal	State
STATE AWARDS				
North Carolina Department of Commerce				
Development and Infrastructure Planning			\$ -	\$ 12,918
Smarth Growth Education & Technical Assistance			-	7,588
			-	20,506
North Carolina Department of Environment and Natural Resources				
Ecosystem Enhancement Program Great Coharie Creek Phase			-	54,827
Upper Cape Fear Watershed			-	22,818
Jordan Jurisdictional Allocation Model			-	184,380
Waste Reduction Partners			-	100,475
Regional Appearance			-	675
			-	363,175
North Carolina Department of Transportation				
TDM			-	650,405
TOTAL STATE AWARDS			-	1,034,086
TOTAL FEDERAL AND STATE AWARDS			\$ 8,900,167	\$ 5,822,936

Notes to the Schedule of Expenditures of Federal and State Awards

Note 1.

Significant Accounting Policies: 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 OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and the State Single Audit Implementation Act.

Note 2.

Basis of Accounting: The accompanying schedule has been prepared using the modified accrual method of accounting. Under this method of accounting, revenues are recognized in the accounting period in which they become measurable and available to pay liabilities of the current period. Expenditures are recognized in the accounting period in which a fund liability is incurred.

Note 3.

Subrecipient Awards

Chatham	\$ 564,791
Durham	1,321,320
Johnston	935,217
Lee	424,377
Orange	593,743
Wake	3,095,941
Moore	856,248
	<u>\$ 7,791,637</u>

TRIANGLE J COUNCIL OF GOVERNMENTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2013

SECTION 1- 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 Section 510(a) of Circular A-133 ___yes X no

Identification of major federal programs:

<u>CFDA#</u>	<u>Program Name</u>
93.044, 93.045, 93.053	Aging Cluster
20.205-1	TDM – CMAQ Project C-4954
20.205-8	TARPO Planning
81.086 DE-EE0002491	ARRA - Carolina Blue Skies and Green Jobs Initiative

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

Auditee qualified as low-risk auditee X yes ___ no

TRIANGLE J COUNCIL OF GOVERNMENTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2013

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

Section II – Financial Statement Findings

Finding: 2013-01
Nonmaterial Noncompliance

- Criteria:** Therefore, notwithstanding any other provision of law, no local government or public authority may expend any moneys, regardless of their source (including moneys derived from bond proceeds, federal state, or private grants or loans, special assessments), except in accordance with a budget ordinance or project ordinance adopted (NC General Statute 159-8).
- Condition:** The three divisions of environmental protection, economic and physical protection, and human services had actual expenditures that exceeded the approved budgeted expenditure amounts.
- Context:** The expenditures made in the environmental protection, economic and physical development, and human resources exceeded budgeted expenditures by \$1,488,848, \$34,627, and \$32,337, respectively.
- Effect:** Budgeted expenditure amounts for these three divisions violated NC General Statute 159-8.
- Cause:** Budget amendments were not proposed and approved by the board based on changes in level of grant funding received during the year.
- Recommendation:** Changes be made to the budget resolution at a broader level with fewer divisions and that authority be granted to the Finance Officer to transfer funds between and among divisions that will not affect the adopted or revised budget total.

Management Response: Management agrees with this finding.

Section III – Federal Awards Findings and Questioned Costs

None reported

Section IV – State Awards Findings and Questioned Costs

None reported

TRIANGLE J COUNCIL OF GOVERNMENTS
SCHEDULE OF CORRECTIVE ACTION PLAN

FOR THE YEAR ENDED JUNE 30, 2013

Section II—Financial Statement Findings

Finding: 2013-01
Nonmaterial Noncompliance

Name of Contact Person: Judy Weller, Finance Director

Corrective Action Plan: The Council will adopt future budgets using the following divisions: General Government, Regional Planning, Human Services, and Non-Departmental.

Proposed completion date: Immediately

Section III—Federal Award Findings and Questioned Costs

None reported.

Section IV – State Awards Findings and Questioned Costs

None reported

TRIANGLE J COUNCIL OF GOVERNMENTS
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2013

Section II – Financial Statement Findings

Significant Deficiency – Financial Reporting
Finding 2012-01

Status: Corrected

Significant Deficiency – Financial Reporting
Finding 2012-02

Status: Corrected

Section III – Federal Awards Findings and Questioned Costs

U.S. Department of Energy
Carolina Blue Skies and Green Jobs Initiative

Finding 2012-03

NONMATERIAL NONCOMPLIANCE
Davis Bacon Act

Status: Corrected

Section IV – State Awards Findings and Questioned Costs

None reported

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