



TRIANGLE J COUNCIL OF GOVERNMENTS

FINANCIAL STATEMENTS AND COMPLIANCE REPORT

As of and for the Year Ended June 30, 2016

And Report of Independent Auditor

TRIANGLE J COUNCIL OF GOVERNMENTS

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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, 2016, and the related notes to the financial statements, which collectively comprise the Council's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller 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, 2016, 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

Required Supplementary Information

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

Supplementary Schedules and Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 10, 2016, 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.

Chemy Bekaert LLP

Raleigh, North Carolina
November 10, 2016

TRIANGLE J COUNCIL OF GOVERNMENTS

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2016

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

This section of the Council's financial report represents our discussion and analysis of the financial performance of the Council for the year ended June 30, 2016. 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 \$421,586 (*net position*).
- The Council's total net position increased by \$44,224 as a result of an increase in revenues being less than the increase in expenses.
- As of the close of the current fiscal year, the Council's governmental funds reported a combined ending fund balance of \$927,466. The governmental fund net assets are restricted by State statute and available only for spending on governmental programs.

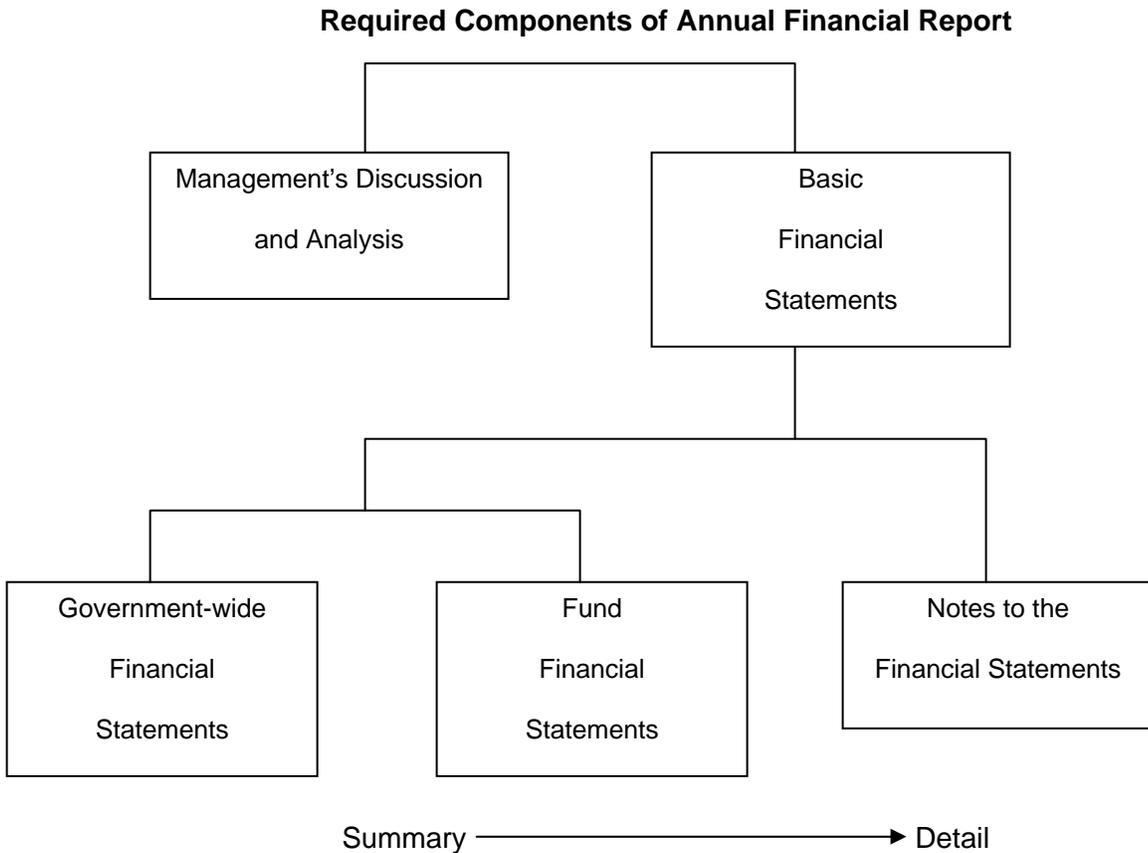
Overview of the Financial Statements

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 supplementary information that will enhance the reader's understanding of the financial condition of the Council.

TRIANGLE J COUNCIL OF GOVERNMENTS
MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2016

Figure 1



Basic Financial Statements

The first two statements (pages 10 and 11) in the basic financial statements are the *government-wide statements*. They provide both short and long-term information about the Council's financial status. The next statements (pages 12 through 15) 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, supplementary information is provided to show details about the Council's indirect costs. Budgetary information required by the General Statutes also can be found in this part of the statements.

TRIANGLE J COUNCIL OF GOVERNMENTS

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2016

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.

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.

TRIANGLE J COUNCIL OF GOVERNMENTS
MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2016

Fund Financial Statements (continued)

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 16 of this report.

Government-Wide Financial Analysis

Table 1
Condensed Statement of Net Position
June 30,

	Governmental Activities	
	2016	2015
Assets:		
Current assets	\$ 2,551,806	\$ 2,540,273
Capital assets	28,103	17,041
Net pension asset	-	156,814
	<u>2,579,909</u>	<u>2,714,128</u>
Deferred Outflows of Resources	<u>92,172</u>	<u>106,066</u>
Liabilities:		
Current liabilities	1,700,831	1,743,410
Noncurrent liabilities	481,550	317,229
	<u>2,182,381</u>	<u>2,060,639</u>
Deferred Inflows of Resources	<u>68,114</u>	<u>382,193</u>
Net Position:		
Net investment in capital assets	5,320	8,577
Restricted by Stabilization of State Statute	1,450,349	1,631,920
Unrestricted	(1,034,083)	(1,263,135)
	<u>\$ 421,586</u>	<u>\$ 377,362</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 \$421,586 as of June 30, 2016. The Council's net position increased by \$44,224 for the fiscal year ended June 30, 2016. Of the net position, \$5,320 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, 2016

Table 2
Condensed Statement of Activities
June 30,

	Governmental Activities	
	2016	2015
Revenues:		
Program revenues:		
Charges for services	\$ 430,118	\$ 520,218
Intergovernmental revenues	11,474,893	11,275,000
General revenues:		
Local government dues	837,269	795,766
Unrestricted investment earnings	2,633	173
Total Revenues	12,744,913	12,591,157
Expenses:		
Governmental activities:		
General government	385,069	294,211
Transportation	126,075	134,240
Environmental protection	2,718,104	2,726,997
Economic and physical development	57,185	69,463
Human services	9,414,256	9,251,453
Total Expenses	12,700,689	12,476,364
Change in net position	44,224	114,793
Net position, July 1	377,362	477,510
Restatement due to GASB 68 implementation	-	(214,941)
Net position, July 1, restated	377,362	262,569
Net position, June 30	\$ 421,586	\$ 377,362

Governmental Activities. Governmental activities increased the Council's net position by \$44,224.

The Council's revenues were \$12.7 million. 90% of the Council's revenues come from Federal and State revenues.

The Council's expenditures were \$12.7 million. 74% of the Council's expenditures were related to Human Services programs and 21% of expenses were environmental protection program related.

TRIANGLE J COUNCIL OF GOVERNMENTS

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2016

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 \$919,211 while total fund balance was \$927,466, 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, 2016, the combined fund balance of the governmental funds of the Council increased by \$122,139 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, 2016 totals \$28,103 (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, 2016: an OPEB obligation of \$271,773, compensated absences accrued of \$83,396, net pension liability of \$108,159 and capital leases of \$22,783, totaling \$486,111.

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

TRIANGLE J COUNCIL OF GOVERNMENTS

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2016

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 \$12.9 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, 2016

	<u>Governmental Activities</u>
ASSETS	
Current Assets:	
Cash and cash investments	\$ 1,046,589
Accounts receivable	1,450,349
Prepaid items	54,868
Total Current Assets	<u>2,551,806</u>
Noncurrent Assets:	
Capital assets, net of accumulated depreciation	28,103
Total Noncurrent Assets	<u>28,103</u>
Total Assets	<u><u>2,579,909</u></u>
 DEFERRED OUTFLOWS OF RESOURCES	
Pension Deferral	<u>92,172</u>
 LIABILITIES	
Current Liabilities:	
Accounts payable and accrued liabilities	1,414,712
Unearned grant revenue	281,558
Current portion of capital leases	4,561
Total Current Liabilities	<u>1,700,831</u>
Noncurrent Liabilities:	
OPEB obligation	271,773
Compensated absences accrued	83,396
Capital leases	18,222
Net pension liability	108,159
Total Noncurrent Liabilities	<u>481,550</u>
Total Liabilities	<u><u>2,182,381</u></u>
 DEFERRED INFLOWS OF RESOURCES	
Pension deferral	<u>68,114</u>
 NET POSITION	
Net investment in capital assets	5,320
Restricted:	
Stabilization by State Statute	1,450,349
Unrestricted	(1,034,083)
Total Net Position	<u><u>\$ 421,586</u></u>

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

TRIANGLE J COUNCIL OF GOVERNMENTS

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

YEAR ENDED JUNE 30, 2016

ASSETS

Assets:

Cash and investments	\$ 1,046,589
Accounts receivable	1,450,349
Prepaid items	54,868
Total Assets	\$ 2,551,806

LIABILITIES AND FUND BALANCES

Liabilities:

Program accounts payable and accrued expenses	\$ 1,414,712
Unearned grant revenue	209,628
Total Liabilities	1,624,340

Fund Balances:

Nonspendable for prepaid items	54,868
Restricted:	
Stabilization by State statute	1,450,349
Committed:	
Retiree hospitalization	107,590
Unemployment insurance	39,478
Assigned:	
Triangle Area Water Supply Monitoring Project	61,822
Clean Water Education Partnership	85,694
Music in My Mind	8,752
DIP	38,124
Unassigned	(919,211)
Total Fund Balances	927,466
Total Liabilities and Fund Balances	\$ 2,551,806

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

Ending fund balances - governmental funds	\$ 927,466
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	28,103
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	(377,952)
Accounts receivable due from other governments not collected within 90 days after year-end is deferred in the fund	(71,930)
Pension activity (including long-term liability, deferred outflows and deferred inflows) is not reported in the funds	(84,101)
Net position of governmental activities	\$ 421,586

TRIANGLE J COUNCIL OF GOVERNMENTS

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

YEAR ENDED JUNE 30, 2016

Revenues:	
Federal government grants	\$ 902,301
State government grants	456,534
Federal and state pass through	9,483,828
Member assessments	580,794
Special assessments	524,718
Local aging share	312,551
Program income/fees	500,208
Other income	53,276
Interest income	2,633
Total Revenues	<u>12,816,843</u>
Expenditures:	
General government	368,022
Transportation	126,075
Environmental protection	2,718,104
Economic and physical development	57,185
Human services	9,425,318
Total Expenditures	<u>12,694,704</u>
Net change in fund balances	122,139
Fund balances - beginning of year	<u>805,327</u>
Fund balances - end of year	<u><u>\$ 927,466</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

YEAR ENDED JUNE 30, 2016

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

Net change in fund balances - total governmental funds	\$ 122,139
Pension expense, not included on the statement of activities	(56,597)
Current year contributions to the Local Government Employees' Retirement System	91,809

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	22,783
Depreciation expense for governmental assets	(11,721)

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

Capital leases incurred	(22,783)
Principal payments made on capital leases	8,464
Current year accrued absences	\$ (83,396)
Prior year accrued absences	<u>78,346</u>
Additions to compensated absences	(5,050)
Increase in OPEB obligation	(32,890)
Accounts receivable due from other governments not collected within 90 days after year-end is deferred in the fund	<u>(71,930)</u>
Change in net position of governmental activities	<u>\$ 44,224</u>

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

YEAR ENDED JUNE 30, 2016

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive
				(Negative)
Revenues:				
Federal government grants	\$ 977,826	\$ 957,255	\$ 902,301	\$ (54,954)
State government grants	523,805	550,060	456,534	(93,526)
Federal and state pass through	9,284,051	9,783,624	9,483,828	(299,796)
Member assessments	570,464	583,733	580,794	(2,939)
Special assessments	525,398	524,718	524,718	-
Local aging share	312,551	312,551	312,551	-
Program income/fees	560,556	564,204	500,208	(63,996)
Other income	988,161	1,276,891	53,276	(1,223,615)
Interest income	-	2,374	2,633	259
Total Revenues	<u>13,742,812</u>	<u>14,555,410</u>	<u>12,816,843</u>	<u>(1,738,567)</u>
Expenditures:				
General government	1,321,605	1,405,165	368,022	1,037,143
Transportation	132,506	132,506	126,075	6,431
Environmental Protection	3,087,164	3,153,193	2,718,104	435,089
Economic and physical development	66,500	73,000	57,185	15,815
Human services	9,135,037	9,791,546	9,425,318	366,228
Total Expenditures	<u>13,742,812</u>	<u>14,555,410</u>	<u>12,694,704</u>	<u>1,860,706</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	122,139	<u>\$ 122,139</u>
Fund balances - beginning of year			<u>805,327</u>	
Fund balances - end of year			<u>\$ 927,466</u>	

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

TRIANGLE J COUNCIL OF GOVERNMENTS

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2016

Note 1—Summary of significant accounting policies

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

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

Purpose – The Council’s purpose is to provide a forum for consideration of multi-jurisdictional matters affecting health, safety, welfare, education, recreation, economic conditions, regional planning, and development. The amount of local contribution from the members for the year ended June 30, 2016 (based on July 1999 capital) was \$0.39 for the first 150,000 persons, then \$0.20 per person thereafter. County dues exclude the incorporated population of the municipalities.

Basis of Presentation

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

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

Fund Financial Statements – The fund financial statements provide information about the Council’s funds. The Council maintains one governmental fund 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.

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

Government-wide 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.

TRIANGLE J COUNCIL OF GOVERNMENTS

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2016

Note 1—Summary of significant accounting policies (continued)

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.

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, 2016. Unencumbered annual appropriations lapse at each fiscal year-end and must be re-appropriated in the following fiscal year’s budget.

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

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

Assets, Liabilities, and Fund Equity

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

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

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

TRIANGLE J COUNCIL OF GOVERNMENTS

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2016

Note 1—Summary of significant accounting policies (continued)

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

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

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

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

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

Compensated Absences – Council policy provides the accumulation of earned vacation up to 240 hours. Leave is fully vested when earned. Accumulated earned vacation at June 30, 2016 was \$83,396. 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.

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

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.

TRIANGLE J COUNCIL OF GOVERNMENTS

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2016

Note 1—Summary of significant accounting policies (continued)

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 THE FINANCIAL STATEMENTS

JUNE 30, 2016

Note 2—Deposits and investments

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

At June 30, 2016, the Council's deposits had a carrying amount of \$115,878 and a bank balance of \$1,010,782. Of the bank balance, \$250,000 was covered by FDIC.

At June 30 2016, the Council had \$930,711 invested with the North Carolina Capital Management Trust's Cash Portfolio, which carried a credit rating of AAAM by Standard and Poor's. The Council has no formal policy regarding credit risk of its investments.

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	\$ 815,282
NC Department of Transportation	438,435
Other receivables	<u>196,632</u>
Total	<u><u>\$ 1,450,349</u></u>

TRIANGLE J COUNCIL OF GOVERNMENTS
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2016

Note 4—Capital assets

The capital assets of the Council at June 30, 2016, consist of administrative and program equipment and vehicles. The following is a schedule of capital assets by Council function:

	<u>June 30, 2015</u>			<u>June 30, 2016</u>
	<u>Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u>
Capital assets being depreciated:				
General equipment	\$ 5,073	\$ -	\$ (5,073)	\$ -
Vehicles	23,524	-	-	23,524
Capital leases	41,800	22,783	(41,800)	22,783
	<u>70,397</u>	<u>22,783</u>	<u>(46,873)</u>	<u>46,307</u>
Less accumulated depreciation for:				
General equipment	5,073	-	(5,073)	-
Vehicles	14,843	3,361	-	18,204
Capital leases	33,440	8,360	(41,800)	-
	<u>53,356</u>	<u>\$ 11,721</u>	<u>\$ (46,873)</u>	<u>18,204</u>
Governmental activities capital assets, net of depreciation	<u>\$ 17,041</u>			<u>\$ 28,103</u>

Note 5—Employee retirement systems and pension plans

Local Governmental Employees' Retirement System

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

TRIANGLE J COUNCIL OF GOVERNMENTS

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2016

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

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

Contributions—Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Organization employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Council's contractually required contribution rate for the year ended June 30, 2016 was 6.67% of compensation for general employees, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Council were \$91,809 for the year ended June 30, 2016. The contributions made from the Council equaled the required contributions for the year.

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

Supplemental Retirement Income Plan

All full-time employees of the Council, who are members of LGERS, can voluntarily elect to participate in the Supplemental Retirement Income Plan of North Carolina. This Plan is a defined contribution pension plan governed by the Department of the State Treasurer and a Board of Trustees. Participation begins at the date of employment in a defined contribution plan; benefits depend solely on amounts contributed to the plan plus investment earnings. The Council contributes amounts equal to 5% of each employee's gross annual salary. Contributions are remitted bi-weekly and such contributions vest immediately. Council contributions to the plan totaled \$67,373 for the year ended June 30, 2016.

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

At June 30, 2016, the Council reported a liability of \$108,159 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014. The total pension liability was then rolled forward to the measurement date of June 30, 2015, utilizing update procedures incorporating the actuarial assumptions. The Council's proportion of the net pension liability was based on a projection of the Council's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2015, the Council's proportion was 0.024%, which was equal to its proportion measured at June 30, 2014.

TRIANGLE J COUNCIL OF GOVERNMENTS
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2016

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

For the year ended June 30, 2016, the Council recognized pension expense of \$56,597. At June 30, 2016, the Council reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 25,424
Net difference between projected and actual earnings on pension plan investments	-	30,793
Changes in proportion and differences between Council contributions and proportionate share of contributions	363	11,897
Council contributions subsequent to the measurement date	<u>91,809</u>	<u>-</u>
Total	<u>\$ 92,172</u>	<u>\$ 68,114</u>

Deferred outflows of resources related to pensions resulting from the Council's contributions subsequent to the measurement date of \$91,809 will be recognized as an increase of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Years Ending June 30,</u>	
2017	\$ (38,872)
2018	(38,872)
2019	(38,834)
2020	<u>48,827</u>
	<u>\$ (67,751)</u>

Actuarial Assumptions – The total pension liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3%
Salary increases	4.25% to 8.55%, including inflation and productivity factor
Investment rate of return	7.25%, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the December 31, 2014 valuation were based on the results of an actuarial experience study for the period January 1, 2005 through December 31, 2009.

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

TRIANGLE J COUNCIL OF GOVERNMENTS
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2016

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

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

Asset Class	Target Allocation	Long-term Expected Real Estate
Fixed income	29.0%	2.2%
Global equity	42.0%	5.8%
Real estate	8.0%	5.2%
Alternatives	8.0%	9.8%
Credit	7.0%	6.8%
Inflation protection	6.0%	3.4%
	100.0%	

The information above is based on 30-year expectations developed with the consulting actuary for the 2014 asset (liability) and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

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

TRIANGLE J COUNCIL OF GOVERNMENTS
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2016

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

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

	<u>1% Decrease (6.25%)</u>	<u>Discount Rate (7.25%)</u>	<u>1% Increase (8.25%)</u>
Agency's proportionate share of the net pension liability (asset)	\$ 754,208	\$ 108,159	\$ (436,123)

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

Other Postemployment Benefits ("OPEB")

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

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

Membership in the Retiree Health Plan consisted of 8 retirees and 24 active employees for a total of 32 employees included in the calculation as of December 31, 2013.

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, 2016, the Council's total contributions were \$76,992.

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

TRIANGLE J COUNCIL OF GOVERNMENTS
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2016

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

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	\$ 109,455
Interest earned on net OPEB Obligation	9,555
Adjustment to annual required contribution	9,128
Annual OPEB cost	109,882
Contribution made in FY 2016	76,992
Increase in Net OPEB Obligation	32,890
Net OPEB Obligation, beginning of fiscal year	238,883
Net OPEB Obligation, end of fiscal year	<u>\$ 271,773</u>

Three Year Trend Information

<u>Fiscal Year</u> <u>Ended June 30,</u>	<u>Annual</u> <u>OPEB Cost</u>	<u>Percentage of Annual</u> <u>OPEB Cost Contributed</u>	<u>Net OPEB</u> <u>Obligation</u>
2014	\$ 106,517	51.26%	\$ 192,023
2015	106,610	56.05%	238,883
2016	109,882	70.07%	271,773

Funded Status and Funding Progress – As of December 31, 2013, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$1,237,322, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$1,540,232, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 80.3%.

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

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

In the December 31, 2013 actuarial valuation, the Projected Unit Credit Actuarial Cost Method was used. The actuarial assumptions included a 4.0% investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date. The medical cost trend rate varied between 7.75 – 5.00%. Both rates included a 3.00% inflation assumption. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of pay, open basis. The remaining amortization period at December 31, 2013, was 30 years.

TRIANGLE J COUNCIL OF GOVERNMENTS
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2016

Note 6—Long-term obligations

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

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

	2016
Capital assets	\$ 22,783
Less accumulated depreciation	-
	<u>\$ 22,783</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, 2016:

2017	\$ 5,589
2018	5,159
2019	5,159
2020	5,159
2021	4,731
Total minimum lease payments	<u>25,797</u>
Less amount representing interest	<u>(3,014)</u>
Present value of minimum lease payments	<u>\$ 22,783</u>

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

Change in Long-Term Obligations – A summary of changes in long-term obligations for the year ended June 30, 2016 is as follows:

	<u>June 30, 2015</u>	<u>Net Increase (Decrease)</u>	<u>June 30, 2016</u>	<u>Due Within One Year</u>
OPEB	\$ 238,883	\$ 32,890	\$ 271,773	\$ -
Compensated absences	78,346	5,050	83,396	-
Capital leases	8,464	14,319	22,783	4,561
Net pension liability	-	108,159	108,159	-
	<u>\$ 325,693</u>	<u>\$ 160,418</u>	<u>\$ 486,111</u>	<u>\$ 4,561</u>

TRIANGLE J COUNCIL OF GOVERNMENTS
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2016

Note 6—Long-term obligations (continued)

Operating Leases – The Council leases property under an operating lease with a term through July 2023, which requires future minimum rental payments as of June 30, 2016, according to the following schedule:

<u>Years Ending June 30,</u>	
2017	\$ 197,750
2018	203,153
2019	208,737
2020	214,511
2021	220,388
Thereafter	<u>478,579</u>
	<u>\$ 1,523,118</u>

Rent expense under all leases was \$196,669 for the year ended June 30, 2016.

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, 2016, no request for reimbursement by the grantor agencies existed for those grants which have been subjected to grantor audits.

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 71.2% of the Council's total revenue for the year ended June 30, 2016. The loss of this revenue would have an adverse effect on the Council's ability to continue to provide its aging services.

TRIANGLE J COUNCIL OF GOVERNMENTS
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2016

Note 10—Subsequent events

The Council has evaluated subsequent events through November 10, 2016 in connection with the preparation of these financial statements, which is the date the financial statements were available to be issued.

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

YEAR ENDED JUNE 30, 2016

Schedule of Funding Progress

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

Schedule of Employer Contributions

Year Ended June 30,	Annual Required Contribution	Percentage Contributed
2014	\$ 95,196	53.3%
2015	106,267	51.4%
2016	109,455	70.3%

Notes to the Required Schedules

Valuation Date	December 31, 2013	Actuarial Assumptions	
Actuarial cost method	Projected Unit Credit	Investment rate of return	4.00%
Amortization method	Level percent of pay open	Medical cost trend rate	5% - 7.75%
Remaining amortization period	30 years	Includes inflation at	3.00%
Asset valuation method	Market value of assets	Cost-of-living adjustments	N/A

TRIANGLE J COUNCIL OF GOVERNMENTS
LOCAL GOVERNMENT EMPLOYEES' RETIREMENT SYSTEM
REQUIRED SUPPLEMENTARY INFORMATION

*LAST THREE FISCAL YEARS ENDED JUNE 30**

Schedule of Proportionate Share of Net Pension Liability (Asset)

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

Schedule of Contributions

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

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

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

YEAR ENDED JUNE 30, 2016

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Indirect Personnel Costs:			
Salaries	\$ 347,898	\$ 347,311	\$ 587
Fringe benefits	109,321	109,251	70
	<u>457,219</u>	<u>456,562</u>	<u>657</u>
Administrative Costs:			
Telecommunications	91,793	91,710	83
Travel-mileage	200	110	90
Leased equipment	13,000	12,644	356
Maintenance:			
Equipment/software maintenance	6,038	5,953	85
Vehicle usage	2,100	2,029	71
Office furnishings	2,000	1,618	382
Rent building	197,129	196,669	460
Rent facility	2,405	2,365	40
Office supplies	4,800	4,788	12
Postage	1,100	1,081	19
Printing	15,000	14,895	105
Meeting expense	10,000	9,344	656
Conferences/training	11,000	10,372	628
Contractual	7,900	6,478	1,422
Legal cost	1,500	1,076	424
Audit cost	23,250	23,250	-
Dues & subscriptions	15,000	14,735	265
Insurance	8,600	8,598	2
Miscellaneous	3,319	3,199	120
	<u>416,134</u>	<u>410,914</u>	<u>5,220</u>
Total Indirect Costs	<u>\$ 873,353</u>	<u>\$ 867,476</u>	<u>\$ 5,877</u>

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

YEAR ENDED JUNE 30, 2016

	<u>Program Salaries and Fringe</u>	<u>Actual Indirect Costs Allocated to Programs Based on Salaries</u>
Member Services Advocacy	\$ 75,652	\$ 47,882
Drug Alcohol Testing Program	23,521	14,831
TARPO Planning	74,356	47,088
Foreign Trade Zone	27,334	16,792
Water resources conservation	30,313	18,509
Jordan Lake Partnership Regional Water Supply Study	8,960	5,713
Jordan Lake Partnership Support Services	871	515
LID Case Studies	1,513	888
Update LWPs	705	496
NSAB Facilitation	1,826	1,279
Triangle Water Supply Monitoring Project	11,531	7,710
Upper Neuse LWP	9,706	6,110
Duke Water Grant	14,451	9,282
Siler City Conservation Planning	982	182
WSN Workshops	4,523	2,213
Clean Water Education Partnership	29,517	19,218
Upper Cape Fear River Basin	11,578	7,544
Transportation Demand Management	89,621	55,996
Triangle Clean Cities	26,783	17,078
Energy and Environment Project Planning	5,139	3,365
Clean Fuels Advanced Technologies	21,032	13,367
Clean Cities Monitoring	8,468	5,241
Southeast AFV Demonstrative Initiative	26,427	17,276
Regional Data Center	13,533	8,543
Center of the Region Enterprise	21,426	13,074
Development and Infrastructure Planning	26,268	16,597
Smart Growth Education and Technical Assistance	42,891	26,898
Land Use - Transportation - Air Quality	156,184	98,472
Goldston Unified Development Ordinance	2,475	1,572
Aging:		
Planning	241,423	150,592
Ombudsman	271,310	170,701
Family Caregiver	78,162	49,404
Caregiver Alternatives to Running on Empty	432	288
Elder Abuse	9,708	6,178
Health Promotion	1,197	812
Geriatric Workforce Enhancement Program	10,124	5,770
Total Indirect Costs	<u>\$ 1,379,942</u>	<u>\$ 867,476</u>

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

YEAR ENDED JUNE 30, 2016

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
General Government:			
Member Services Advocacy	\$ 151,000	\$ 150,173	\$ (827)
Drug Alcohol Testing Program	67,105	53,267	(13,838)
Master Plan - Regional Public Safety Training Center	49,690	44,530	(5,160)
Non-Departmental & Contingency	264,017	169,257	(94,760)
	<u>531,812</u>	<u>417,227</u>	<u>(114,585)</u>
Transportation:			
TARPO planning	132,506	126,075	(6,431)
Environmental Protection:			
Water resources conservation	48,663	49,163	500
Jordan Lake Partnership Regional Water Supply Study	29,260	18,142	(11,118)
Jordan Lake Partnership Support Services	1,339	1,332	(7)
LID Case Studies	3,856	3,856	-
Update LWPs	1,201	1,201	-
NSAB Facilitation	28,482	28,481	(1)
Triangle Area Water Supply Monitoring Project	302,309	302,319	10
Upper Neuse LWP	19,925	17,695	(2,230)
Duke Water Grant	73,166	24,773	(48,393)
Siler City Conservation Planning	10,500	6,413	(4,087)
WSN Workshops	35,651	8,037	(27,614)
Clean Water Education Partnership	152,500	144,983	(7,517)
NSAB & NCDP Facilitation	15,543	12,675	(2,868)
Upper Cape Fear River Basin	20,000	20,000	-
Transportation Demand Management	1,552,500	1,422,895	(129,605)
Triangle Clean Cities	56,966	50,716	(6,250)
Energy and Environment Project Planning	9,649	9,077	(572)
Clean Fuels Advanced Technologies	39,388	41,660	2,272
Clean Cities Mentoring	24,801	13,984	(10,817)
Southeast AFV Demonstrative Initiative	226,783	116,699	(110,084)
Regional Data Center and GIS	24,000	24,719	719
Center of the Region Enterprise	42,978	33,000	(9,978)
Development and Infrastructure Planning	96,733	81,943	(14,790)
Smart Growth Education and Technical Assistance	72,000	71,515	(485)
Land Use - Transportation - Air Quality	260,500	260,155	(345)
Goldston Unified Development Ordinance	4,500	4,047	(453)
	<u>3,153,193</u>	<u>2,769,480</u>	<u>(383,713)</u>

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

YEAR ENDED JUNE 30, 2016

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Economic and Physical Development:			
Foreign Trade Zone	\$ 73,000	\$ 70,092	\$ (2,908)
Human Services:			
Aging Program:			
Planning	510,234	431,137	(79,097)
Ombudsman	488,535	454,728	(33,807)
Family Caregiver	494,894	494,886	(8)
Caregiver Alternatives to Running on Empty	83,384	82,224	(1,160)
Music in My Mind	18,000	17,900	(100)
Elder Abuse	20,028	16,755	(3,273)
Aging Program Subtotal	<u>1,615,075</u>	<u>1,497,630</u>	<u>(117,445)</u>
Home Com Care Block Grant	7,631,804	7,500,645	(131,159)
Legal	29,000	29,000	-
Health Promotion	86,428	86,421	(7)
Aging Fans	24,655	17,660	(6,995)
Aging Senior Center - GP	136,800	136,791	(9)
MIPPA - II	80,808	44,171	(36,637)
Local Contact Agency	90,000	56,295	(33,705)
Durham Community Resource Connections	34,579	21,530	(13,049)
Chatham-Orange Community Resource Connections	21,397	6,020	(15,377)
Veteran Directed Home & Community Based Services	6,000	3,209	(2,791)
Geriatric Workforce Enhancement Program	35,000	34,597	(403)
	<u>9,791,546</u>	<u>9,433,969</u>	<u>(357,577)</u>
Total Program Revenues	<u>\$ 13,682,057</u>	<u>\$ 12,816,843</u>	<u>\$ (865,214)</u>

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

YEAR ENDED JUNE 30, 2016

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
General Government:			
Member Services Advocacy	\$ 151,000	\$ 150,173	\$ 827
Drug Alcohol Testing Program	67,105	64,368	2,737
Master Plan - Regional Public Safety Training Center	49,690	44,530	5,160
Non-Departmental & Contingency	264,017	108,951	155,066
	<u>531,812</u>	<u>368,022</u>	<u>163,790</u>
Transportation:			
TARPO planning	132,506	126,075	6,431
Environmental Protection:			
Water resources conservation	48,663	49,510	(847)
Jordan Lake Partnership Regional Water Supply Study	29,260	18,142	11,118
Jordan Lake Partnership Support Services	1,339	1,386	(47)
LID Case Studies	3,856	3,856	-
Update LWPs	1,201	1,201	-
NSAB Facilitation	28,482	28,481	1
Triangle Area Water Supply Monitoring Project	302,309	301,708	601
Upper Neuse LWP	19,925	17,695	2,230
Duke Water Grant	73,166	24,773	48,393
Siler City Conservation Planning	10,500	6,413	4,087
WSN Workshops	35,651	7,724	27,927
Clean Water Education Partnership	152,500	122,609	29,891
NSAB & NCDP Facilitation	15,543	12,675	2,868
Upper Cape Fear River Basin	20,000	19,884	116
Transportation Demand Management	1,552,500	1,423,035	129,465
Triangle Clean Cities	56,966	48,067	8,899
Energy and Environment Project Planning	9,649	9,077	572
Clean Fuels Advanced Technologies	39,388	41,660	(2,272)
Clean Cities Mentoring	24,801	13,910	10,891
Southeast AFV Demonstrative Initiative	226,783	116,699	110,084
Regional Data Center and GIS	24,000	24,719	(719)
Center of the Region Enterprise	42,978	42,554	424
Development and Infrastructure Planning	96,733	46,609	50,124
Smart Growth Education and Technical Assistance	72,000	71,515	485
Land Use - Transportation - Air Quality	260,500	260,155	345
Goldston Unified Development Ordinance	4,500	4,047	453
	<u>3,153,193</u>	<u>2,718,104</u>	<u>435,089</u>

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

YEAR ENDED JUNE 30, 2016

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Economic and Physical Development:			
Foreign Trade Zone	\$ 73,000	\$ 57,185	\$ 15,815
Human Services:			
Aging Program:			
Planning	510,234	431,137	79,097
Ombudsman	488,535	454,728	33,807
Family Caregiver	494,894	494,886	8
Caregiver Alternatives to Running on Empty	83,384	82,224	1,160
Music in My Mind	18,000	9,641	8,359
Elder Abuse	20,028	16,755	3,273
Aging Program Subtotal	<u>1,615,075</u>	<u>1,489,371</u>	<u>125,704</u>
Home Com Care Block Grant	7,631,804	7,500,645	131,159
Legal	29,000	29,000	-
Health Promotion	86,428	86,421	7
Aging Fans	24,655	17,660	6,995
Aging Senior Center - GP	136,800	136,791	9
MIPPA - II	80,808	44,171	36,637
Local Contact Agency	90,000	56,096	33,904
Durham Community Resource Connections	34,579	21,530	13,049
Chatham-Orange Community Resource Connections	21,397	6,020	15,377
Veteran Directed Home & Community Based Services	6,000	3,016	2,984
Geriatric Workforce Enhancement Program	<u>35,000</u>	<u>34,597</u>	<u>403</u>
	<u>9,791,546</u>	<u>9,425,318</u>	<u>366,228</u>
Total Program Expenditures	<u><u>\$ 13,682,057</u></u>	<u><u>\$ 12,694,704</u></u>	<u><u>\$ 987,353</u></u>

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities and the general fund of the Triangle J Council of Governments (the "Council"), as of and for the year ended June 30, 2016, 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 10, 2016.

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 did not disclose any instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

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

Chemy Bekaert LLP

Raleigh, North Carolina
November 10, 2016

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

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

Report on Compliance for Each Major Federal Program

We have audited the Triangle J Council of Governments (the "Council") compliance with the types of compliance requirements described in the *U.S Office of Management and Budget ("OMB") Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the Council's major federal programs for the year ended June 30, 2016. The Council's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the Council complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

Report on Internal Control over Compliance

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

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

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

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

Chemy Bekaert LLP

Raleigh, North Carolina
November 10, 2016

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

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

Report on Compliance for Each Major State Program

We have audited the Triangle J Council of Governments (the "Council") compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission that could have a direct and material effect on each of the Council's major State programs for the year ended June 30, 2016. The Council's major State programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major State Program

In our opinion, the Council complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major State programs for the year ended June 30, 2016.

Report on Internal Control over Compliance

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

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

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

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

Chemy Bekaert LLP

Raleigh, North Carolina
November 10, 2016

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

YEAR ENDED JUNE 30, 2016

Grantor/Pass-Through Grantor/Program Title	Federal CFDA	State/Pass-Through Grantor's	Expenditures		
	Number	Number	Federal	State	Pass-through to sub-recipients
U.S. Department of Health and Human Services:					
Programs passed-through North Carolina Department of Health and Human Services-Division of Aging:					
Special Programs for the Aging-Title VII, Chapter 3:					
Programs for Prevention of Elder Abuse, Neglect and Exploitation					
93.041	NC-10	\$ 15,824	\$ 930	\$ -	
Special Programs for the Aging-Title III-D:					
Disease Prevention and Health Promotion Services					
93.043	NC-10	81,621	4,801	84,394	
Special Programs for the Aging-Title VII-D:					
Long Term Care Ombudsman Services for Older Individuals					
93.042	NC-10	37,209	2,189	-	
Fan Heat					
	NC-10	-	17,660	17,660	
Money Follows the Person Rebalancing Demonstration CARE					
93.791	NC-10	56,295	-	-	
	NC-10	-	82,224	81,504	
		<u>190,949</u>	<u>107,804</u>	<u>183,558</u>	
<u>Aging Cluster</u>					
Special Programs for the Aging - Title III-B: Grants for Supportive Services and Senior Centers					
Legal Services-Title III, Part B					
93.044	NC-10	27,390	1,611	29,000	
Ombudsman-Title III, Part B & 90% State Funds					
93.044	NC-10	91,630	88,599	-	
Access-90% State Funds					
	NC-10	-	617,359	617,359	
Access-Title III, Part B					
93.044	NC-10	567,938	33,408	601,346	
In-Home Services-90% Funds					
	NC-10	-	2,780,635	2,780,635	
In-Home Services-Title III, Part B					
93.044	NC-10	534,018	31,412	565,430	
Special Programs for the Aging - Title III-C: Nutrition Services					
Planning and Administration-79.11% State Funds					
	NC-10	-	48,261	-	
Planning and Administration-Title III, Part C1					
93.045	NC-10	268,402	14,708	-	
Congregate Nutrition-Title III, Part C1					
93.045	NC-10	808,357	47,550	855,907	
Home Delivered Meals-90% State Funds					
	NC-10	-	864,529	864,529	
Senior Center Development					
93.045	NC-10	-	136,793	136,793	
Home Delivered Meals-Title III, Part C2					
93.045	NC-10	511,675	30,098	541,773	
Nutrition Services Incentive Program					
93.053	NC-10	365,131	-	365,131	
Total Aging Cluster					
		<u>3,174,541</u>	<u>4,694,963</u>	<u>7,357,903</u>	
<u>Subsidized Child Care Cluster</u>					
Social Services Block Grant					
93.667	NC-10	299,983	8,571	308,554	
Total Subsidized Child Care Cluster					
		<u>299,983</u>	<u>8,571</u>	<u>308,554</u>	
National Family Caregiver Support, Title III, Part E					
93.052	NC-10	458,498	30,566	364,527	
Planning and Administration-Title III-E					
93.052	NC-10	63,984	3,506	-	
		<u>522,482</u>	<u>34,072</u>	<u>364,527</u>	
Total U.S. Department of Health and Human Services					
		<u>4,187,955</u>	<u>4,845,410</u>	<u>8,214,542</u>	
U.S. Department of Energy:					
Program passed through North Carolina Department of Energy:					
Conservation Research and Development:					
Triangle Clean Cities					
81.086	DE-FE0004002	41,250	-	-	
Southeast AFV Demonstrative Initiative					
81.086		107,900	-	-	

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

YEAR ENDED JUNE 30, 2016

Grantor/Pass-Through Grantor/Program Title	Federal CFDA	State/Pass-Through Grantor's	Expenditures		
	Number	Number	Federal	State	Pass-through to sub-recipients
Clean Cities Monitoring		LGJ-4-23274-07	13,984	-	-
Highway Planning and Construction	20.205		22,762	-	-
Total U.S. Department of Energy			<u>185,896</u>	<u>-</u>	<u>-</u>
U.S. Department of Transportation:					
Program passed through North Carolina Department of Transportation:					
Highway Planning and Construction:					
TDM-CMAQ Project C-4954	20.205	44024.1.1	1,183,167	-	1,183,167
TARPO Planning	20.205	45439.1.18	96,075	-	-
Total U.S. Department of Transportation			<u>1,279,242</u>	<u>-</u>	<u>1,183,167</u>
U.S. Department of Insurance:					
Medicare Enrollment Assistance Program	93.071		31,984	-	20,750
U.S. Environment Protection Agency					
Program passed through North Carolina Department of Environment and Natural Resources:					
Water Quality Management Planning:					
Low Impact Development Case Studies	66.454	5726	-	3,856	-
205J NSAB Facilitation	66.454	5683	-	28,187	-
Upper Neuse Local Watershed Plan	66.454	6281	-	15,240	-
Siler City Conservation Planning	66.454	6724	-	5,913	-
Watershed Stewardship Network Workshops	66.454	6723	-	4,950	-
Nutrient Scientific Advisory Board & Nutrient Criteria	66.454	6818	-	14,325	-
Total U.S. Environmental Protection Agency			<u>-</u>	<u>72,471</u>	<u>-</u>
TOTAL FEDERAL AWARDS			<u>5,685,077</u>	<u>4,917,881</u>	<u>9,418,459</u>
STATE GRANTS					
North Carolina Department of Transportation					
Transportation Demand Management		2000004445 & 2000004447	-	239,728	239,728
TOTAL ASSISTANCE-STATE PROGRAMS			<u>-</u>	<u>239,728</u>	<u>239,728</u>
TOTAL ASSISTANCE			<u>\$ 5,685,077</u>	<u>\$ 5,157,609</u>	<u>\$ 9,658,187</u>

Notes to the Schedule of Expenditures of Federal and State Awards

Note 1.

Basis of Presentation: The accompanying schedule of expenditures of federal and state awards includes all federal and state grant activity of Triangle J Council of Governments and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards ("Uniform Guidance") and the State Single Audit Implementation Act. Therefore, some amounts presented in this schedule differ from amounts presented in, or used in the preparation of, the basic financial statements.

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

Note 2.

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

TRIANGLE J COUNCIL OF GOVERNMENTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2016

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

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

Noncompliance material to financial
statements noted ___yes X no

Federal Awards

Internal control over major Federal programs:

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

Noncompliance material to Federal awards ___ yes X no

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

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

Identification of major Federal programs:

<u>CFDA#</u>	<u>Program Name</u>
93.044, 93.045, 93.053 20.205	Aging Cluster Highway Planning and Construction

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

Auditee qualified as low-risk auditee X yes ___ no

TRIANGLE J COUNCIL OF GOVERNMENTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2016

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

Section II – Financial Statement Findings

None reported.

Section III – Federal Awards Findings and Questioned Costs

None reported.

Section IV – State Awards Findings and Questioned Costs

None reported.

**TRIANGLE J COUNCIL OF GOVERNMENTS
SCHEDULE OF CORRECTIVE ACTION PLAN**

YEAR ENDED JUNE 30, 2016

Section II – Financial Statement Findings

None reported.

Section III – Federal Award Findings and Questioned Costs

None reported.

Section IV – State Awards Findings and Questioned Costs

None reported.