

HIGH- COUNTRY COUNCIL OF GOVERNMENTS, INC.
Boone, North Carolina

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2016

High Country Council of Governments
Boone, North Carolina
Board of Directors
 June 30, 2016

Name	Position	Representing
Brenda Lyerly	Chair	Mayor of Banner Elk
Johnny Riddle	Vice-Chair	Board of Commissioners, Chair - Yancey County
Valerie Jaynes	Treasurer	Mayor of Newland
Chris Jones	Secretary	Sparta Town Council
<u>Executive Board</u>		
Tom Smith	Member	Board of Commissioners, Chair - Alleghany County
Brien Richardson	Member	Board of Commissioners - Ashe County
Maxine Laws	Member	Board of Commissioners, Vice-Chair - Avery County
Paul Robinson, Jr.	Member	Minority Representative
Charles Vines	Member	Mayor of Bakersville
Rick Miller	Member	Mayor of Beech Mountain
J.B. Lawrence	Member	Mayor of Blowing Rock
Rennie Brantz	Member	Mayor of Boone
Theresa Coletta	Member	Mayor of Burnsville
Tudor Vance	Member	Mayor of Crossnore
Joel Whitley	Member	Elk Park Town Council
Mark Johnston	Member	Jefferson Town Council
Michelle Slaton	Member	Lansing Town Commissioner
Vern Grindstaff	Member	Board of Commissioners, Chair - Mitchell County
Robert L. Johnson	Member	Mayor of North Wilkesboro
Sandra Simmons	Member	Ronda Town Council
Larry Fontaine	Member	Mayor of Seven Devils
Darla Harding	Member	Mayor of Spruce Pine
Gunther Jochl	Member	Mayor Pro Tem of Sugar Mountain
Jimmy Hodges	Member	Board of Commissioners, Chair - Watauga County
Dale Baldwin	Member	Mayor West Jefferson
Russell Ferree	Member	Wilkesboro Town Council
Gary Blevins	Member	Board of Commissioners - Wilkes County

HIGH- COUNTRY COUNCIL OF GOVERNMENTS, INC.
Boone, North Carolina

Table of Contents
June 30, 2016

<u>Exhibit</u>		<u>Page(s)</u>
Financial Section		
	Independent Auditors' Report	1 - 3
	Management's Discussion and Analysis	4 - 10
	Basic Financial Statements:	
	Government-wide Financial Statements:	
1	Statement of Net Position	11
2	Statement of Activities	12
	Fund Financial Statements:	
3	Balance Sheet - Governmental Funds	13
3	Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position	14
4	Statement of Revenues, Expenditures, and Changes in Fund Balances -- Governmental Funds	15
4a	Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of the Governmental Funds to the Statement of Activities	16
5	Statement of Revenues, Expenditures, and Changes in Fund Balances -- Annual Budget and Actual -- General and Major Special Revenue Funds	17-18
	Notes to Financial Statements	19-37
Required Supplementary Information		
A-1	Other Postemployment Benefits - Schedule of Funding Progress	38
A-2	Other Postemployment Benefits - Schedule of Employer Contributions	39
A-3	Schedule of the Proportionate Share of the Net Pension Asset (Liability) - Local Government Employees' Retirement System	40
A-4	Schedule of Contributions - Local Government Employees' Retirement System	41

Supplementary Information

B-1	Supplemental Schedule of Program Expenditures - Budget and Actual - All Governmental Funds	42
B-2	Schedule of Fringe Benefits	43
B-3	Schedule of Indirect Cost	44
B-4	Cost Allocation Plan	45

Compliance Section

	Report on Internal Control Over Financial Reporting And On Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	46-47
	Report on Compliance With Requirements Applicable to Each Major Federal Program and Internal Control Over Compliance in Accordance With Uniform Guidance and the State Single Audit Implementation Act	48-49
	Report on Compliance with Requirements Applicable to Each Major State Program and Internal Control Over Compliance In Accordance with Uniform Guidance and the State Single Audit Implementation Act	50-51
	Schedule of Findings and Questioned Costs	52-56
	Corrective Action Plan	57-58
	Summary Schedule of Prior Year Audit Findings	59
	Schedule of Expenditures of Federal and State Awards	60-62



**Alan W. Thompson, CPA
R. Bryon Scott, CPA
Gregory S. Adams, CPA**

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
High Country Council of Governments
Boone, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the High Country Council of Governments as of and for the year then ended June 30, 2016, and the related notes to the financial statements which collectively comprise the High Country Council of Governments'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.

Auditors' Responsibility

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

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

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

Opinions

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of High Country Council of Governments as of June 30, 2016, and the respective changes in financial position and the respective budgetary comparison for the General Fund and Special Revenue Funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Other Postemployment Benefits' Schedules of Funding Progress and Employer Contributions, and the Local Government Employees' Retirement System Schedules of the County's Proportionate Share of the Net Pension (Asset Liability and County Contributions on pages 4 through 10 and 38 through 41, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consist of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of High Country Council of Governments. The combining and individual fund statements, budgetary schedules, and other schedules as well as the accompanying Schedule of Expenditures of Federal and State Awards, as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements, budgetary schedules, other schedules, and the Schedule of Expenditures of Federal and State Awards are the responsibility of management and were derived from and related 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 by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, the combining and individual fund financial statements, budgetary schedules, other schedules, and the Schedule of Expenditures of Federal and State Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated October 27, 2016 on our consideration of the High Country Council of Governments'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 the 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 High Country Council of Governments's internal control over financial reporting and compliance.

Thompson, Rice, Scott, Adams & Co., P.A.

Whiteville, NC
October 27, 2016

HIGH COUNTRY COUNCIL OF GOVERNMENTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2016

Management's Discussion and Analysis

As management of the High Country Council of Governments (the Council), we offer readers of the Council's financial statements this narrative overview and analysis of the financial activities of the High Country Council of Governments for the fiscal year ended June 30, 2016. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Council's financial statements, which follow this narrative.

Financial Highlights

The assets and deferred outflows of the Council exceeded its liabilities and deferred inflows at the close of the fiscal year by \$1,494,134.

The Council's total net position increased by \$33,097.

As of the close of the current fiscal year, the Council's governmental funds reported combined ending fund balances of \$1,269,674, a decrease of \$40,940 in comparison with the prior year. This decrease was a combination of a current year net increase in fund balance of \$3,278, offset by a prior period adjustment (decrease) of \$44,218. Approximately 80.68% of this combined balance, or \$1,024,326 is uncommitted, meaning available for spending at the Council's discretion.

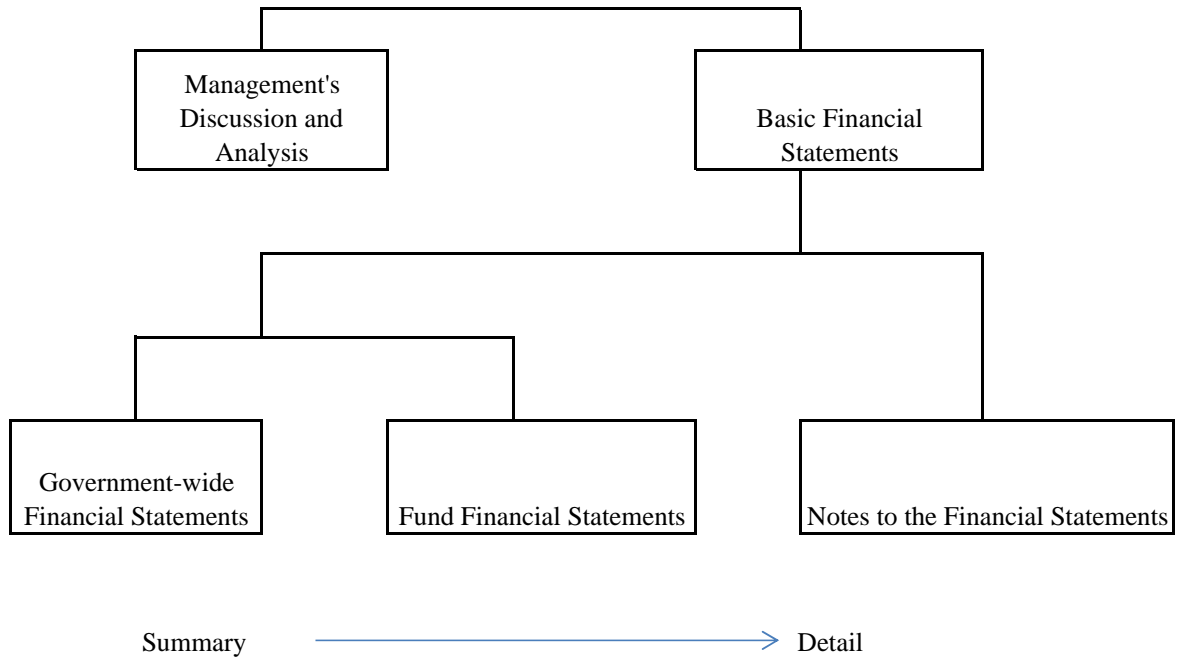
At the end of the current fiscal year, combined restricted fund balances totaled \$221,036.

Overview of the Financial Statements

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

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

The first two statements (Exhibits 1 and 2) in the basic financial statements are the *Government-wide Financial Statements*. They provide both short and long-term information about the Council's financial status.

The next statements (Exhibits 3 through 5) are *Fund Financial Statements*. These statements focus on the activities of the individual parts of the Council's government. These statements provide more detail than the government-wide statements. There are two parts to the Fund Financial Statements: 1) the governmental funds statements; and 2) the budgetary comparison statements.

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

Government-Wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the Council's finances, 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 they have changed. Net position is the difference between the Council's total assets and total liabilities. Measuring net position is one way to gage the Council's financial condition.

The government-wide statements may be divided into three categories: 1) governmental activities; 2) business-type activities; and 3) component units. However, the Council does not have any business-type activities. The governmental activities include all of the Council's basic services such as general administration, human services, regional planning and technical services. State and federal grants and contributions from local governments comprising the service area of the Council finance most of these activities.

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

Fund Financial Statements

The fund financial statements (see Figure 1) 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 Council funds are governmental funds.

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

The Council adopts an annual budget for its General Fund and Special Revenue Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the member local governments of the Council, 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 and Special Revenue 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.

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.

Other Information

In addition to the basic financial statements and accompanying notes, this report includes certain supplemental schedules concerning the Council's Programs. The primary purpose of the supplemental schedules is to provide information concerning the Council's budgeting process.

High Country Council of Governments's Net Position

Net Position

Table A-1

	Governmental Activities	
	2016	2015
Current and other assets	\$ 1,615,135	\$ 1,733,812
Capital asset	1,485,714	1,569,204
Total assets	<u>3,100,849</u>	<u>3,303,016</u>
Total deferred outflows of resources	114,897	94,342
Current Liabilities	425,197	387,868
Long-Term Liabilities Outstanding	1,250,456	1,239,513
Total liabilities	<u>1,675,652</u>	<u>1,627,381</u>
Total deferred inflows of resources	45,960	264,722
Net position:		
Net investment in capital assets	370,799	389,464
Restricted	221,036	266,655
Unrestricted	902,299	849,136
Total Net Position	<u>\$ 1,494,134</u>	<u>\$ 1,505,255</u>

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of the Council exceeded liabilities and deferred inflows by \$1,494,134 as of June 30, 2016. The Council's net position increased by \$33,097 for the fiscal year ended June 30, 2016, and a prior period adjustment (decrease) of \$44,218 was recorded, for a net decrease in net position from the previous year of \$11,121. Approximately 25% of the net position amount reflects the Council's investment in capital assets (equipment and vehicles) less any related capital leases outstanding that were issued to acquire those items. The Council uses these capital assets to provide services to constituent local government members; consequently these assets are nonspendable. An additional portion of the Council's net position (15%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$902,299 representing 60% of total net position for the government is uncommitted.

High Country Council of Governments's Changes in Net Position
Changes in Net Position
Table A-2

	Governmental Activities	
	2016	2015
Revenues:		
Program revenues:		
Intergovernmental Revenues	\$ 5,086,657	\$ 5,150,935
General revenues:		
Local Government Dues	149,585	153,990
Other General Revenues	43,136	46,516
Unrestricted Investment Earnings	2,546	522
Total Revenues	5,281,924	5,351,963
Expenses:		
Governmental activities:		
General Government	187,830	205,252
Transportation	178,170	138,822
Workforce Development	1,860,473	2,105,529
Economic and Community Development	637,177	504,096
Human Services	2,385,177	2,335,358
Total Expenses	5,248,827	5,289,057
Increase in Net Position	33,097	62,906
Net position, July 1	1,505,255	1,577,033
Net position, July 1, restated	1,461,037	1,442,349
Net position, June 30	\$ 1,494,134	\$ 1,505,255

Governmental Activities. Governmental activities increased the Council's fund balances by \$33,097. The 2015-2016 expenditures of operating grants and related revenues in the following departments, RPO Transportation Planning, Planning and Development and Area Agency on Aging, remained relatively consistent with prior year operations. Workforce Development saw a decrease in funds for fiscal year end 2016 of approximately \$245,000 due to the change in the State Funding formula for dislocated workers.

Financial Analysis of the Council's Funds

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

Governmental Funds. The focus of the Council’s governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the High Country Council of Governments' financial requirements. 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 accounts for all unrestricted resources and provides the local matching share for grants accounted for in the Special Revenue Fund through transfers. At the end of the fiscal year, unassigned fund balance of the General Fund was \$1,088,038 while total fund balance was \$1,332,288. 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. Unassigned fund balance represents approximately 20.61% of total General and Special Revenue Fund expenditures and transfers.

As of June 30, 2016, the governmental funds of the Council reported a total combined fund balance of \$1,269,674, representing an increase of \$3,278 over last year.

General Fund Budgetary Highlights: During the fiscal year, the Council amended the budget on several occasions. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and 3) increases in appropriations that become necessary to maintain services. Amendments to the General Fund did not change the total budget. Amendments to the Special Revenue Fund increased revenues and expenditures by \$309,244.

Capital Asset and Debt Administration

Capital assets. The Council’s investment in capital assets for its governmental activities as of June 30, 2016, totals \$1,485,714 (net of accumulated depreciation). These assets include building, equipment and vehicles.

The Council's Capital Assets
Figure 4

	Governmental Activities	
	2016	2015
Land	\$ 522,720	\$ 522,720
Council Building	951,905	1,029,773
Council Equipment	11,089	16,711
Total (net of accumulated depreciation)	\$ 1,485,714	\$ 1,569,204

Additional information on the Council’s capital assets can be found in Note D of the Notes to the Financial Statements.

Economic Factors and Next Year's Budgets and Rates

High Country Council of Governments is uncertain but very optimistic about the opportunities and challenges that lie ahead in the upcoming fiscal year. With the implications of legislation at the federal, state and local level, the organization will be diligent as it moves forward. The High Country Council of governments will continue its strategic focus on serving our local government members, community members and stakeholders with exceptional professional service. The High Country Council of Government will continue to maximize resources to meet the ever-changing needs of our members while striving to improve the quality of life and economic prosperity of the High Country.

Budget Highlights for the Fiscal Year Ending June 30, 2017

For Fiscal year 2016-2017, The High Country Council of Governments adopted a total operating budget of \$5,883,238, or -1.7% less than the 2015-2016 total operating budget. The High Country Council of Governments is divided into four (4) main departments including: General, Area Agency on Aging, Workforce Development and Planning and Development. Highlights include:

General Fund

The 2016-2017 budget includes \$223,813 in General Fund Expenditures, with a General Fund emphasis on continuing to meet grant requirements through the local match while not increasing membership dues. Membership dues remain unchanged since 1997.

Area Agency on Aging

The 2016-2017 budget includes \$2,616,923 in AAA Expenditures, highlighted by a new Senior Community Service Employment Program beginning January 2017. The AAA staff will continue to work towards developing services to address an aging population.

Workforce Development

The 2016-2017 budget includes \$2,222,183 in Workforce Expenditures, which represents a decrease in Federal Funding of over \$300,000. The Workforce Development staff will continue to be diligent in managing the ever-changing federal funding in the upcoming year.

Planning and Development

The 2016-2017 budget includes \$820,319 in Planning and Development Expenditures, which includes \$77,000 in contractual revenue and expenditures as an emphasis continue to be placed on providing more direct services to members.

Requests for Information

This report is intended to provide a general overview of the High Country Council of Governments' finances. Questions or requests for additional information should be directed towards Shane Fox, Executive Director, High Country Council of Governments, 468 New Market Blvd., Boone, NC 28607.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

HIGH COUNTRY COUNCIL OF GOVERNMENTS
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2016

		<u>Governmental Activities</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$	1,159,310
Accounts receivable		-
Grants receivable		454,727
Prepaid Items		1,098
Total Current Assets		<u>1,615,135</u>
Noncurrent assets:		
Capital assets, net of depreciation		<u>1,485,714</u>
Total Assets		<u>3,100,849</u>
DEFERRED OUTFLOWS OF RESOURCES		<u>114,897</u>
LIABILITIES		
Current liabilities:		
Accounts Payable		337,693
Current Portion of Long-Term Liabilities		87,504
Total current liabilities		<u>425,197</u>
Long-term liabilities:		
Accrued Leave		19,910
Obligation for Postemployment Benefit		110,161
Net Pension Liability		73,064
Due in more than one year		1,047,321
Total Long-Term Liabilities		<u>1,250,456</u>
Total Liabilities		<u>1,675,652</u>
DEFERRED INFLOWS OF RESOURCES		<u>45,960</u>
NET POSITION		
Net investment in capital assets		370,799
Restricted for:		
Stabilization by State Statute		221,036
Unrestricted		902,299
Total Net Position	\$	<u><u>1,494,134</u></u>

HIGH COUNTRY COUNCIL OF GOVERNMENTS
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2016

Functions/Programs	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Position Total Governmental Activities
Governmental Activities:				
Economic and Community Development	\$ 637,177	\$ -	\$ 699,610	\$ 62,433
Human Services	2,385,177	-	2,376,709	(8,468)
Workforce Development	1,860,473	-	1,871,588	11,115
Transportation	178,170	-	138,750	(39,420)
Local Activities	187,830	-	-	(187,830)
Total governmental activities	\$ 5,248,827	\$ -	\$ 5,086,657	\$ (162,170)
General revenues:				
				149,585
Local government dues and participant fees				2,546
Unrestricted investment earnings				43,136
Miscellaneous				195,267
Total general revenues				33,097
Change in net position				1,505,255
Net position, beginning				(44,218)
Prior Period Adjustment				1,494,134
Net position, ending				

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

FUND FINANCIAL STATEMENTS

HIGH COUNTRY COUNCIL OF GOVERNMENTS
BALANCE SHEET
GOVERNMENTAL FUNDS

For the Year Ended June 30, 2016

	Major Funds		Total Governmental Funds
	General Fund	Special Revenue Fund	
ASSETS			
Cash and cash equivalents	\$ 1,159,310	\$ -	\$ 1,159,310
Accounts Receivable - Other	-	454,727	454,727
Due from other Funds	221,036	-	221,036
Prepaid Expenses	-	1,098	1,098
Total assets	<u>1,380,346</u>	<u>455,825</u>	<u>1,836,171</u>
LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES			
Liabilities			
Accounts Payable	6,578	297,403	303,981
Due to Other Funds	-	221,036	221,036
Due to Other Governments	-	-	-
Other Accrued Expenses	33,712	-	33,712
Total liabilities	<u>40,290</u>	<u>518,439</u>	<u>558,729</u>
DEFERRED INFLOWS OF RESOURCES	7,768	-	7,768
Fund balances:			
Nonspendable:			
Prepaid expenses	-	1,098	1,098
Restricted:			
Stabilization by State Statute	221,036	-	221,036
Assigned:			
Appropriated for Subsequent years	-	-	-
Unassigned:	1,111,252	(63,712)	1,047,540
Total fund balances	<u>1,332,288</u>	<u>(62,614)</u>	<u>1,269,674</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,380,346</u>	<u>\$ 455,825</u>	<u>\$ 1,836,171</u>

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

HIGH COUNTRY COUNCIL OF GOVERNMENTS
BALANCE SHEET
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2016

Amounts reported for governmental activities in the Statement of Net Position (Exhibit 1) are different because:

Total Fund Balance	\$ 1,269,674
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Gross capital assets at historical costs	2,139,961
Accumulated Depreciation	<u>(654,247)</u>
Capital assets, net	1,485,714
Net Pension Asset (Liability)	(73,064)
Contributions to the pension plan in the current fiscal year are deferred outflows of resources on the Statement of Net Position	91,387
Pension related deferrals	
Differences between expected and actual experience	(17,174)
Changes in proportion and differences between Commission contributions and proportionate share of contributions are deferred outflows of resources on the Statement of Net Position	23,293
Net difference between projected and actual earnings on pension plan investments	<u>(20,801)</u>
Total - Pension Related Deferrals	(14,682)
Some liabilities are not due and payable in the current period and therefore are not reported in net assets of governmental activities.	
Accrued Compensated Absences	(39,819)
Other Postemployment Benefits	(110,161)
Installment Purchase Agreement	<u>(1,114,915)</u>
Total long-term liabilities	<u>(1,264,895)</u>
Net Position of Governmental Activities	\$ <u><u>1,494,134</u></u>

HIGH COUNTRY COUNCIL OF GOVERNMENTS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2016

	Major Funds		Total Governmental Funds
	General	Special Revenue Fund	
REVENUES			
Federal funds	\$ -	\$ 4,576,174	\$ 4,576,174
State Funds	-	212,107	212,107
Local Funds	-	298,379	298,379
General:			
Miscellaneous	43,136	-	43,136
Interest	2,546	-	2,546
Local Activities	149,585	-	149,585
Total revenues	195,267	5,086,660	5,281,927
EXPENDITURES			
Transportation	-	177,606	177,606
Economic Development	-	650,760	650,760
Health and Human Services	-	2,392,659	2,392,659
Workforce Development	-	1,871,590	1,871,590
Local Activities	186,034	-	186,034
Total expenditures	186,034	5,092,615	5,278,649
Excess (deficiency) of revenues over expenditures	9,233	(5,955)	3,278
Fund balances, beginning	1,323,055	(12,441)	1,310,614
Prior Period Adjustment	-	(44,218)	(44,218)
Fund balances, ending	<u>\$ 1,332,288</u>	<u>\$ (62,614)</u>	<u>\$ 1,269,674</u>

HIGH COUNTRY COUNCIL OF GOVERNMENTS
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES
For the Year Ended June 30, 2016

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

Net changes in fund balances - total governmental funds	\$	3,278
---	----	-------

Governmental funds report capital outlays as expenditures. However, in the Statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current year.

Depreciation expense for governmental assets	(83,490)	
Capital outlay expenditures which were capitalized	-	(83,490)

Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities		91,387
--	--	--------

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Principal payments on long-term debt		64,825
--------------------------------------	--	--------

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:

Current allocation of OPEB obligation	(9,392)	
Pension Expense	(41,350)	
Compensated absences	7,839	
	-	

Total changes in net position of governmental activities	\$	33,097
--	----	--------

HIGH COUNTRY COUNCIL OF GOVERNMENTS
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
GENERAL FUND AND ANNUALLY BUDGETED MAJOR SPECIAL REVENUE FUND
For the Year Ended June 30, 2016

	General Fund			
	Budget		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Federal and State grants	\$ -	\$ -	\$ -	\$ -
State Funds	-	-	-	-
Local Funds	-	-	-	-
General:				
Miscellaneous	-	35,154	43,136	7,982
Local Activities	198,153	162,999	149,585	(13,414)
Interest	-	-	2,546	2,546
Total Revenues	<u>198,153</u>	<u>198,153</u>	<u>195,267</u>	<u>(2,886)</u>
Expenditures:				
Transportation	-	-	-	-
Economic and Community Development	-	-	-	-
Human Services	-	-	-	-
Workforce Development	-	-	-	-
Local Activities	<u>198,153</u>	<u>198,153</u>	<u>186,034</u>	<u>12,119</u>
Total Expenditures	<u>198,153</u>	<u>198,153</u>	<u>186,034</u>	<u>12,119</u>
Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>9,233</u>	<u>9,233</u>
Fund Balance Appropriated	-	-	-	-
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>9,233</u>	<u>\$ 9,233</u>
Fund Balance, Beginning			<u>1,323,055</u>	
Fund Balance, Ending			<u>\$ 1,332,288</u>	

HIGH COUNTRY COUNCIL OF GOVERNMENTS
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
GENERAL FUND AND ANNUALLY BUDGETED MAJOR SPECIAL REVENUE FUND
For the Year Ended June 30, 2016

	Special Revenue			
	Budget		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Federal Funds	\$ 5,482,669	\$ 5,592,788	\$ 4,576,174	\$ (1,016,614)
State Funds	49,451	241,827	212,107	(29,720)
Local Funds	258,666	265,415	298,379	32,964
General:				
Miscellaneous	-	-	-	-
Local Activities	-	-	-	-
Interest	-	-	-	-
Total Revenues	<u>5,790,786</u>	<u>6,100,030</u>	<u>5,086,660</u>	<u>(1,013,370)</u>
EXPENDITURES				
Transportation	111,000	138,750	177,606	(38,856)
Economic and Community Development	750,479	978,065	650,760	327,305
Human Services	2,190,507	2,305,414	2,392,659	(87,245)
Workforce Development	2,738,800	2,677,801	1,871,590	806,211
Local Activities	-	-	-	-
Total Expenditures	<u>5,790,786</u>	<u>6,100,030</u>	<u>5,092,615</u>	<u>1,007,415</u>
Revenues Over (Under) Expenditures	-	-	(5,955)	(5,955)
Fund Balance Appropriated	-	-	-	-
Excess (deficiency) of revenues over expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>(5,955)</u>	<u>\$ (5,955)</u>
Fund Balance, Beginning			(12,441)	
Prior Period Adjustment			(44,218)	
Fund Balance, Ending			<u>\$ (62,614)</u>	

HIGH COUNTRY COUNCIL OF GOVERNMENTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of High Country Council of Governments conform to accounting principles generally accepted in the United States of America as applicable to governments. The following is a summary of the more significant accounting policies:

Reporting Entity

High Country Council of Governments ("Council"), a voluntary association of local governments, is one of seventeen multi-county planning districts in the State of North Carolina and is comprised of Alleghany, Ashe, Avery, Mitchell, Watauga, Wilkes and Yancy Counties. The Council provides a wide range of technical assistance and planning services to member governments upon request.

Basis of Presentation and Basis of Accounting

Government-wide Statements: The statement of net position and the statement of activities display information about the primary government. These statements include the financial activities of the overall government. 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 grant programs.

The statement of activities presents a comparison between direct expenses and program revenues of the Council's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operation requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the Council's funds. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. The Council reports the following major governmental funds.

General Fund

The General Fund is the general operating fund of the Council. It is to account for all financial resources except those required to be accounted for in another fund. The primary revenue sources are local assessments. The primary expenditures are for salaries and other general government services.

HIGH COUNTRY COUNCIL OF GOVERNMENTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Special Revenue Fund

The Special Revenue Fund is used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The Council's federal and State grant funds are maintained in the Special Revenue Fund.

Measurement Focus and Basis of Accounting

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

Government-wide Fund Financial Statements. The government-wide fund financial statements are reported using the economic resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

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. Expenditures are recorded when the related fund liability is incurred, except for claims and judgments and compensated absences, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

The Council considers all revenues if they are collected within 60 days after year-end.

Grant revenues which are unearned at year-end are recorded as unearned revenues.

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

HIGH COUNTRY COUNCIL OF GOVERNMENTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgetary Data

The Council's budgets are adopted as required by the North Carolina General Statutes. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the government-wide level for all annually budgeted funds and the project level for the multi-year funds. An annual budget is adopted for the General Fund and the Special Revenue Fund. All budgets lapse at the fiscal year-end. All budgets are prepared using the modified accrual basis of accounting.

Expenditures may not legally exceed appropriations at the program level for the general fund and the special revenue fund. The Finance Officer is authorized by the budget ordinance to transfer appropriations at the program level within a fund; however, any revisions that alter total expenditures must be approved by the governing board. During the year, several amendments to the original budget were necessary.

Assets, Liabilities and Net Assets/Fund Balance

Deposits and Investments

All deposits of the Council are made in Board-designated official depositories and are secured as required by State law [G.S. 159-31]. The Council may designate as an official depository, any bank or savings association whose principal office is located in North Carolina. Also, the Council may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts, and certificates of deposit.

State law [G.S. 159-30(c)] authorizes the Council to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; 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's investments are reported at fair value. The NCCMT- Cash Portfolio, a SEC-registered (2a-7) external investment pool, is measured at amortized cost, which is the NCCMT's share price. The NCCMT Term Portfolio's securities are valued at fair value.

Cash and Cash Equivalents

The Council pools money from several funds to facilitate disbursement and add to investments to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents.

HIGH COUNTRY COUNCIL OF GOVERNMENTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Receivables

Receivables are not reduced by valuation reserves since no losses are normally expected during their collection.

Capital Assets

Capital assets are defined by the Council as assets with an initial, individual cost more than a certain cost and an estimated useful life in excess of two years. The Council's capital assets are recorded at cost or estimated historical cost. Properties donated to the Council are recorded at the fair market value as of the date received. The Council's capitalization policy is \$5,000.

Land on which the facility is located is not a depreciable asset. Capital assets are subject to depreciation and depreciated using the straight-line basis over the following estimated useful lives:

	<u>Estimate Useful Lives</u>
Building	20
Vehicles	5
Computer Equipment	5

Deferred Outflows / Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Council has one item that meets this criterion - contributions made to the pension plan in the 2016 fiscal year. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Council has two items that meets the criterion for this category - Unearned revenue (for grants received but not yet expended), and deferrals of pension expense that result from the implementation of GASB Statement 68.

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position.

HIGH COUNTRY COUNCIL OF GOVERNMENTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Compensated Absences

Employees of the Council earn from 7.5 to 15 hours of annual leave per month depending on years of service. Annual leave earned but not taken may be accumulated to a maximum of 120 to 360 hours (2-years earned) based on years of service. The Council's liability for accrued annual leave and the salary-related payments as of June 30, 2015 is recorded in the government-wide financial statements on a LIFO basis, assuming that employees take leave time as it is earned.

The Council's sick leave policy provides for an unlimited accumulation of earned sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of services for retirement benefit purposes. Since the Council does not have any obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

Net Position/Fund Balances

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

Fund Balances

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

The governmental fund types classify fund balances as follows:

Nonspendable Fund Balance

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

Prepaid Items

Portion of fund balance that is not an available resource because it represents the year-end balance, of Council expenses for the coming year prepaid during the current year, which is not a spendable resource.

HIGH COUNTRY COUNCIL OF GOVERNMENTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Restricted Fund Balance

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

Restricted for Stabilization by State Statute

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

Committed Fund Balance

Portion of fund balance that can only be used for specific purposes imposed by majority vote 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 bodies that approved the original action.

Assigned Fund Balance

Portion of fund balance that the Council intends to use for specific purposes.

Assigned for:

Revenue sources are assigned to fund budgeted amounts in the subsequent period for obligations related to federal and State award expenditures and obligations related to employment. The financial statements detail these assigned classifications.

Unassigned Fund Balance

The portion of the fund balance that has not been assigned to another fund or restricted, committed, or assigned to specific purposes within the general fund.

State law F.S. 159-13(b)(16) restricts appropriation of fund balance or fund equity to an amount not to exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts as these amounts stand at the close of the fiscal year preceding the budget year.

HIGH COUNTRY COUNCIL OF GOVERNMENTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Pensions

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

NOTE B - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Significant Violations of Finance-Related Legal and Contractual Provisions

1. Noncompliance with North Carolina General Statutes

The Council was in violation of NC General Statute 159-32. There were instances noted where the Council had more than \$250 on hand for up to a week. Also see the description in the findings section of this report.

2. Deficit Fund Balance

The Special Revenue Funds report a deficit fund balance of \$62,614. The majority of this deficit is a result of recording receivables in the special revenue funds that were never actually received. A prior period adjustment was recorded to reflect the correction of those balances. A transfer needs to be budgeted and recorded from the general fund to cover the deficit balance.

HIGH COUNTRY COUNCIL OF GOVERNMENTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

NOTE C - DETAIL NOTES ON ALL FUNDS

ASSETS

Deposits

All the Council's deposits are either insured or collateralized by using one of two methods. The Council does not use the Dedicated Method, whereby all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Council's agents in the Council's name. All of the Council's deposits are collateralized using the Pooling Method. 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 Council's agent in the Council's name. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Council or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Council under the Pooling Method, the potential exists for under-collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Council has no formal policy regarding custodial credit risk for deposits.

At June 30, 2016, the Council's deposits had a carrying amount of \$900,757 and a bank balance of \$1,002,407. Of the bank balance, \$250,000 was covered by collateral held under the Dedicated Method, and the remaining \$752,407 was covered by collateral held under the Pooling Method. At June 30, 2016, the Council had no petty cash.

Investments

At June 30, 2016, the Council had \$258,554 invested with the North Carolina Capital Management Trust's Cash Portfolio. Deposits held in North Carolina's Capital Management Trust are held as mutual fund shares that are not deposits or obligations of, or guaranteed by, any depository institution. These deposits are not insured by the FDIC, Federal Reserve Board or any other agency, and are subject to investment risk. The NCCMT Cash Portfolio is invested primarily in high grade money market instruments, including obligations of the U.S. Government and the State of North Carolina, and in bonds and notes of any North Carolina local government or public authority.

HIGH COUNTRY COUNCIL OF GOVERNMENTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

NOTE C - DETAIL NOTES ON ALL FUNDS (CONTINUED)

Award Receivables

The following is a schedule of award cash that has been disbursed by the Council for program purposes, but program award funds were received subsequent to year end:

General Fund	\$	-
Special Revenue Fund		
Workforce Development		188,525
Human Services		154,439
Economic and Community Development		83,300
Transportation		28,463
		454,727
		\$ 454,727

Capital Assets

Capital asset activity for Council for the year ended June 30, 2016, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets not being depreciated:				
Land	\$ 522,720	-	-	\$ 522,720
Capital assets being depreciated:				
Council Building	1,495,429	-	-	1,495,429
Council Equipment	121,812	-	-	121,812
Total Capital assets being depreciated	1,617,241	-	-	1,617,241
Less accumulated depreciation for:				
Council Building	465,656	77,868	-	543,524
Council Equipment	105,101	5,622	-	110,723
Total accumulated depreciation	570,757	83,490	-	654,247
Total capital assets being depreciated, net	1,046,484			962,994
Governmental activity capital assets, net	\$ 1,569,204			\$ 1,485,714

Depreciation expense was charged to functions/programs of the Council as follows:

Local Activities	\$	83,490
------------------	----	--------

HIGH COUNTRY COUNCIL OF GOVERNMENTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

NOTE C - DETAIL NOTES ON ALL FUNDS (CONTINUED)

Local Government Employees' Retirement System

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

Benefits Provided. LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (age 55 for firefighters). Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age (15 years of creditable service for firefighters and rescue squad members who are killed in the line of duty) or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic postretirement benefit increases. Increases are contingent upon actuarial gains of the plan.

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Council employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Council's contractually required contribution rate for the year ended June 30, 2016, was 11.65% 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 \$91,387 for the year ended June 30, 2016.

HIGH COUNTRY COUNCIL OF GOVERNMENTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

NOTE B - DETAIL NOTES ON ALL FUNDS (CONTINUED)

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

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

At June 30, 2016, the Council reported a liability of \$73,064 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 asset 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 0.016%, which was a decrease of 0.0003% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the Council recognized pension expense of \$41,350. 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	\$ -	\$ 17,174
Net difference between projected and actual earnings on pension plan investments	-	20,801
Changes in proportion and differences between Council Contributions and proportionate share of contributions	23,510	217
Council contributions subsequent to the measurement date	91,387	-
Total	\$ 114,897	\$ 38,192

HIGH COUNTRY COUNCIL OF GOVERNMENTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

NOTE C - DETAIL NOTES ON ALL FUNDS (CONTINUED)

\$91,387 reported as deferred outflows of resources related to pensions resulting from Council contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2017. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:		
2017	\$	(18,155)
2018		(18,155)
2019		(18,128)
2020		39,756
2021		-
Thereafter		-
	<u>\$</u>	<u>(14,682)</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	3.0 Percent
Salary Increases	4.25 to 8.55 percent, including inflation and productivity factor
Investment Rate of Return	7.25 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the December 31, 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.

HIGH COUNTRY COUNCIL OF GOVERNMENTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

NOTE C - DETAIL NOTES ON ALL FUNDS (CONTINUED)

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	29%	2.2%
Global Equity	42%	5.8%
Real Estate	8%	5.2%
Alternatives	8%	9.8%
Credit	7%	6.8%
Inflation Protection	6%	3.4%
Total	<u>100%</u>	

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.

HIGH COUNTRY COUNCIL OF GOVERNMENTS
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2016

NOTE C - DETAIL NOTES ON ALL FUNDS (CONTINUED)

Sensitivity of the Council's proportionate share of the net pension asset to changes in the discount rate. The following presents the Council's proportionate share of the net pension asset calculated using the discount rate of 7.25 percent, as well as what the Council's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate	1% Increase (8.25%)
Council's proportionate share of the net pension liability (asset)	\$ 509,485	\$ 73,064	\$ (294,611)

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

Supplemental Retirement Plan

Full time employees of the Council are also eligible for the supplemental retirement plans under Internal Revenue Code Sections 401(k) and 457. Under these plans, an employee may contribute a percentage of their annual gross salary as limited by federal tax laws. Additionally, the Council matches up to a maximum 4% of an eligible employee's gross salary to a supplemental retirement plan. The Council's contribution to the 401(k) and 457 plans for 2016 and 2015 were \$23,837 and \$31,083, respectively.

Other Post Employment Benefits

Plan Description: Under the terms of a Council resolution, the Council administers a single-employer benefit health reimbursement plan. The plan provides for a reimbursement of healthcare related expense not to exceed \$5,000 per year for a maximum of 20 years. Eligible employees must have 30 or more years of service to the Council and a hire date before July 1, 2007.

Funding Policy: The Council pays the full cost of the benefits and there is no cost to the employee. The Council has elected to fund the Other Post Employment Benefits on a pay as you go basis. The current ARC is 3.06% of the annual covered payroll. For the current year, the Council contributed \$14,229, or 1.81% of the annual payroll.

Summary of Significant Accounting Policies: 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.

HIGH COUNTRY COUNCIL OF GOVERNMENTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

NOTE C - DETAIL NOTES ON ALL FUNDS (CONTINUED)

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

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

Annual required contribution	\$ 22,876
Interest on net OPEB obligation	745
Adjustment	-
Annual OPEB cost (expense)	23,621
Contributions made	(14,229)
obligation	9,392
Net OPEB obligation, beginning of year	100,769
Net OPEB obligation, end of year	\$ 110,161

The Council's annual OPEB cost, the percentage of annual OPEB cost calculated as required by the plan and the net OPEB obligation for 2016 were as follows:

For the Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Required	Net OPEB Obligation
2016	\$ 23,621	60%	\$ 110,161
2015	\$ 25,061	50%	\$ 100,769
2014	\$ 23,294	43%	\$ 88,208

HIGH COUNTRY COUNCIL OF GOVERNMENTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

NOTE C - DETAIL NOTES ON ALL FUNDS (CONTINUED)

Funded Status and Funding Progress: As of June 30, 2015, the actuarial accrued liability for benefits was \$316,512 all of which is unfunded.

Actuarial Methods and Assumptions. The projection of future benefit payments for an ongoing plan involves estimates of the value 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. The amount determined as the annual required cost to the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. A schedule of funding progress, presented as required supplementary value of plan assets would be presented were the plan funded. The liabilities for expected benefits are recorded. Fund balance is assigned to provide for the Council's ability to fund these plan costs.

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.

Long-Term Obligation Activity

High Country Council of Government has \$1,114,915 outstanding under a building installment purchase loan. The financial institution has pledged to provide installment financing over 20 years at 4.19% interest. Principal and interest are due in monthly installments of \$9,418. The following schedule summarized the Council's long-term obligations.

Schedule of changes in long term debt:

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion of Balance
Included in long term debt					
Installment purchase	\$ 1,179,740	\$ -	\$ 64,825	\$ 1,114,915	\$ 67,594
Other postemployment benefits	100,769	9,392	-	110,161	-
Net Pension Liability	-	73,064	-	73,064	-
Compensated absences	47,658	-	7,839	39,819	19,910
	<u>\$ 1,328,167</u>	<u>\$ 82,456</u>	<u>\$ 72,664</u>	<u>\$ 1,337,959</u>	<u>\$ 87,504</u>

The LGERS plan had a net pension asset as of June 30, 2015; however, the plan had a net pension liability at the end of the fiscal year.

HIGH COUNTRY COUNCIL OF GOVERNMENTS
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2016

NOTE C - DETAIL NOTES ON ALL FUNDS (CONTINUED)

<u>Schedule of future debt</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 67,594	\$ 45,427	\$ 113,021
2018	70,481	42,539	113,020
2019	73,492	39,529	113,021
2020	76,631	36,390	113,021
2021	79,904	33,117	113,021
2022-2026	453,726	111,377	565,103
2027-2031	293,087	17,720	310,807
	<u>\$ 1,114,915</u>	<u>\$ 326,099</u>	<u>\$ 1,441,014</u>

NOTE D - NET INVESTMENT IN CAPITAL ASSETS

	<u>Governmental</u>
Capital Assets	\$ 1,485,714
less: Long-term Debt	1,114,915
	<u>\$ 370,799</u>

NOTE E - FUND BALANCE

High Country Council of Governments has a revenue spending policy for programs with multiple revenue sources. The Finance Officer will use resources in the following hierarchy: federal funds, State funds, local non-School funds, High Country Council of Government funds. For purposes of fund balance, classification expenditures are to be spent from restricted fund balance first, following in order by committed, assigned and unassigned fund balance. The Finance Officer has Council authorization to deviate from this policy if it is in the best interest of the Council. The following provides to the public the portion of the General fund balance that is available for appropriation:

Total fund balance	\$ 1,332,288
Less:	
Prepaid Expenses	-
Stabilized by State Statute	221,036
Assigned Fund Balance	23,214
Remaining fund balance	1,088,038

HIGH COUNTRY COUNCIL OF GOVERNMENTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

NOTE F - COST ALLOCATION

Costs incurred for a common or joint purpose which benefit more than one program are charged to the programs by an indirect cost allocation plan. This plan is prepared each fiscal year in connection with the budget. A copy of the plan accompanies grant applications and is formally reviewed for approval by some Federal and State agencies. For the year ended June 30, 2016, the indirect allocation rate and the fringe benefit rate were 55% and 44% respectively.

NOTE G - DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES

Deferred outflows of resources is comprised of the following:

Contributions to pension plan in current fiscal year	\$ 91,387
Total	<u>\$ 91,387</u>

Deferred inflows of resources at year-end is comprised of the following:

Per capita assessment not yet earned (General)	\$ 7,768
Grants not yet earned (Special Revenue)	-
Pension deferrals	<u>38,192</u>
Total	<u>\$ 45,960</u>

NOTE H - RISK MANAGEMENT AND CONTINGENCIES

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 carries commercial insurance according to North Carolina General Statutes, which include individual performance bond coverage for the Finance Officer in the amount of \$50,000. Claims have not exceeded coverage in the last three fiscal years.

HIGH COUNTRY COUNCIL OF GOVERNMENTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

NOTE H - RISK MANAGEMENT AND CONTINGENCIES (CONTINUED)

Federal and State Assisted Programs

The Council has received proceeds from several federal and State grants. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of monies to the grantor agencies. Management believes that any required refunds will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant monies.

Unemployment Compensation Insurance

The Council is required to fund unemployment compensation benefits for its employees. The Council has elected the direct reimbursement method for paying the costs of unemployment compensation benefits. Under the new state rules for reimbursable accounts. The Council remitted 1% of their annual salaries to the state unemployment to hold on account. The Council did not disburse funds for unemployment purposes during the fiscal year ended June 30, 2016, nor does the Council consider the risk of these costs significant sufficiently to provide for an accrual of this contingency.

NOTE I - SIGNIFICANT EFFECTS OF SUBSEQUENT EVENTS

There were no subsequent events to disclose.

NOTE J - PRIOR PERIOD ADJUSTMENT

Several adjustments had to be posted to correct the balance sheet accounts. The total adjustments were recorded as a prior period adjustment which decreased fund balance in the special revenue funds by \$44,218.

REQUIRED SUPPLEMENTARY INFORMATION

Other Postemployment Benefit Schedules - Schedule of Funding Progress

Other Postemployment Benefit Schedules - Schedule of Employer Contributions

Schedule of the Proportionate Share of the Net Pension Asset (Liability) - Local

Schedule of Contributions - Local Government Employees' Retirement System

HIGH COUNTRY COUNCIL OF GOVERNMENTS
Other Postemployment Benefits
Required Supplementary Information
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 % of Covered Payroll ((b - a) / c)
12/31/2012	\$ -	\$ 74,914	\$ 74,914	0.00%	\$ 978,740	7.65%
12/31/2013	\$ -	\$ 88,208	\$ 88,208	0.00%	\$ 976,329	9.03%
12/31/2014	\$ -	\$ 332,353	\$ 332,353	0.00%	\$ 782,920	42.45%
12/31/2015	\$ -	\$ 316,512	\$ 316,512	0.00%	\$ 784,494	40.35%

HIGH COUNTRY COUNCIL OF GOVERNMENTS
Other Postemployment Benefits
Required Supplementary Information
Schedule of Employer Contributions

<u>Year Ended</u> <u>June 30</u>	<u>Annual Required</u> <u>Contribution</u>	<u>Percentage</u> <u>Contributed</u>
2013	\$ 23,294	42.93%
2014	24,090	41.51%
2015	25,061	49.88%
2016	23,621	60.24%

**High Country Council of Governments
Proportionate Share of Net Pension (Asset) Liability
Required Supplementary Information
Last Three Fiscal Years ***

Local Government Employees' Retirement System

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Council's proportion of the net pension liability (asset) (%)	0.0163%	0.0166%	0.0169%
Council's proportion of the net pension liability (asset) (\$)	\$ 73,064	\$ (97,721)	\$ 203,710
Council's covered-employee payroll	\$ 782,920	\$ 976,329	\$ 937,668
Council's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	9.33%	-10.01%	21.73%
Plan fiduciary net position as a percentage of the total pension liability**	98.09%	102.64%	94.35%

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

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

**High Country Council of Governments
Contributions
Required Supplementary Information
Last Three Fiscal Years**

Local Government Employees' Retirement System

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 91,387	\$ 94,342	\$ 117,648
Contributions in relation to the contractually required contribution	<u>\$ 91,387</u>	<u>\$ 94,342</u>	<u>\$ 117,648</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Commission's covered-employee payroll	\$ 784,494	\$ 782,920	\$ 976,329
Contributions as a percentage of covered-employee payroll	11.65%	12.05%	12.05%

SUPPLEMENTARY INFORMATION

HIGH COUNTRY COUNCIL OF GOVERNMENTS
SUPPLEMENTAL SCHEDULE OF PROGRAM EXPENDITURES
BUDGET AND ACTUAL
ALL GOVERNMENTAL FUNDS
For the Year Ended June 30, 2016

	Budget	Actual	Variance Favorable (Unfavorable)
General Government			
Local Administration	\$ 198,153	\$ 186,034	\$ 12,119
	<u>198,153</u>	<u>186,034</u>	<u>12,119</u>
Economic and Community Development			
Technical Assistance, Administration, and Special Projects	978,065	650,760	327,305
	<u>978,065</u>	<u>650,760</u>	<u>327,305</u>
Human Services			
Block Grant, P&A, Ombudsman, Caregiver, and Other	2,305,414	2,392,659	(87,245)
	<u>2,305,414</u>	<u>2,392,659</u>	<u>(87,245)</u>
Transportation			
RPO Planning	138,750	177,606	(38,856)
	<u>138,750</u>	<u>177,606</u>	<u>(38,856)</u>
Workforce Development			
Workforce Development Act 2010	3,168	3,168	-
Workforce Development Act 2011	-	-	-
Workforce Development Act 2020	163,809	163,809	-
Workforce Development Act 2030	151,860	151,859	1
Workforce Development Act 2031	110,250	102,014	8,236
Workforce Development Act 2040	407,207	407,207	-
Workforce Development Act 3030	225,637	77,670	147,967
Workforce Development Act 3031	76,231	42,793	33,438
Workforce Development Act 3010	22,101	17,003	5,098
Workforce Development Act 4010	151,909	142,348	9,561
Workforce Development Act 4020	475,296	346,384	128,912
Workforce Development Act 4030	348,167	217,359	130,808
Workforce Development Act 4040	542,166	199,976	342,190
Administration, Wilkes Community College, Mayland Community College	2,677,801	1,871,590	806,211
Total Program Expenditures	<u>\$ 6,298,183</u>	<u>\$ 5,278,649</u>	<u>\$ 1,019,534</u>

HIGH COUNTRY COUNCIL OF GOVERNMENTS
SCHEDULE OF FRINGE BENEFITS
 For the Year Ended June 30, 2016

			2016	
			<u>FY Budget Cost</u>	
Total Annual Salaries		\$	818,635	
FICA			63,834	
LGERS Retirement			97,687	
Supplemental Retirement			16,687	
Group Insurance			143,483	
Other Post Employment Benefits			15,990	
Holiday Leave			-	
Annual Leave			-	
Longevity			10,630	
Workers Comp			4,055	
Unemployment Insurance			3,869	
Total Fringe Benefits			<u>356,235</u>	
			<u>356,235</u>	
	<u>Total Fringe Benefits</u>	=	<u>356,235</u>	=
	Total Annual Salaries	=	\$ 818,635	=
			44%	
			Total Annual Salaries	\$ 818,635
			Total Fringe Benefits	356,235
			Total Personnel Costs	<u>\$ 1,174,870</u>

HIGH COUNTRY COUNCIL OF GOVERNMENTS
SCHEDULE OF INDIRECT COSTS
For the Year Ended June 30, 2016

		2016 FY Budget Cost
Total Indirect Annual Salaries	\$	180,470
Total Indirect Fringe Benefits		72,387
Professional Services		18,000
Travel		12,336
Board Fees / Travel		29,555
Occupancy Costs		158,202
Operating Expense		31,638
Total Indirect Expenditures		<u>502,588</u>
Total Personnel Costs	1,174,870	
Less: Total Indirect Salaries	(180,470)	
Less: Total Indirect Fringe Benefits	(72,387)	
Total Direct Salaries and Direct Fringe Benefits	<u>922,013</u>	\$

Indirect Rate Calculation

Total Indirect Expenditures	<u>502,588</u>		
Total Direct Salaries and Direct Fringe Benefits	922,013	=	55%

HIGH COUNTRY COUNCIL OF GOVERNMENTS**COST ALLOCATION PLAN**

For the Year Ended June 30, 2016

	Total Estimated Costs	Estimated Pass- through Funding	Estimated Indirect Costs	Estimated Direct Salaries and Fringes	Estimated Agency Operating Costs
Indirect Costs	\$ -	\$ -	\$ -	\$ -	\$ -
Local Projects	295,654	-	26,504	83,579	185,571
Federal/State Programs					
US DEC Economic Development Association	117,000	-	38,962	70,840	7,198
Appalachian Regional Commission	187,928	-	64,130	116,600	7,198
DENR 205J	19,000	-	6,210	11,291	1,499
NC DOT Rural Planning Organization	138,750	-	48,077	87,412	3,261
NC Housing Finance Agency	301,300	251,700	15,187	27,613	6,800
AAA Programs	2,190,507	1,741,819	133,257	235,111	80,320
Work Force Development Admin	2,738,800	2,022,960	170,261	289,567	256,012
Totals	<u>\$5,988,939</u>	<u>\$4,016,479</u>	<u>\$ 502,588</u>	<u>\$ 922,013</u>	<u>\$ 547,859</u>

Indirect Costs/Direct Salaries & Fringe = 55%

COMPLIANCE SECTION



Thompson, Price, Scott, Adams & Co, P.A.

**P.O Box 398
1626 S. Madison Street
Whiteville, NC 28472
Telephone (910) 642-2109
Fax (910) 642-5958**

**Alan W. Thompson, CPA
R. Bryon Scott, CPA
Gregory S. Adams, CPA**

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

To the Board of Directors
High Country Council of Governments
Boone, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the High Country Council of Governments as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprises the High Country Council of Governments' basic financial statements, and have issued our report thereon dated October 27, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered High Country Council of Governments' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weakness or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses [2016-04].

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. We consider the deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies [2016-01, 2016-02, 2016-03].

Compliance and Other Matters

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

High Country Council of Government's Response to Findings

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

Purpose of this Report

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

Thompson, Rice, Scott, Adams & Co., P.A.

Whiteville, NC
October 27, 2016



**Alan W. Thompson, CPA
R. Bryon Scott, CPA
Gregory S. Adams, CPA**

**Report On Compliance With Requirements Applicable to Each Major Federal Program
and Internal Control Over Compliance in Accordance With OMB Uniform Guidance and the
State Single Audit Implementation Act**

To the Board of Directors
High Country Council of Governments
Boone, North Carolina

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

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

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

Thompson, Rice, Scott, Adams & Co., P.A.

Whiteville, NC
October 27, 2016



**Report On Compliance With Requirements Applicable to Each Major State Program And
Internal Control Over Compliance In Accordance With OMB Uniform Guidance and the
State Single Audit Implementation Act**

To the Board of Directors
High Country Council of Governments
Boone, North Carolina

Report on Compliance for Each Major State Program

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

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of High Country Council of Governments'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 sections of Title 2 US *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, 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 High Country Council of Governments' compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major state program. However, our audit does not provide a legal determination of High Country Council of Governments' compliance.

Opinion on Each Major State Program

In our opinion, High Country Council of Governments 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 High Country Council of Governments is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered High Country Council of Governments' internal control over compliance with the types of requirements that could have 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 combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weakness 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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Thompson, Rice, Scott, Adams & Co., P.A.

Whiteville, NC
October 27, 2016

**High Country Council of Governments
Boone, North Carolina
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL 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 weaknesses identified? Yes No

Significant Deficiency(s) identified that are not considered to be material weaknesses? Yes None Reported

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major federal programs:

Material weaknesses identified? Yes No

Significant Deficiency(s) identified that are not considered to be material weaknesses? Yes None Reported

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

Any audit findings disclosed that are required to be reported in accordance with 2 cfr 200.516(a)? Yes No

Identification of major federal programs:

<u>CFDA Numbers</u>	<u>Names of Federal Program or Cluster</u>
	Aging Cluster:
93.044	Special Programs for the Aging - Title III, Part B- Grants for Supportive Services and Senior Centers
93.045	Special Programs for the Aging - Title III, Part C - Nutrition Services
93.053	Nutrition Services Incentive Program (NSIP)

**High Country Council of Governments
Boone, North Carolina
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED June 30, 2016**

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

\$ 750,000

Auditee qualified as low-risk auditee?

Yes No

State Awards

Internal control over major State programs:

Material weaknesses identified?

Yes No

Significant Deficiency(s) identified that are not
considered to be material weaknesses?

Yes None Reported

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

Any audit findings disclosed that are required to be
reported in accordance with the State Single Audit Implementation Act?

Yes No

Identification of major State programs:

Program Name

- 90% State Funds - Ombudsman
- 90% State Funds - In-Home Services
- 90% State Funds - Home Delivered Meals
- 90% State Funds - Access

High Country Council of Governments
Boone, North Carolina
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED June 30, 2016

Section II. Financial Statement Findings

SIGNIFICANT DEFICIENCY

Finding 2016-01 Account Reconciliations

Criteria: The Finance Officer should appropriately reconcile all general ledger accounts.

Condition: The Finance Officer did not reconcile various general ledger accounts during the fiscal year. When the new Finance Officer was hired, he had to record several adjusting entries to balance the books.

Effect: Various general ledger accounts were inaccurate throughout the year.

Cause: The Council had three different Finance Officers during the course of the year. As a result, most of the duties of the finance officer were not fulfilled while they were transitioning from one person to the next.

Recommendation: Accounts should be reconciled timely.

Views of responsible officials: The Council agrees with this finding. A new finance officer has been hired, and is timely reconciling the accounts. This was a timing issue as a result of replacing staff and has been corrected.

SIGNIFICANT DEFICIENCY

Finding 2016-02 Daily Deposit Requirements

Criteria: General Statute 159-32 requires deposits to be made daily if receipts are greater than \$250.

Condition: There were instances noted where the Council held money for a week or more prior to depositing the funds.

Effect: There is an increased risk of theft of monies that is being held for deposit.

Cause: The finance office had several staff changes during the year. As a result, the daily deposit requirement was not met, as the office was short staffed and the new personnel was not aware of this requirement.

Recommendation: Daily deposits should be made if the Council has more than \$250 on hand.

Views of responsible officials: The Council agrees with this finding. A new finance officer has made the appropriate staff aware of the requirements of the General Statutes. Please refer to the corrective action plan on the following pages.

High Country Council of Governments
Boone, North Carolina
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED June 30, 2016

Section II. Financial Statement Findings (continued)

SIGNIFICANT DEFICIENCY

Finding 2016-03

Preaudit Requirements

Criteria:	In accordance with North Carolina General Statutes 159-28, if an obligation of the Council is evidenced by a contract or agreement requiring the payment of money or by a purchase order for supplies and materials, the contract or purchase order shall include on its face a certificate stating that the instruments has been preaudited to ensure that sufficient funds have been appropriated and available in the current fiscal year to cover the sums obligated by the transaction for the current fiscal year. The preaudit certificate, which shall be signed by the finance officer, shall take substantially the following form: "This instrument has been preaudited in the manner required by the Local Government Budget and Fiscal Control Act."
Condition:	The Council did not preaudit purchase order documents that agreed to pay money for supplies and materials.
Effect:	The Council was in violation of the statute which could result in over spending the current year budget. Purchase orders could be considered a void contract.
Cause:	Personnel responsible for purchasing were not informed of the requirements and no internal controls were in place to ensure compliance. As mentioned in the previous findings, there was significant turnover in the finance office, and the staff that was in place for the majority of the year was not aware of this requirement.
Recommendation:	The finance officer should implement internal control procedures that will educate staff on the requirements of the Local Government Budget and Fiscal Control Act. All preprinted documents that require the preaudit certificate should contain the proper form described in the criteria above. A rubber stamp with the preaudit certificate should be available, if necessary, for the issuers of the documents or checks. The stamp would be kept in custody to prevent unauthorized use.
Views of responsible officials:	The Council agrees with the finding and will use the preaudit certificate when documents and checks are issued. Please refer to the corrective action plan on the following pages.

**High Country Council of Governments
Boone, North Carolina
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED June 30, 2016**

Section II. Financial Statement Findings (continued)

MATERIAL WEAKNESS

Finding 2016-04 Prior Period Adjustments

Criteria: SAS 115 requires communication of certain matters related to internal control over financial

Condition: The Council recorded several adjustments to properly reflect beginning balances as of July 1, 2015.

Effect: This is an indicator of a control deficiency that is regarded as a significant deficiency.

Cause: The finance officer experienced significant turnover, and the accounts were not reconciled timely, thereby resulting in the need to adjust the beginning balances to correct them.

Recommendation: The Council should review the statements to make sure that all activity is properly recorded on the financial statements. Subsidiary ledgers should exist to support the balance sheet items, showing that the key accounts were timely reconciled.

Views of responsible officials: The Council agrees with the finding. The current Finance Officer / Executive Director has implemented procedures to address this going forward. Please also refer to the corrective action plan on the following pages.

Section III. Federal Award Findings and Question Costs

None Reported.

Section IV. State Award Findings and Question Costs

None Reported.

HIGH- COUNTRY COUNCIL OF GOVERNMENTS, INC.
Boone, North Carolina
CORRECTIVE ACTION PLAN
For the Year Ended June 30, 2016

Section II. Financial Statement Findings

Finding: 2016-01

Name of Contact Person: Shane Fox, Executive Director

Corrective Action: Procedures have been implemented to ensure that key accounts are reconciled timely. The current director has prior auditing experience and understands the importance of reconciling the account balances.

Proposed Completion Date: The Board has already implemented these procedures.

Finding: 2016-02

Name of contact person: Shane Fox, Executive Director

Corrective Action: The Executive Director and Finance Officer will discuss the requirements of the General Statutes with the appropriate staff to ensure that everyone is aware of this requirement.

Proposed Completion Date: The Board has already implemented these procedures.

Finding: 2016-03

Name of contact person: Shane Fox, Executive Director

Corrective Action: All purchase orders and checks will be preaudited.

Proposed Completion Date: A stamp was purchased and the required procedures were implemented.

Finding: 2016-04

Name of contact person: Shane Fox, Executive Director

Corrective Action: Procedures have been implemented to ensure that key accounts are reconciled timely. The current director has prior auditing experience and understands the importance of reconciling the account balances.

Proposed Completion Date: The Board has already implemented these procedures.

HIGH- COUNTRY COUNCIL OF GOVERNMENTS, INC.
Boone, North Carolina
CORRECTIVE ACTION PLAN
For the Year Ended June 30, 2016

Section III. Federal Award Findings and Question Costs

None Reported.

Section IV. State Award Findings and Question Costs

None Reported.

HIGH- COUNTRY COUNCIL OF GOVERNMENTS, INC.
Boone, North Carolina

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended June 30, 2016

None Reported.

HIGH- COUNTRY COUNCIL OF GOVERNMENTS, INC.
HIGH COUNTRY COUNCIL OF GOVERNMENTS
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2016

Grantor/Pass-Through Grantor/Program	Federal CFDA <u>Number</u>	Federal <u>Expenditures</u>	State <u>Expenditures</u>	Pass-through to <u>Subrecipients</u>	Total <u>Expenditures</u>
Federal Awards:					
U.S Department of Labor:					
Passed through N. C. Department of Commerce					
Division of Workforce Solutions					
Workforce Investment Act Cluster					
WIA - Adult Programs	17.258	\$ 550,694	\$ -	\$ 368,863	\$ 550,694
WIA - Youth Programs	17.259	652,464	-	463,549	652,464
WIA - Dislocated Workers	17.278	523,253	-	357,437	523,253
Workforce Investment Act Cluster		<u>1,726,411</u>	<u>-</u>	<u>1,189,849</u>	<u>1,726,411</u>
Employment Training Administration					
Job Driven Initiative	17.277	145,179	-	120,463	145,179
Total U.S. Department of Labor		<u>1,871,590</u>	<u>-</u>	<u>1,310,312</u>	<u>1,871,590</u>
Federal Programs:					
U.S. Department of Health and Human Services:					
Passed through N.C. Department of Health and Human Services					
Division of Aging and Adult Services					
Aging Cluster					
Title III - C1 / Congregate Nutrition	93.045	302,522	17,795	302,522	320,317
Title III - C2 / Home Delivered Meals	93.045	208,026	12,237	208,026	220,263
Title III - C1 / Planning and Administrative	93.045	103,639	5,679	91,334	109,318
Title III - B / In Home Support Services	93.044	123,005	7,236	123,005	130,241
Title III - B / Legal Services	93.044	6,656	392	6,656	7,048
Title III - B / Ombudsman	93.044	6,355	379	6,355	6,734
Title III - B / Access	93.044	46,463	2,733	46,463	49,196
Nutrition Services Incentive Program (NSIP)	93.053	145,428	-	145,428	145,428
Total Aging Cluster		<u>942,094</u>	<u>46,451</u>	<u>929,789</u>	<u>988,545</u>

HIGH- COUNTRY COUNCIL OF GOVERNMENTS, INC.
HIGH COUNTRY COUNCIL OF GOVERNMENTS
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2016

Grantor/Pass-Through Grantor/Program	Federal CFDA <u>Number</u>	Federal <u>Expenditures</u>	State <u>Expenditures</u>	Pass-through to <u>Subrecipients</u>	Total <u>Expenditures</u>
Title VII - E / Ombudsman	93.042	56,581	3,328	-	59,909
Title VII - B / Elder Abuse	93.041	3,732	220	-	3,952
Title III - D / Disease Prevention and Health Promotion	93.043	26,301	1,547	-	27,848
Title III - E / Family Caregiver	93.052	126,677	8,445	-	135,122
Title III - E / Planning and Administrative	93.052	24,707	1,354	-	26,061
Medicare Improvements for Patients and Providers	93.071	5,728	-	-	5,728
Social Services Block Grant (SSBG)	93.667	61,392	1,754	-	63,146
MFP Rebalancing Demonstration	93.791	30,250	-	-	30,250
90% State Funds Ombudsman	N/A	-	9,042	5,855	9,042
90% State Funds Access	N/A	-	54,108	54,108	54,108
90% State Funds In-Home Services	N/A	-	520,431	520,431	520,431
90% State Funds Home-Delivered Meals	N/A	-	350,694	350,694	350,694
		-	934,275	931,088	934,275
AAA Administration	N/A	-	48,261	-	48,261
Senior Center General Purpose Funding	N/A	-	53,200	53,200	53,200
Fan/Health Program	N/A	-	1,061	-	1,061
		-	102,522	53,200	102,522
Total U.S. Department of Health and Human Services		1,277,462	1,099,896	1,914,077	2,377,358
U.S. Department of Commerce:					
Direct Program:					
Economic Development Administration	11.302	\$ 30,375	-	-	30,375
Total U.S. Department of Commerce		30,375	-	-	30,375
Direct Program:					
LDD Administrative Grant	23.009	111,847	-	-	111,847
Passed through N.C. Department of Administration					
Housing, Water Quality & Technical Assistance	23.011	27,500	-	-	27,500
		27,500	-	-	27,500
Total Appalachian Regional Commission		139,347	-	-	139,347
North Carolina Housing Finance Agency					
Urgent Repair Program (1414)		-	8,214	-	8,214
Single Family Rehabilitation (1415 Yancey)	14.239	36,055	-	-	36,055
Single Family Rehabilitation (1414 Avery)	14.239	26,346	-	-	26,346
Single Family Rehabilitation (1413 Alleghany)	14.239	101,871	-	-	101,871
		164,272	# 8,214	-	172,486

HIGH- COUNTRY COUNCIL OF GOVERNMENTS, INC.
HIGH COUNTRY COUNCIL OF GOVERNMENTS
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2016

Grantor/Pass-Through Grantor/Program	Federal CFDA <u>Number</u>	Federal <u>Expenditures</u>	State <u>Expenditures</u>	Pass-through to <u>Subrecipients</u>	Total <u>Expenditures</u>
Department of Housing and Urban Development Community Development Block Grant	14.218	86,776	-	-	86,776
U.S. Department of Transportation Pass-through N.C. Dept. of Transportation RPO Transportation Planning Grant	20.505	<u>111,000</u>	<u>-</u>	<u>-</u>	<u>111,000</u>
		111,000	-	-	111,000
Total Federal and State Award Programs		<u>\$ 3,680,822</u>	<u>\$ 1,108,110</u>	<u>\$ 3,224,389</u>	<u>\$ 4,788,932</u>

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

1 Basis of Presentation

The accompanying schedule of expenditures of federal and State awards includes the federal and State grant activity of the High Country Council of Governments under the programs of the federal government and the State of North Carolina for the year ended June 30, 2016. The information in this SEFSA is presented in accordance with the requirements of Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of High Country Council of Governments, it is not intended to and does not present the financial position, changes in net assets, or cash flows of High Country Council of Governments.

2 Summary of Significant Accounting Policies

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

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

3 Clusters of Programs

The following are clustered by the NC Department of Health and Human Services and are treated separately for state audit requirement purposes: Aging Cluster