

CENTRALINA COUNCIL OF GOVERNMENTS

FINANCIAL STATEMENTS AND COMPLIANCE REPORTS

As of and for the Year Ended June 30, 2019

And Report of Independent Auditor

CENTRALINA COUNCIL OF GOVERNMENTS

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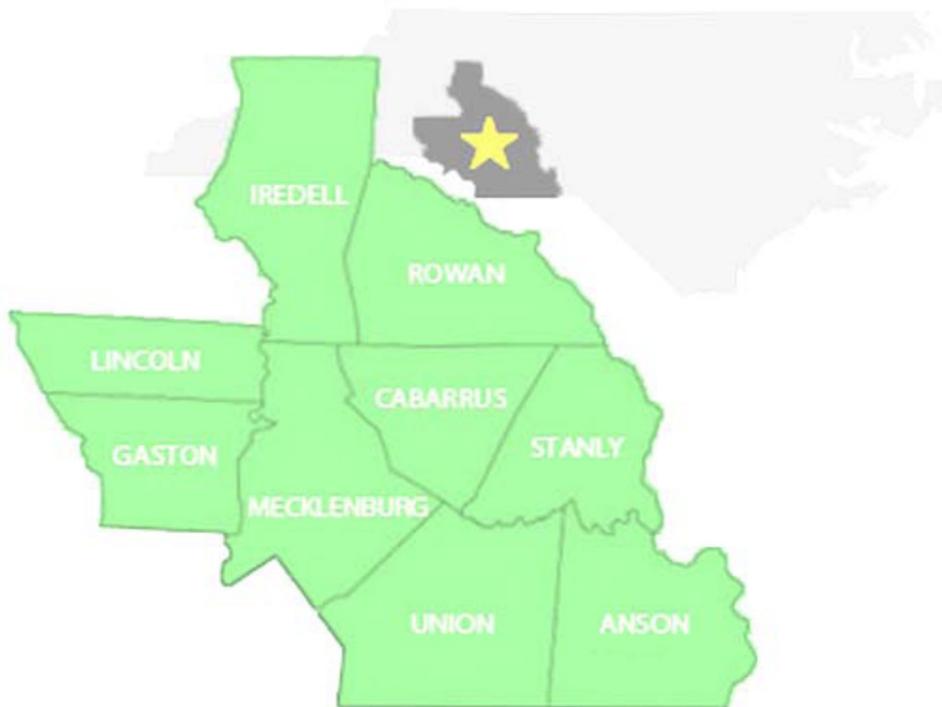
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Financial Section

Report of Independent Auditor

To the Board of Delegates
Centralina Council of Governments
Charlotte, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, and each major fund of the Centralina Council of Governments (the "Council") as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Council's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, and each major fund of the Council as of June 30, 2019, and the respective changes in financial position and the respective budgetary comparison for the General 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 and the required supplementary information, as listed in the table of contents to be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 24, 2019, on our consideration of the Council's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Council's internal control over financial reporting and compliance.



Charlotte, North Carolina
October 24, 2019

CENTRALINA COUNCIL OF GOVERNMENTS MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2019

This section of the financial report of Centralina Council of Governments ("Centralina" or "CCOG") represents discussion and analysis of the performance of Centralina for the year ended June 30, 2019. This information should be read in conjunction with the audited financial statements included in this report.

Financial Highlights

The activities of Centralina fall in the following broad categories: Area Agency on Aging, Regional Planning, Community and Economic Development, Workforce Development, and Government Affairs.

Area Agency on Aging Highlights

Centralina Area Agency on Aging ("CAAA") strives to support and improve the quality of life for older and disabled adults, their families and caregivers using pass-through funding, direct services, programming, planning, and technical assistance. CAAA manages state, federal, and local funds to deliver services through a network of community service providers. CAAA also offer education, quality assurance monitoring, and assistance to support local government organizations and non-profit agencies.

Key Programs and Services

Programs delivered directly by CAAA:

- Long-term Care Ombudsman Program
- Senior Community Services Employment Program
- Facility-based Options Counseling
- Mobility Management
- Wide range of certified Evidence-Based Health and Wellness Programs

FY2019 Summary

- 16,584 residents served in 229 facilities by five Long-term Care Ombudsman
- 2,110 individuals provided with information and 534 closed complaints mediated by the Long-term Care Ombudsman
- Ombudsman worked with 15 Community Advisory Committees within the nine-county region which is made up of over 115 volunteer Community Advisory members
- 90 Centralina Health Solutions Evidence-Based Workshops held engaging 970 participants
- 122 active volunteers who lead evidence-based workshops in the region on managing diabetes, chronic conditions, falls prevention, and more
- 55 partnerships with local organizations to provide Home and Community Care Block Grant Services, including meal delivery, transportation services, in-home aide services, legal assistance, and adult day care.
- Eight grants received to support CAAA services and initiatives (*Not counting regular formula and operating grants – discretionary grants you applied for and received)
- 40 volunteers who serve as Region F Aging Advisory Committee members or appointed as delegates and alternates to the NC Senior Tar heel Legislature
- Nine aging coalitions and tasks forces managed by the CAAA staff on elder abuse, falls prevention, end of life issues, and age and dementia friendly communities

CENTRALINA COUNCIL OF GOVERNMENTS MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2019

Regional Planning Highlights

The Centralina Planning Department helps communities reach their highest potential through programs and services that address regional and community-based challenges in transportation, land use, healthy communities, community engagement, downtown redevelopment, and the environment. Centralina's Planning helps communities plan, implement, and administer local planning projects, serve as an extension of staff, and work with local elected and appointed boards to strategically plan for their future. Using the award-winning Connect our Future regional plan as the foundation, Centralina Planning partners with local communities implement a shared vision for the greater Charlotte region and trains government leaders on emerging issues that will impact their communities.

Key Programs and Services

Planning Processes and Strategic Advising

- Strategic planning and program administration
- Board retreats and staff training programs
- Community surveys and public engagement
- Local government process improvement and capital improvement planning

Planning and Zoning Services

- Comprehensive land use planning and zoning
- Housing strategies
- Developer selection and administration
- GIS mapping, scenario planning, and analysis

Transportation and Healthy Communities Planning Services

- Comprehensive mobility planning
- Bike and pedestrian planning
- Healthy community assessments and planning
- Regional freight, transit and intelligent transportation systems
- Autonomous and connected vehicle readiness
- Integration of transportation, energy, and emerging technologies

FY2019 Summary

- 16 local government service and technical assistance contracts
- Six regional planning and implementation coordination grants
- 13 trainings for 586 professionals and leaders conducted
- Six task force, advisory committee or working groups managed
- Eight regional planning projects and initiatives managed

Community and Economic Development Highlights

The Community and Economic Development Department helps address economic challenges and disadvantages of our members by providing technical assistance to improve housing and public infrastructure, leveraging private and public resources, and pursuing grants on behalf of Centralina communities. As a U.S. Department of Commerce EDA-designated Economic Development District for the region, the Centralina Economic Development Commission also manages the creation and implementation of the regional Comprehensive Economic Development Strategy, Prosperity for Greater Charlotte, to promote community economic growth and create jobs.

CENTRALINA COUNCIL OF GOVERNMENTS MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2019

Key Programs and Services

Community Development Services

- DEQ infrastructure grant (water/sewer) improvements
- North Carolina Housing Finance Agency housing rehab grant programs
- Downtown redevelopment grants
- DEQ asset inventory grants
- HUD CDBG Entitlement administration for designated jurisdictions

Technical Assistance Services

- Drug and Alcohol employee testing
- Code enforcement and creation of residential and commercial ordinances
- Downtown redevelopment and strategic visioning projects
- Economic impact modeling
- USDA/EPA grant preparation

Centralina Economic Development Commission

- Develop and guide regional Comprehensive Economic Development Strategy (“CEDS”)
- Manage Centralina EDA Economic Development District and CEDS web portal and data platform
- Support the Centralina Freight Mobility Plan and Greater Charlotte Region 2050 Transit Plan by integrating the economic analysis and recommendations within the our Centralina Manufacturing Ecosystem Development Strategy
- Provide EDA Technical Assistance, Grant Preparation, and awarded Project Administration for local jurisdictions

FY2019 Summary

- \$1.4 million CDBG entitlement funds managed with 10 subrecipient jurisdiction projects
- 17 local government service and technical assistance contracts managed
- 12 total community and economic development projects or initiatives managed
- Ten board, task force, advisory committee or working group events managed

Workforce Development Highlights

The Centralina Workforce Development Board (“WFD Board”) oversees efforts in seven counties to ensure that the workforce development and training needs of employers and career-seekers are met. Managing an annual allocation of state/federal grant funds, WFD Board operate eight NCWorks Career Centers along with NextGen services for young adults. Through these centers, we serve career-seekers and provide services to employers and businesses in our region.

Key Services and Initiatives

Supporting Career Seekers

- Connect career seekers to the job search portal NCWorks.gov
- Provide career information and guidance via CentralinaCareerHeadlight.com
- Supply information on job openings, workshops, job trainings and education
- Offer assistance to laid off workers

CENTRALINA COUNCIL OF GOVERNMENTS MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2019

Collaborating with Businesses, Employers, and the Community

- Provide access to NCWorks.gov and workforce data
- Offer services for recruitment, staffing, apprenticeships, outplacement services and incumbent worker training
- Develop talent acquisition and retention strategies
- Guidance on business start-up services, tax credits and incentives
- Host career fairs and hiring events
- Develop and implement workforce partnerships – NC Manufacturing Institute, Finish Line Grants, UpSkill Centralina
- Partner with employers, public schools, and community colleges on NCWorks Certified Career Pathways

FY 2019 Summary of Success

- 205,898 services to 23,877 individuals, including 608 veterans
- 999 hiring events and career fairs supporting 967 employers with over 5,553 attendees
- 42,461 services to 1,141 employers
- 365 individuals enrolled in training activities and 77 enrolled in work-based learning opportunities
- 30 task forces, advisory committees, or working groups managed throughout the region

Government Affairs Highlights

CCOG provides a range of interjurisdictional coordination, government affairs, and technical support services to its local government members across the region. CCOG manages a quarterly meeting of the Board of Delegates comprised of each member community, and the meeting of the CCOG Executive Board six times per year. In addition to on-call support for members, CCOG staff also coordinates activities that engage multiple departments within CCOG such as the annual conference, region of excellence awards, and the Centralina Foundation.

Key Programs and Services

- Technical assistance to local governments and operational support including classification and compensation studies, grant writing and administration, recruitment and executive searches, public engagement, and hiring/promotional assessments.
- Professional Development and Peer Networks – as the primary regional convener of local governments, we seek to provide elected officials, managers, and others with networking opportunities to exchange ideas, best practices, and to discuss collaboration possibilities. Our events include annual conferences, training workshops, and peer networks with mayors, town, and county managers, solid waste officials, and fleet managers.
- Intergovernmental coordination and engagement with policy makers at the federal and state levels in order to give voice to regional priorities and funding opportunities.
- Lifting up successes and sharing best practices can inspire innovation and collective action. Our Region of Excellence Awards highlight six projects and individuals for their contributions each year.

FY 2019 Summary of Success

- 10 local government service and technical assistance contracts
- 13 trainings for 586 professionals and leaders conducted
- Three boards, advisory committee, or working groups managed
- Managed and produced CCOG's 50th Anniversary celebration activities, the CCOG Regional Conference, and the Region of Excellence awards.

CENTRALINA COUNCIL OF GOVERNMENTS MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2019

Overview of the Financial Statements

The audited financial statements of Centralina consist of three components. They are as follows:

- Management's Discussion and Analysis
- Basic Financial Statements
- Individual Fund Statements and Schedules that present comparative balance sheets for the General Fund and Special Revenue Fund, budgetary statement for the Component Unit, and computation of the indirect cost allocation rate

The *Basic Financial Statements* include two types of statements that present different views of Centralina's finances. The first is the *government-wide statements*. The government-wide statements are presented on the full accrual basis of accounting and include the Statement of Net Position and the Statement of Activities. The Statement of Net Position includes all of Centralina's assets and deferred outflows of resources as well as liabilities and deferred inflows of resources. Assets, deferred outflows of resources, liabilities, and deferred inflows of resources are classified in the order of relative liquidity for assets and deferred outflows and due date for liabilities and deferred inflows. This statement provides a summary of Centralina's investment in assets and obligations to creditors. Liquidity and financial flexibility can be evaluated using the information contained in this statement. The Statement of Activities summarizes Centralina's revenues and expenses for the current year. A net (expense) revenue format is used to indicate to what extent each function is self-sufficient.

The second set of statements included in the basic financial statements is the *Fund Financial Statements*, which are presented for Centralina's major governmental funds. These statements present the governmental funds on the modified accrual basis of accounting, measuring the near-term inflows and outflows of financial resources and what is available at year-end to spend in the next fiscal year. The fund financial statements focus on Centralina's most significant funds. Because a different basis of accounting is used in the government-wide statements, reconciliation from the governmental fund financial statements to the government-wide statements is required. The government-wide statements provide information about Centralina as an economic unit, while the fund financial statements provide information on the financial resources of Centralina's major funds.

Government-Wide Statements

The government-wide statements report information about Centralina as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of Centralina's assets, deferred outflows of resources, liabilities, and deferred inflows of resources. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two government-wide statements report Centralina's net position and how they have changed. A review of net position (i.e., the difference between Centralina's assets and deferred outflows of resources and liabilities and deferred inflows of resources) is one way to measure the entity's financial health or position.

The government-wide statements are divided into two categories:

- *Governmental Activities* – All of Centralina's basic services are included here.
- *Component Unit* – Although legally separate from Centralina, the Centralina Workforce Development Consortium is important to Centralina because Centralina provides all managerial and accounting functions for the Consortium and the Consortium is for the benefit of residents of seven of the nine counties in the geographic area of Centralina.

The government-wide statements are shown as Exhibits A and B of this report.

**CENTRALINA COUNCIL OF GOVERNMENTS
MANAGEMENT’S DISCUSSION AND ANALYSIS**

June 30, 2019

Fund Financial Statements

The fund financial statements provide more detailed information about Centralina’s funds, focusing on its most significant or “major” funds - not the government as a whole. Funds are accounting devices Centralina uses to keep track of specific sources of funding and spending on particular programs. Centralina established funds to control and manage money for a particular purpose or to show that it is properly using certain revenues, such as in the Special Revenue - Grant Project Fund. All of Centralina’s funds are governmental funds.

Governmental funds - All of Centralina’s basic services are included in the governmental funds, which generally focus on two things - how cash and other assets can readily be converted to cash flow in and out, and the balances left at year-end that are available for spending. As a result of this focus, the governmental funds statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the coming year to finance Centralina’s programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information at the bottom of the governmental funds statements, in the form of a reconciliation, explains the relationship (or differences) between the government-wide and the fund financial statements. Centralina has two governmental funds: the General Fund and the Special Revenue - Grant Project Fund.

The governmental fund statements are shown as Exhibits C, D, E, F, G and H of this report.

Government-Wide Financial Analysis

**Table 1
Condensed Statement of Net Position for Government Activities
As of June 30, 2019 and 2018**

	2019	2018
Current and other assets	\$ 1,737,291	\$ 1,593,864
Capital assets	83,130	91,272
Total Assets	1,820,421	1,685,136
Deferred outflows of resources	781,409	521,089
Current Liabilities	1,080,259	1,089,802
Noncurrent Liabilities	1,737,599	1,413,317
Total Liabilities	2,817,858	2,503,119
Unearned Revenue	6,860	9,084
Pension deferrals	6,410	18,859
OPE deferrals	41,099	33,335
Total deferred inflows of resources	54,369	61,278
Net Investment in capital assets	62,855	55,626
Restricted	576,701	622,756
Unrestricted net position	(909,953)	(1,036,554)
Total net position	\$ (270,397)	\$ (358,172)

**CENTRALINA COUNCIL OF GOVERNMENTS
MANAGEMENT’S DISCUSSION AND ANALYSIS**

June 30, 2019

As noted earlier, net position may serve over time as one useful indicator of a government’s financial condition. The liabilities and deferred inflows of Centralina exceeded assets and deferred outflows by \$270,397 and \$358,172 as of June 30, 2019 and 2018, respectfully. Centralina’s net position increased \$87,775 and decreased by \$197,597 for the fiscal years ended June 30, 2019 and 2018, respectively. The net position increase year over year is due to excess actual revenues over actual expenditures.

	<u>2019</u>	<u>2018</u>
Revenue		
Charges for services	\$ 63,268	\$ 110,959
Operating grant and contributions	16,135,017	15,198,094
Member dues and contributions	834,612	829,142
Unrestricted investment earning	2,366	722
Miscellaneous unrestricted	-	50
Total revenues	<u>17,035,263</u>	<u>16,138,967</u>
Expenses		
General government	184,801	108,770
Transportation	668,693	915,483
Environmental protection	115,035	133,013
Economic and physical development	1,293,305	1,305,874
Human services	13,616,629	12,734,116
Workforce Development	1,069,025	893,096
Total expenses	<u>16,947,488</u>	<u>16,090,352</u>
Increase in net position	87,775	48,615
Beginning net position	(358,172)	(160,575)
Cummulative change in accounting principal	-	(246,212)
Ending net position	<u><u>\$ (270,397)</u></u>	<u><u>\$ (358,172)</u></u>

Financial Analysis of Centralina’s Funds

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

Governmental funds - The focus of Centralina’s governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing Centralina’s financing 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.

**CENTRALINA COUNCIL OF GOVERNMENTS
MANAGEMENT’S DISCUSSION AND ANALYSIS**

June 30, 2019

The General Fund is the chief operating fund of Centralina. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$(12,933), while total fund balance amounted to \$650,172. As a measure of the General Fund’s liquidity, it may be useful to compare total fund balance to total fund expenditures. Total fund balance for the fiscal year ended 2019 represents 11.0% of total General Fund expenditures which is an increase over fiscal year ended 2018 which was 8.2%. According to Centralina’s fund balance policy, the Executive Board and Executive Director have taken steps to reduce expenses and/or increase revenues in order to rebuild the fund balance to 10% of General Fund expenditures.

General fund budgetary highlights - During the fiscal year 2019, the Centralina revised the budget on several occasions. Generally, budget amendments fall into one of three categories: (1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; (2) amendments 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.

Capital Assets

Centralina’s investment in capital assets for its governmental activities as of June 30, 2019 totals \$83,130 (net of accumulated depreciation). These assets include the financial software system, vehicles, furniture, fixtures, and equipment, and leasehold improvements.

Next Year’s Visions and Strategic Plan

Centralina completed a comprehensive strategic review and laid out a vision to align its work with the regional needs; enhance its communications and presence in the region; and improve its operations and infrastructure. Through this process, Centralina set strategic priorities to establish a work plan for fiscal year 2020. For more information on the fiscal year 2020 vision and work plan see <https://centralina.org/regional-priorities/>.

Request for Information

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

Denise M. Strosser, Finance Director
Centralina Council of Governments
9815 David Taylor Drive, Suite 100
Charlotte, North Carolina 28262



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Basic Financial Statements



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Government-Wide Financial Statements

CENTRALINA COUNCIL OF GOVERNMENTS
STATEMENT OF NET POSITION
June 30, 2019

	<u>Primary Government</u>	<u>Component Unit</u>
	<u>Governmental Activities</u>	<u>Workforce Development Consortium</u>
ASSETS		
Current assets:		
Cash and investments	\$ 439,613	\$ -
Receivables	32,351	-
Due from primary government	-	1,118
Due from other governments	1,178,923	304,464
Prepayments	86,404	-
Total current assets	<u>1,737,291</u>	<u>305,582</u>
Noncurrent assets:		
Capital assets:		
Equipment, net of depreciation	<u>83,130</u>	<u>-</u>
Total assets	<u>1,820,421</u>	<u>305,582</u>
DEFERRED OUTFLOWS OF RESOURCES		
Contributions to pension plan in current fiscal year	213,024	-
Contributions to OPEB plan in current fiscal year	7,001	-
Pension deferrals	555,011	-
OPEB deferrals	<u>6,373</u>	<u>-</u>
Total deferred outflows of resources	<u>781,409</u>	<u>-</u>

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

EXHIBIT A

	<u>Primary Government</u>	<u>Component Unit</u>
	<u>Governmental Activities</u>	<u>Workforce Development Consortium</u>
LIABILITIES		
Current liabilities:		
Accounts and grants payable	\$ 773,331	\$ 305,582
Accrued liabilities	164,792	-
Due to component unit	1,118	-
Unearned revenue	141,018	-
Total current liabilities	<u>1,080,259</u>	<u>305,582</u>
Noncurrent liabilities:		
Net pension liability	912,403	-
Total OPEB liability	338,641	-
Current portion of long-term obligations	277,983	-
Noncurrent portion of long-term obligations	208,572	-
	<u>1,737,599</u>	<u>-</u>
Total liabilities	<u>2,817,858</u>	<u>305,582</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred membership dues	6,860	-
Pension deferrals	6,410	-
OPEB deferrals	41,099	-
Total deferred inflows of resources	<u>54,369</u>	<u>-</u>
NET POSITION		
Net investment in capital assets	62,855	-
Restricted:		
Stabilization by State Statute	576,701	-
Unrestricted	(909,953)	-
Total net position	<u>\$ (270,397)</u>	<u>\$ -</u>

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

CENTRALINA COUNCIL OF GOVERNMENTS
STATEMENT OF ACTIVITIES
Year Ended June 30, 2019

<u>Functions / Programs</u>	<u>Expenses</u>	<u>Indirect Expenses Allocation</u>
PRIMARY GOVERNMENT		
Governmental activities:		
General government	\$ 1,898,488	\$ (1,713,687)
Transportation	436,295	232,398
Environmental protection	81,734	33,301
Economic and physical development	886,804	406,501
Human services	12,916,907	699,722
Workforce development	727,260	341,765
	<hr/>	<hr/>
Total primary government	\$ 16,947,488	\$ -
	<hr/> <hr/>	<hr/> <hr/>
COMPONENT UNIT		
Workforce Development Consortium	\$ 4,643,750	\$ -
	<hr/>	<hr/>
Total component unit	\$ 4,643,750	\$ -
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The notes to the financial statements are an integral part of this statement.

EXHIBIT B

Program Revenues		Net (Expense) Revenue and Changes in Net Position	
		Primary Government	Component Unit
Charges for Services	Operating Grants and Contributions	Governmental Activities	Workforce Development Consortium
\$ 63,268	\$ -	\$ (121,533)	\$ -
-	539,168	(129,525)	-
-	74,124	(40,911)	-
-	871,435	(421,870)	-
-	13,581,265	(35,364)	-
-	1,069,025	-	-
<u>\$ 63,268</u>	<u>\$ 16,135,017</u>	<u>(749,203)</u>	<u>-</u>
<u>\$ -</u>	<u>\$ 4,643,750</u>	<u>-</u>	<u>-</u>
<u>\$ -</u>	<u>\$ 4,643,750</u>	<u>-</u>	<u>\$ -</u>
General revenues:			
Member dues and contributions		834,612	-
Unrestricted investment earnings		2,366	-
Total general revenues		<u>836,978</u>	<u>-</u>
Change in net position		87,775	-
Net position - beginning		<u>(358,172)</u>	<u>-</u>
Net position - ending		<u>\$ (270,397)</u>	<u>\$ -</u>

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



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Fund Financial Statements

CENTRALINA COUNCIL OF GOVERNMENTS
BALANCE SHEET - GOVERNMENTAL FUNDS
 June 30, 2019

EXHIBIT C

	<u>Major Funds</u>		<u>Total Governmental Funds</u>
	<u>General</u>	<u>Special Revenue Fund</u>	
ASSETS			
Cash and investments	\$ 439,613	\$ -	\$ 439,613
Receivables	32,351	-	32,351
Due from other governments	544,350	634,573	1,178,923
Due from general fund	-	330	330
Prepayments	86,404	-	86,404
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 1,102,718</u>	<u>\$ 634,903</u>	<u>\$ 1,737,621</u>
LIABILITIES			
Accounts and grants payable	\$ 138,428	\$ 634,903	\$ 773,331
Accrued liabilities	164,792	-	164,792
Due to special revenue fund	330	-	330
Due to component unit	1,118	-	1,118
Unearned revenue	141,018	-	141,018
	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>445,686</u>	<u>634,903</u>	<u>1,080,589</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred membership dues	6,860	-	6,860
	<u> </u>	<u> </u>	<u> </u>
Total deferred inflows of resources	<u>6,860</u>	<u>-</u>	<u>6,860</u>
FUND BALANCES			
Nonspendable:			
Prepayments	86,404	-	86,404
Restricted:			
Stabilization by State Statute	576,701	-	576,701
Unassigned	(12,933)	-	(12,933)
	<u> </u>	<u> </u>	<u> </u>
Total fund balances	<u>650,172</u>	<u>-</u>	<u>650,172</u>
	<u> </u>	<u> </u>	<u> </u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,102,718</u>	<u>\$ 634,903</u>	<u>\$ 1,737,621</u>

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

CENTRALINA COUNCIL OF GOVERNMENTS
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
June 30, 2019

EXHIBIT D

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

Ending fund balance - governmental funds	\$ 650,172
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	83,130
Contributions to pension plans in the current fiscal year are deferred outflows of resources on the statement of net position.	213,024
Contributions to OPEB plans in the current fiscal year are deferred outflows of resources on the Statement of Net Position.	7,001
Pension related deferrals	548,601
OPEB related deferrals	(34,726)
Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	
Net pension liability	(912,403)
Total OPEB liability	(338,641)
Obligations under capital lease	(20,275)
Accrued vacation and sick leave	(383,838)
Other long-term liability	<u>(82,442)</u>
Net position of governmental activities	<u>\$ (270,397)</u>

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

CENTRALINA COUNCIL OF GOVERNMENTS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
Year Ended June 30, 2019

EXHIBIT E

	<u>Major Funds</u>		<u>Total Governmental Funds</u>
	<u>General</u>	<u>Special Revenue Fund</u>	
REVENUES			
Restricted intergovernmental revenues	\$ 3,904,428	\$ 10,976,213	\$ 14,880,641
Technical assistance contracts	645,043	-	645,043
Contracts and fees	18,000	-	18,000
Other program revenue	515,446	-	515,446
Interest and other	141,522	-	141,522
Member dues and contributions	834,611	-	834,611
Total revenues	<u>6,059,050</u>	<u>10,976,213</u>	<u>17,035,263</u>
EXPENDITURES			
General government	117,382	-	117,382
Transportation	668,693	-	668,693
Environmental protection	115,035	-	115,035
Economic and physical development	1,293,305	-	1,293,305
Human services	2,640,416	10,976,213	13,616,629
Workforce development	1,069,025	-	1,069,025
Total expenditures	<u>5,903,856</u>	<u>10,976,213</u>	<u>16,880,069</u>
Revenues over expenditures and net change in fund balance	<u>155,194</u>	<u>-</u>	<u>155,194</u>
FUND BALANCES - JULY 1	<u>494,978</u>	<u>-</u>	<u>494,978</u>
FUND BALANCES - JUNE 30	<u>\$ 650,172</u>	<u>\$ -</u>	<u>\$ 650,172</u>

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

CENTRALINA COUNCIL OF GOVERNMENTS**EXHIBIT F****RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES****IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**Year Ended June 30, 2019

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

Net change in fund balances - total governmental funds	\$ 155,194
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 depreciation expense exceeds capital outlays and disposals in the current period.	(8,142)
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities.	213,024
Pension expense reported in the Statement of Activities does not require the use of current financial resources and, therefore, is not reported as an expenditure in the governmental funds.	(271,703)
OPEB benefit payments made in current fiscal year are not included on the Statement of Activities	7,001
OPEB expense reported in the Statement of Activities does not require the use of current financial resources and, therefore, is not reported as an expenditure in the governmental funds.	(24,975)
The incurrence of capital lease obligations provides current financial resources to governmental funds, while the repayment of the principal of capital lease obligations consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. This is the amount by which capital lease obligations incurred exceed total principal payments made under capital lease obligations.	15,371
Recording of the net adjustment to the obligation for compensated absences	(2,995)
Payment on accrued litigation	5,000
Change in net position of governmental activities	<u><u>\$ 87,775</u></u>

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

CENTRALINA COUNCIL OF GOVERNMENTS

EXHIBIT G

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
ANNUAL BUDGET AND ACTUAL - GENERAL FUND**

Year Ended June 30, 2019

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Restricted intergovernmental revenues	\$ 4,100,000	\$ 4,540,665	\$ 3,904,428	\$ (636,237)
Technical assistance contracts	750,000	683,844	645,043	(38,801)
Contracts and fees	18,000	18,000	18,000	-
Other program revenue	657,000	465,778	515,446	49,668
Fund Balance Appropriated	-	108,564	-	(108,564)
Interest and other	240,000	196,998	141,522	(55,476)
Member dues and contributions	830,000	835,000	834,611	(389)
Total revenues	<u>6,595,000</u>	<u>6,848,849</u>	<u>6,059,050</u>	<u>(789,799)</u>
EXPENDITURES				
Current				
General government				
Board, executive committee, and committees	150,000	101,200	91,271	9,929
Management and business operations	1,875,000	1,725,647	1,671,874	53,773
Information technology and data service	130,000	97,250	67,923	29,327
Indirect costs representation	(1,900,000)	(1,750,000)	(1,713,686)	(36,314)
Total general government	<u>255,000</u>	<u>174,097</u>	<u>117,382</u>	<u>56,715</u>
Transportation				
Planning assistance and administration	700,000	743,843	668,693	75,150
Total transportation	<u>700,000</u>	<u>743,843</u>	<u>668,693</u>	<u>75,150</u>
Environmental protection				
Planning assistance and administration	140,000	161,935	115,035	46,900
Total environmental protection	<u>140,000</u>	<u>161,935</u>	<u>115,035</u>	<u>46,900</u>
Economic and physical development				
Planning assistance and administration	960,000	557,877	465,841	92,036
Economic program initiative	840,000	1,016,338	827,464	188,874
Total economic and physical development	<u>1,800,000</u>	<u>1,574,215</u>	<u>1,293,305</u>	<u>280,910</u>
Human services				
Area agency on aging	2,700,000	2,992,363	2,640,416	351,947
Workforce development				
Total expenditures	<u>6,595,000</u>	<u>6,848,849</u>	<u>5,903,856</u>	<u>944,993</u>
Revenues over expenditures	<u>\$ -</u>	<u>\$ -</u>	155,194	<u>\$ 155,194</u>
FUND BALANCES - JULY 1			<u>494,978</u>	
FUND BALANCES - JUNE 30			<u>\$ 650,172</u>	

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

CENTRALINA COUNCIL OF GOVERNMENTS

EXHIBIT H

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
ANNUAL BUDGET AND ACTUAL - SPECIAL REVENUE FUND**

Year Ended June 30, 2019

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Restricted intergovernmental revenues				
Aging pass-through funds				
HCC Block Grant	\$ 9,920,000	\$ 9,784,677	\$ 9,741,893	\$ (42,784)
USDA/NSIP Supplement	650,000	650,000	490,922	(159,078)
Title III-B legal	87,000	190,000	95,988	(94,012)
Family Caregiver	431,000	537,968	485,530	(52,438)
Disease Prevention/Health Promotion	36,500	44,450	29,835	(14,615)
State Senior Center General Purpose	160,000	120,333	117,665	(2,668)
Heat Fan Relief	20,000	14,380	14,380	-
Total Aging Revenue	<u>11,304,500</u>	<u>11,341,808</u>	<u>10,976,213</u>	<u>(365,595)</u>
EXPENDITURES				
Grant-related expenditures				
Aging pass-through funds				
HCC Block Grant	9,920,000	9,784,677	9,741,893	42,784
USDA/NSIP Supplement	650,000	650,000	490,922	159,078
Title III-B legal	87,000	190,000	95,988	94,012
Family Caregiver	431,000	537,968	485,530	52,438
Disease Prevention/Health Promotion	36,500	44,450	29,835	14,615
State Senior Center General Purpose	160,000	120,333	117,665	2,668
Heat Fan Relief	20,000	14,380	14,380	-
Total Aging Expenditures	<u>11,304,500</u>	<u>11,341,808</u>	<u>10,976,213</u>	<u>365,595</u>
Revenues over expenditures	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>
FUND BALANCES - JULY 1			-	
FUND BALANCES - JUNE 30			<u>\$ -</u>	

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

CENTRALINA COUNCIL OF GOVERNMENTS
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

Notes to the Financial Statements

1. Summary of Significant Accounting Policies

The accounting policies of Centralina Council of Governments (the “Council”, “CCOG”, or “Centralina”) and its discretely presented component unit conform to accounting principles generally accepted in the United States of America (“U.S. GAAP”) as applicable to governments. Significant accounting policies are as follows:

Reporting entity

CCOG is a public authority which is governed by a Board of Delegates composed of 60 elected officials. As required by U.S. GAAP, these financial statements present the Council and its component units, as legally separate entities for which the Council is financially accountable. The Centralina Workforce Development Consortium, a discretely presented component unit, is reported in a separate column in the Council’s financial statements in order to emphasize that it is legally separate from the Council. Centralina Foundation, Inc., Centralina Economic Development Commission, Inc., and Centralina Connection, Inc. are presented as blended component units. The blended presentation method presents component units as a department of the Council and offers no separate presentation as with the discrete method.

Centralina Workforce Development Consortium

The Council does not appoint the governing board of the Centralina Workforce Development Consortium (the “Consortium”); however, the seven members of the Consortium are members of the Council. The Council provides all managerial and accounting functions for the Consortium under an administrative agreement, which includes the preparation and adoption of budgets. Title to all assets and liabilities of the Consortium are held by the Council. If the Consortium were to dissolve, all assets and liabilities of the Consortium would revert back to the Council. Also, the Consortium is for the benefit of the residents of seven of the nine counties comprising the geographic area served by the Council. The Consortium does not issue separate financial statements.

Centralina Foundation, Inc.

Centralina Foundation, Inc. (the “Foundation”) is a North Carolina nonprofit corporation that promotes improved health and welfare through innovative, collaborative, and inclusive community-based programs directly impacting people and communities in the southern piedmont region of North Carolina. The governing board of the Foundation includes nine trustees, five of which are the officers and Executive Director of CCOG. The other four are elected by the Board of Trustees and include civic leaders from many walks of life. The Foundation contracts with CCOG for provision of its administrative support and fiscal management, and does not issue separate financial statements.

Centralina Economic Development Commission, Inc.

The governing board of Centralina Economic Development Commission, Inc. (the “Commission”) is appointed by the Executive Committee of the Council. The Commission is a nonprofit corporation organized to facilitate, plan, and coordinate innovative regional economic development, promote new and effective thinking and action, including federal, state, and local legislation and to facilitate regional economic development in and around the southern piedmont region of North Carolina. The Commission does not issue separate financial statements.

Centralina Connection, Inc.

The governing board of Centralina Connection, Inc. is appointed by its nominating committee. Centralina Connection, Inc. is a nonprofit corporation organized to coordinate and work with volunteers and funding streams to promote independence by offering transportation services to and engagement of primarily older adults, persons with disabilities and veterans, and to provide access to resources in the community through collaborating with existing agents. Centralina Connection, Inc. does not issue separate financial statements.

CENTRALINA COUNCIL OF GOVERNMENTS
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

Basis of presentation

Government-wide financial statements - The statement of net position and the statement of activities display information about the primary government and its component units. 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 assessments, intergovernmental revenues, and other nonexchange transactions.

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

Fund financial statements - The fund financial statements provide information about the Council's funds. The emphasis of fund financial statements is on major governmental 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. The General Fund accounts for all financial resources except those that are required to be accounted for in another fund. The primary revenue sources are federal and state restricted intergovernmental revenues, technical assistance contracts, contracts and fees, and member dues and contributions. The primary expenditures are for general government, transportation, environmental protection, economic and physical development, human services, and workforce development.

Special Revenue Fund

This fund is used to account for certain grant funds that are restricted for use for a particular purpose.

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 financial statements - The government-wide financial statements are reported using the economic resources measurement focus. The government-wide financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the Council gives (or receives) value without directly receiving (or giving) equal value in exchange, include grants. Revenue from grants is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Amounts reported as program revenues include: (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all assessments.

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 principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

CENTRALINA COUNCIL OF GOVERNMENTS
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

The Council considers all revenues available if they are collected within 90 days after year-end.

Those revenues susceptible to accrual are member dues and contributions, investment earnings, technical assistance contracts, contracts 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.

Budgetary data

The Council's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund. All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for the Special Revenue Fund and the Component Unit. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the object level for the multi-year funds. Any revisions that alter total expenditures of any fund must be approved by the Board of Delegates. During the year, several amendments to the original budget were necessary.

The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

Allocation of indirect costs

Indirect costs are allocated to all cost centers, including grants, based upon actual expenditures and depreciation, in accordance with Uniform Grant Guidance. Indirect costs necessary to sustain overall operations are allocated as a percentage of total direct labor costs and employee benefits charged to cost centers.

Use of estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses or expenditures during the reporting period. Actual results could differ from those estimates.

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 nonguaranteed federal agencies; certain high-quality issues of commercial paper and banker's acceptances; and the North Carolina Capital Management Trust ("NCCMT"). The Council's investments are reported at amortized cost or at fair value as determined by either quoted market prices or a matrix pricing model. Bank deposits and the NCCMT are measured at amortized cost, which is the NCCMT's share price. The securities of the NCCMT Government Portfolio, a SEC-registered (2a-7) external investment pool, is measured at fair value, which is the NCCMT's share price. The NCCMT Term Portfolio's securities are valued at fair value.

Allowances for doubtful accounts

Receivables are reported at net realizable value; therefore, they are shown net of allowance for doubtful accounts where applicable. The allowance is an estimate of the uncollectible amount based on management's experience and knowledge.

CENTRALINA COUNCIL OF GOVERNMENTS
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

Prepayments

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements and reported as expenses or expenditures as the items are used.

Capital assets

Capital assets are defined by the Council as assets with an initial, individual cost greater than or equal to \$5,000 and an estimated useful life in excess of two years. Purchased or constructed capital assets are reported at cost. Donated capital assets received prior to June 15, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend assets lives are not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Furniture and equipment	10 years
Computer equipment and software	3 - 5 years
Vehicles	5 years

Long-term obligations

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

In fund financial statements, the face amount of debt issued is reported as other financing sources, and debt payments are reported as expenditures in the period in which they are paid.

Compensated absences

The vacation policy of the Council provides for the accumulation of earned vacation leave up to maximum amount as indicated below:

Years of Employment	Accrual Rate	Days Earned Per Year	Limit of Accrued Max Days	Max Hours
Less than 3	3.69	12	24	192.0
3-8	4.62	15	45	360.0
9-15	5.54	18	54	432.0
More than 15	6.46	21	63	504.0

New staff members that have been granted advanced leave rates, the maximum accumulations will be based on days earned per year. (pg. 27)

Employees have until the end of the fiscal year (June 30) to use vacation leave that is above the maximum number of days allowed per years of employment. Any excess vacation not used by the end of each fiscal year, shall be converted to sick leave.

The Council's sick leave policy provides for an unlimited accumulation of earned sick leave. Upon termination of employment, employees hired prior to January 1, 2018 may be eligible to receive payment for up to one-third of earned sick leave, not to exceed 15 days of pay. Employees hired on or after January 1, 2018 are not eligible for accumulated sick leave payout.

CENTRALINA COUNCIL OF GOVERNMENTS
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

Deferred outflows/inflows of resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. The 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 four items that meet the criterion for this category, contributions made to the pension and OPEB plan in the 2019 fiscal year and other deferred pension and OPEB expenses that will be recognized during the next fiscal year. In addition to liabilities, the statement of net 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 three items that meet the criterion for this category, deferred membership dues which represent revenue that will be available for use during the next fiscal year and deferred pension and OPEB expense.

Net position/fund balances

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

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

Prepayments - Portion of the fund balance that is not available for appropriation because it represents the year-end balance of prepayments which are not expendable, available resources.

Restricted fund balance - This classification includes revenue sources that are restricted to specific purposes externally imposed by creditors or imposed by law.

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

Unassigned fund balance - This classification includes the portion of the fund balance that has not been reported in any other classification.

The General Fund's fund balance was \$650,172 at June 30, 2019, all of which was restricted leaving nothing available for appropriation.

The Council has a revenue spending policy that provides policy for programs with multiple revenue sources. The Finance Director will use resources in the following hierarchy: proportionally as dictated by the grant, federal funds, state funds, local non-council funds, Council funds. For the purposes of the fund balance classification expenditures are to be spent from the restricted fund balance first, followed in order by committed fund balance, assigned fund balance and lastly, unassigned fund balance. The Finance Director has the authority to deviate from this policy if it is in the best interest of the Council.

The Council has also adopted a minimum fund balance policy for the General Fund which instructs management to conduct the business of the Council in such a manner that the available fund balance is at least 15% of budgeted expenditures. If the fund balance exceeds 30% of budgeted expenditures, the Council's Executive Committee or Executive Director will identify opportunities to use the "excess" fund balance to provide additional services to members, enhance service delivery, or adjust dues for members.

CENTRALINA COUNCIL OF GOVERNMENTS
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Local Governmental Employees' Retirement System ("LGERS") and additions to/deductions from LGERS' fiduciary net position have been determined on the same basis as they are reported by LGERS. For this purpose, plan 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.

2. Deposits

All of the Council's deposits are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage are collateralized with securities held by the Council's agent in the Council's name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Council for the Council, these deposits are considered to be held by the Council's agent in the Council's name. The amount of the pledged collateral is based on an approved averaging method for non-interest-bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Council or the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the Council under the Pooling Method, the potential exists for under-collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Council has no formal policy regarding custodial risk for deposits but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The Council complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2019, the Council's deposits had a carrying amount of \$435,579 and a bank balance of \$944,884. Of the bank balance, \$250,000 was covered by federal depository insurance; any amounts in excess of \$250,000 were covered by collateral held under the pooling method.

3. Investments

At June 30, 2019, the Council had \$4,034 invested with the North Carolina Capital Management Trust's Government Portfolio, which carried a credit rating of AAAM by Standard & Poor's. The Council has no policy on credit risk.

Interest Rate Risk - The Council does not have a formal policy to limit interest rate risk.

Credit Risk - The Council limits investments to the provisions of G.S. 159-30 and restricts the purchase of securities to the highest possible ratings whenever particular types of securities are rated. State law limits investments in commercial paper to the top rating issued by nationally recognized statistical rating organizations; however, the Council has no formal policy on credit risk.

Custodial Credit Risk - For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the Council will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Council has no policy on custodial risk.

Concentration of Credit Risk - The Council places no limit on the amount that the Council may invest in any one issuer.

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4. Receivables

Receivables at the government-wide level consisted of the following at June 30, 2019:

	<u>Due from Other Governments</u>	<u>Other</u>
Government activities:		
General	\$ 544,350	\$ 32,351
Special Revenue	634,573	-
	<u>\$ 1,178,923</u>	<u>\$ 32,351</u>
Workforce Development Consortium	<u>\$ 304,464</u>	<u>\$ 1,118</u>

Due from other governments consisted of the following at June 30, 2019:

	<u>Governmental Activities</u>	<u>Workforce Development Consortium</u>
Receivables under expenditure-driven grants	\$ 1,104,365	\$ 305,582
Technical assistance contracts	74,558	-
	<u>\$ 1,178,923</u>	<u>\$ 305,582</u>

5. Capital Assets

The following is a summary of capital asset activity for the year ended June 30, 2019:

	<u>Balance June 30, 2018</u>	<u>Increased</u>	<u>Decreases</u>	<u>Balance June 30, 2019</u>
Capital assets being depreciated				
Furniture, fixtures, and equipment and leasehold improvements	\$ 865,169	\$ 21,228	\$ -	\$ 886,397
Less accumulated depreciation	773,897	29,370	-	803,267
Government activities capital assets, net	<u>\$ 91,272</u>	<u>\$ (8,142)</u>	<u>\$ -</u>	<u>\$ 83,130</u>

Depreciation expense was charged to indirect cost in the amount of \$29,370.

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NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

6. Accounts and Grants Payable and Accrued Liabilities

Accounts and grants payable at the government-wide level consisted of the following at June 30, 2019:

	<u>Vendors</u>	<u>Subrecipients</u>	<u>Total</u>
Government activities:			
General	\$ 138,428	\$ -	\$ 138,428
Special revenue	-	634,903	634,903
	<u>\$ 138,428</u>	<u>\$ 634,903</u>	<u>\$ 773,331</u>
Workforce Development Consortium	<u>\$ -</u>	<u>\$ 305,582</u>	<u>\$ 305,582</u>

Accrued liabilities for governmental activities and the General Fund at June 30, 2019 consisted of accrued salaries and salary related accounts in the amount of \$164,792.

7. Pension Plan Obligations

Local governmental employees' retirement system

Plan description - The Council is a participating employer in the statewide LGERS, a cost-sharing, multiple-employer, defined benefit pension plan administered by the state of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers 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 LGERS is included in the Comprehensive Annual Financial Report ("CAFR") for the state of North Carolina. The state's "CAFR" includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at www.osc.nc.gov.

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. Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age (15 years of creditable service for firefighters and rescue squad members who are killed in the line of duty) or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

CENTRALINA COUNCIL OF GOVERNMENTS
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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. Centralina's contractually required contribution rate for the year ended June 30, 2019, was 7.80% 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 Centralina were \$213,024 for the year ended June 30, 2019.

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, 2019, the Council reported a liability of \$912,403 for its proportionate share of the net pension asset. The net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2017. The total pension liability was then rolled forward to the measurement date of June 30, 2018 utilizing update procedures incorporating the actuarial assumptions. The Council's proportion of the net pension asset was based on a projection of the Council's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2018, the Council's proportion was 0.03486%, which was an increase of 0.00085% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the Council recognized pension expense of \$271,705. At June 30, 2019, 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	\$ 140,762	\$ 4,723
Changes of assumptions	242,116	-
Net difference between projected and actual earnings on pension plan investments	125,246	-
Changes in proportion and differences between Council contributions and proportionate share of contributions	46,887	1,687
Total contributions subsequent to the measurement date	<u>213,024</u>	<u>-</u>
	<u>\$ 768,035</u>	<u>\$ 6,410</u>

The \$213,024 was reported as deferred outflows of resources related to pensions, resulting from Council contributions subsequent to the measurement date, will be recognized as a decrease of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ending June 30:

2020	\$ 256,365
2021	170,938
2022	42,060
2023	<u>79,238</u>
	<u>\$ 548,601</u>

CENTRALINA COUNCIL OF GOVERNMENTS
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Actuarial assumptions - The total pension liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0%
Salary increases	3.50% to 8.10%, including inflation and productivity factor
Investment rate of return	7.0%, 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, 2017 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

Future ad hoc cost of living adjustment amounts are not considered to be substantively automatic and are therefore not included in the measurement.

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, 2018 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	29.0%	1.4%
Global equity	42.0%	5.3%
Real estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation protection	6.0%	4.0%
	<u>100.0%</u>	

The information above is based on 30-year expectations developed with the consulting actuary for the 2017 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 7.0%. 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.

CENTRALINA COUNCIL OF GOVERNMENTS
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Sensitivity of the Council's proportionate share of the net pension liability to changes in the discount rate.

The following presents the Council's proportionate share of the net pension liability calculated using the discount rate of 7.0%, as well as what the Council's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.0%) or one percentage point higher (8.0%) than the current rate:

	<u>1%</u> <u>Decrease</u> <u>(6.0%)</u>	<u>Discount</u> <u>Rate</u> <u>(7.0%)</u>	<u>1%</u> <u>Increase</u> <u>(8.0%)</u>
Council's proportionate share of the net pension liability (asset)	\$ 2,191,670	\$ 912,403	\$ (156,573)

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued CAFR for the state of North Carolina.

8. Supplemental Retirement Income Plan

Plan description - The Council contributes to the Supplemental Retirement Income Plan ("SRI Plan"), a defined contribution plan administered by the Department of the State Treasurer and Board of Trustees. The SRI Plan provides retirement benefits to all permanent, full-time Council employees. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

Funding policy - The Council contributes each month 3.0% of each employee's salary. All amounts contributed are vested immediately. Also, employees may make voluntary contributions to the SRI Plan. Contributions from employees and the Council for the year ended June 30, 2019 amounted to \$193,895.

9. Deferred Compensation Plan

Plan description - The Council provides employees the opportunity to defer current compensation under a 457 plan administered by the Department of the State Treasurer and Board of Trustees. The deferred compensation plan provides retirement benefits to full-time, part-time, and temporary employees. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

Funding policy - The Council does not contribute to the plan but submits contributions on behalf of employees through payroll deductions. Contributions from employees for the year ended June 30, 2019 amounted to \$24,900.

10. Postemployment Healthcare Benefits

Plan Description - Under the terms of the Council's personnel policy manual, the Council administers a single employer defined benefit Healthcare Benefits Plan ("HCB Plan"). The HCB Plan provides postemployment healthcare benefits to qualified retirees of the Council. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75. There are no authoritative requirements to pay OPEB as benefits come due.

Retiree Dental and Vision Insurance:

The Council will pay a fixed amount towards the cost of an eligible retiree's monthly premium for retiree medical insurance, which amount will be established each year by the Executive Board or Board of Delegates (the "Base Premium Supplement"). The Base Premium Supplement is Centralina's contribution to the cost of an eligible retiree's medical insurance. The Base Premium Supplement implemented and effective as of July 1, 2015 is four hundred and twenty-five dollars (\$425).

CENTRALINA COUNCIL OF GOVERNMENTS
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The Base Premium Supplement may be adjusted at the sole discretion of the Executive Board or Board of Delegates, and will be administered as follows:

- If the retiree has less than fifteen (15) years of service with Centralina, as of his/her retirement date, no Base Premium Supplement will be paid by Centralina;
- If the retiree has completed at least fifteen (15) years of service with Centralina, as of his/her retirement date, Centralina will pay the Base Premium Supplement; and
- If the retiree has completed more than fifteen (15) years of service with Centralina, as of his/her retirement date, the Base Premium Supplement will be increased by two percent (2%) for each full year of completed service in excess of fifteen (15) years with a maximum benefit of eighty percent (80%) (the resulting amount is the "Enhanced Premium Supplement").

Any eligible retiree's premium in excess of the Base Premium Supplement or, if applicable, the Enhanced Premium Supplement, will be the responsibility of the retiree. Beginning, January 1, 2018, the Retiree is responsible for paying the cost of the medical premium themselves. Centralina will then make base payments to the employee upon receipt of the retiree's payment to the recognized insurer.

Retiree medical coverage will be made available to eligible retirees annually, and if renewed a retiree may accept and pay for such coverage until the retiree is eligible for Medicare.

Retiree Dental and Vision Insurance:

The Premium Supplement for the retiree's dental and vision insurance is dependent upon the retiree's years of service with Centralina. The Premium Supplement for Dental and Vision Insurance shall be administered as follows:

- If the retiree has less than fifteen (15) years of service with Centralina, as of his/her retirement date, no portion of the premium for dental and vision will be paid by Centralina;
- If the retiree has completed at least fifteen (15) years of service with Centralina, as of his/her retirement date, Centralina will pay 50% of the active employee coverage amount for dental and vision;
 - For example, if the monthly premium for dental insurance is twenty-eight dollars (\$28), CCOG will pay fourteen dollars (\$14), or 50% towards an active employee's coverage. A retiree with 15 years of service to CCOG will receive 50% of the active employee's covered amount or seven dollars (\$7).
- If the retiree has completed more than fifteen (15) years of service with Centralina, as of his/her retirement date, the premium for dental and vision will be increased by two percent (2%) for each full year of completed service in excess of fifteen (15) years with a maximum benefit of eighty percent (80%).

Retirees are responsible for paying the remaining portion to satisfy the monthly premiums. Retirees must designate a payment schedule for this excess at the beginning of the insurance plan year. Any payments not made by the scheduled date could result in the termination of insurance coverage.

Upon eligibility for Medicare, the retiree can maintain dental and vision coverage by paying the full cost of the premium.

CENTRALINA COUNCIL OF GOVERNMENTS
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Membership of the HCB Plan consisted of the following at June 30, 2017, the date of the latest actuarial valuation:

	General Employees
Retirees and dependents receiving benefits	5
Active plan members	44
Total	49

Total OPEB liability

Centralina's total OPEB liability of \$338,641 was measured as of June 30, 2018 and was determined by an actuarial valuation as of that date.

Actuarial assumptions and other inputs. The total OPEB liability on the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Inflation	2.5%
Real wage growth	1.0%
Wage inflation	3.5%
Salary increases, including wage inflation:	
General Employees	3.5% to 7.75%
Municipal Bond Index Rate:	
Prior Measurement Date	3.56%
Measurement Date	3.89%

The discount rate used to measure the Total OPEB Liability was based on the June average of the Bond Buyer General Obligation 20-year Municipal Bond Index published weekly by the Bond Buyer.

Changes in the Total OPEB liability

	Total OPEB Liability
Balance at June 30, 2018	\$ 334,809
Changes for the year	
Service cost	19,542
Interest	11,719
Differences between expected and actual experience	(6,094)
Changes in assumptions or other inputs	(9,988)
Benefit payments	(11,347)
Total OPEB Liability	3,832
Balance at June 30, 2019	\$ 338,641

There was a change in the Total OPEB Liability arising from the change in the Discount Rate from 3.56% on the Prior Measurement Date to 3.89% on the current Measurement Date.

Mortality rates were based on the RP-2014 mortality tables, with adjustments for LGERS experience and generational mortality improvements using Scale MP-2015.

CENTRALINA COUNCIL OF GOVERNMENTS
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The demographic actuarial assumptions for retirement, disability incidence, withdrawal, and salary increase used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period January 1, 2010 – December 31, 2014, adopted by the LGERS.

The remaining actuarial assumptions (e.g., initial per capita costs, healthcare cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2017 valuation were based on a review of recent plan experience done concurrently with the June 30, 2017 valuation.

Sensitivity of the total OPEB liability to changes in the discount rate. The following exhibit presents the total OPEB liability of Centralina’s Plan, calculated using the discount rate of 3.89%, as well as what Centralina’s total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.89%) or 1-percentage-point higher (4.89%) than the current discount rate:

	Discount Rate Sensitivity		
	1% Decrease (2.89%)	Discount Rate (3.89%)	1% Increase (4.89%)
Total OPEB liability	\$ 369,829	\$ 338,641	\$ 310,153

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates. The following exhibit presents the total OPEB liability of Centralina’s Plan, calculated using the healthcare cost trend rates, as well as what Centralina’s total OPEB liability would be if it were calculated using healthcare cost trend rate that is 1-percentage point lower or 1-percentage point higher than the current healthcare cost trend rate:

	1% Decrease	Current	1% Increase
Total OPEB liability	\$ 297,140	\$ 338,641	\$ 387,887

OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2019, Centralina recognized OPEB expense of \$24,314. At June 30, 2019, Centralina reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 6,373	\$ 5,178
Changes of assumptions	-	35,921
Benefit payments made subsequent to the measurement date	7,001	-
Total	\$ 13,374	\$ 41,099

CENTRALINA COUNCIL OF GOVERNMENTS
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The \$7,001 reported as deferred outflows of resources related to pensions, resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date, will be recognized as a decrease of the total OPEB liability in the year ending June 30, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ending June 30:

2020	\$ (6,947)
2021	(6,947)
2022	(6,947)
2023	(6,947)
2024	(5,364)
Thereafter	(1,574)
	<u>\$ (34,726)</u>

11. Deferred Outflows/Inflows of Resources

Deferred outflows of resources are comprised of contributions to the pension plan and OPEB of \$213,024 and \$7,001, respectively, and other pension and OPEB deferrals in the current fiscal year in the amount of \$555,011 and \$6,373, respectively.

The following is a summary of deferred inflows of resources at June 30, 2019:

	Governmental Activities	Workforce Development Consortium
Deferred membership dues	\$ 6,860	\$ -
Pension deferrals	6,410	-
OPEB deferrals	41,099	-
	<u>\$ 54,369</u>	<u>\$ -</u>

12. Risk Management

The Council is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Council also purchases general, auto, public officials, and employment practices liability coverage of \$2 million per occurrence, auto physical damage coverage for owned autos at actual cash value, and crime coverage of \$250,000 per occurrence.

In July 2005, the Council entered into an agreement with the North Carolina Interlocal Risk Management Agency and has agreed to pool the risk of its workers' compensation liabilities and payment of claims for employers' liability coverage pursuant to the provisions of the North Carolina General Statutes 160A-460. The Council's liability coverage limits are \$500,000 per accident for bodily injury by accident and \$500,000 per employee for bodily injury by disease, which includes a \$500,000 policy limit.

The Council carries commercial coverage for all other risks of loss. There have been no significant reductions in insurance coverage from the previous year, and settled claims have not exceeded coverage in any of the past three fiscal years.

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In accordance with G.S. 159-29, the Council's employees that have access to \$100 or more at any given time of the Council's funds are performance bonded through a commercial surety bond. The Finance Officer and the Executive Director are individually bonded for \$100,000. The remaining employees who have access to funds are bonded under a blanket bond for \$2,000,000.

13. Long-Term Obligations

Capital leases

The Council has entered into agreements to lease certain equipment. The lease agreements qualify as capital leases for accounting purposes; therefore, the leases have been recorded at the present value of the future minimum lease payments as of the date of their inception.

A copier lease was entered into on October 21, 2013 and requires 60 monthly payments of \$810 each. Another lease agreement for a copier began on January 27, 2017 and requires 60 monthly payments of \$652 each.

The following is a summary of assets recorded under capital leases at June 30, 2019:

	<u>Accumulated Cost</u>	<u>Net Book Depreciation</u>	<u>Value</u>
Copier	\$ 35,679	\$ 35,679	\$ -
Copier	33,725	16,300	17,425
	<u>\$ 69,404</u>	<u>\$ 51,979</u>	<u>\$ 17,425</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2019 were as follows:

Years Ending June 30,

2020	\$ 9,444
2021	7,824
2022	4,564
Total minimum lease payments	<u>21,832</u>
Less amount representing interest	(1,557)
Present value of minimum lease payments	<u>\$ 20,275</u>

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Changes in long-term liabilities

	<u>Balance</u> <u>July 1, 2018</u>	<u>Increased</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2019</u>	<u>Current</u> <u>Portion of</u> <u>Balance</u>
Government activities:					
Net pension liability (LGERS)	\$ 574,577	\$ 337,826	\$ -	\$ 912,403	\$ -
Total OPEB liability	334,809	3,832	-	338,641	-
Capital leases	35,646	-	15,371	20,275	8,485
Accrued vacation and sick leave	380,843	267,493	264,498	383,838	264,498
Other liabilities	87,442	-	5,000	82,442	5,000
	<u>\$ 1,413,317</u>	<u>\$ 609,151</u>	<u>\$ 284,869</u>	<u>\$ 1,737,599</u>	<u>\$ 277,983</u>

14. Operating Leases

The Council leases approximately 16,700 square feet of office space under an operating lease with a 62-month term ending March 2022. This lease agreement provides for monthly rental payments of \$23,648 during the first year of the lease with an increase of 3% each year thereafter. The agreement includes rent abatement for the first two months of the agreement. The Council has an option to renew the lease agreement for an additional five years.

The following is a schedule by year of future minimum payments required under operating leases that have initial or remaining noncancelable lease terms in excess of one year as of June 30, 2019:

<u>Years Ending June 30,</u>	<u>Minimum</u> <u>Payments</u>
2020	\$ 303,321
2021	312,421
2022	239,549
Total	<u>\$ 855,291</u>

Total rental expenditures for all operating leases except those with terms of one month or less amounted to \$294,487 for the year ended June 30, 2019.

15. Transactions with Component Unit

The Consortium focuses on developing a strong, trained, and effective workforce in its seven-county area. The Council provides administrative functions to the Consortium under an agreement. The Consortium reported expenses of \$1,069,025 and the Council reported revenues in the General Fund of the same amount for the year ended June 30, 2019.

CENTRALINA COUNCIL OF GOVERNMENTS
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16. Summary Disclosure of Significant Contingencies

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 grant 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.

Subcontractors

For a majority of the expenditures in the Workforce Investment Act ("WIA") and Aging Programs ("Aging"), the Council contracts with other governments or local agencies to perform the specific services set forth in the grant agreements. The Council disburses grant funds to the agencies based on monthly expenditure and performance reports received from each agency.

WIA and Aging subcontractors are required to have an annual independent audit. The Council requires each agency to submit a copy of the audit reports. If such audits disclose expenditures not in accordance with terms of the grants, the grantor agency could disallow the costs and require reimbursement of the disallowed costs either from the Council or the delegate agency. The Council generally has the right of recovery from the subcontractors.

For the year ended June 30, 2019, agency costs of various amounts were disbursed for which the audits have not been received. Based on prior experience, management believes that the Council will not incur significant losses from possible grant disallowances.



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Required Supplementary Information

This section contains additional information required by Accounting Principles Generally Accepted in the United States of America:

- Schedule of Changes in the Total OPEB Liability and Related Ratios
- Local Governmental Employees' Retirement System – Schedule of the City's Proportionate Share of the Net Position
- Local Governmental Employees' Retirement System – Schedule of the City's Contributions

CENTRALINA COUNCIL OF GOVERNMENTS
SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS
REQUIRED SUPPLEMENTARY INFORMATION
As of Fiscal Year Ended June 30, 3019

Total OPEB Liability	2019	2018
Service cost	\$ 19,542	\$ 22,933
Interest	11,719	10,363
Changes of benefit terms	-	-
Differences between expected and actual experience	(6,094)	9,115
Changes of assumptions	(9,988)	(39,235)
Benefit payments	(11,347)	(25,107)
Other	-	-
Net change in total OPEB liability	3,832	(21,931)
Total OPEB liability - beginning	334,809	356,740
Total OPEB liability - ending	\$ 338,641	\$ 334,809
Covered payroll	\$ 2,580,488	\$ 2,580,488
Total OPEB liability as a percentage of covered payroll	13.12%	12.97%

Notes to Schedule

Changes of assumptions: Changes of assumptions and other inputs reflect the effects of changes in the discount rate of each period. The following are the discount rates used in each period:

Fiscal year	Rate
2019 Municipal Bond Index Rate at Prior Measurement Date	3.56%
2019 Municipal Bond Index Rate at Measurement Date	3.89%

CENTRALINA COUNCIL OF GOVERNMENTS
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)
LOCAL GOVERNMENT EMPLOYEE'S RETIREMENT SYSTEM
REQUIRED SUPPLEMENTARY INFORMATION
Last Six Fiscal Years*

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Centralina's proportion of the net pension liability (asset) (%)	3.84600%	0.03761%	0.0360%	0.0390%	0.0410%
Centralina's proportion of the net pension liability (asset) (\$)	\$ 912,403	\$ 574,577	\$ 763,616	\$ 175,523	\$ (240,911)
Centralina's covered employee payroll	\$ 2,846,538	\$ 2,652,802	\$ 2,476,046	\$ 2,532,892	\$ 2,580,938
Centralina's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	32.05%	21.66%	30.84%	6.93%	-9.33%
Plan fiduciary net position as a percentage of the total pension liability	91.63%	94.18%	91.47%	98.09%	102.64%
	<u>2014</u>				
Centralina's proportion of the net pension liability (asset) (%)	0.0410%				
Centralina's proportion of the net pension liability (asset) (\$)	\$ 490,591				
Centralina's covered employee payroll	\$ 2,486,778				
Centralina's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	19.73%				
Plan fiduciary net position as a percentage of the total pension liability	94.35%				

*The amounts presented for each fiscal year were determined as of the prior fiscal year ending June 30 and will build to a 10-year schedule as more information becomes available.

CENTRALINA COUNCIL OF GOVERNMENTS
SCHEDULE OF CONTRIBUTIONS
LOCAL GOVERNMENT EMPLOYEE'S RETIREMENT SYSTEM
REQUIRED SUPPLEMENTARY INFORMATION
Last Six Fiscal Years*

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 213,024	\$ 213,490	\$ 192,329	\$ 165,153	\$ 181,071
Contributions in relation to the contractually required contribution	<u>213,024</u>	<u>213,490</u>	<u>192,329</u>	<u>165,153</u>	<u>181,071</u>
Contribution deficiency (excess)	<u>\$ -</u>				
Centralina's covered employee payroll	\$ 2,748,709	\$ 2,846,538	\$ 2,652,802	\$ 2,476,046	\$ 2,532,892
Contributions as a percentage of covered employee payroll	7.75%	7.50%	7.25%	6.67%	7.15%
	<u>2014</u>				
Contractually required contribution	\$ 182,472				
Contributions in relation to the contractually required contribution	<u>182,472</u>				
Contribution deficiency (excess)	<u>\$ -</u>				
Centralina's covered employee payroll	\$ 2,580,938				
Contributions as a percentage of covered employee payroll	7.07%				

*The amounts presented for each fiscal year were determined as of the prior fiscal year ending June 30 and will build to a 10-year schedule as more information becomes available.



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Individual Fund Schedules



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General Fund

CENTRALINA COUNCIL OF GOVERNMENTS
GENERAL FUND
COMPARATIVE BALANCE SHEETS
June 30, 2019
With Comparative Totals for June 30, 2018

SCHEDULE 1

	<u>2019</u>	<u>2018</u>
ASSETS		
Cash and investments	\$ 439,613	\$ 240,331
Receivables	32,351	54,421
Due from other governments	544,350	568,335
Prepayments	<u>86,404</u>	<u>89,270</u>
 Total assets	 <u><u>\$ 1,102,718</u></u>	 <u><u>\$ 952,357</u></u>
 LIABILITIES		
Liabilities:		
Accounts and grants payable	\$ 138,428	\$ 194,669
Accrued liabilities	164,792	147,161
Due to special revenue fund	330	6,855
Due to component unit	1,118	2,513
Unearned revenue	<u>141,018</u>	<u>97,097</u>
Total liabilities	<u>445,686</u>	<u>448,295</u>
 Deferred Inflows of Resources:		
Unavailable resources	-	-
Deferred membership dues	<u>6,860</u>	<u>9,084</u>
Total deferred inflows of resources	<u>6,860</u>	<u>9,084</u>
 Fund balances:		
Nonspendable		
Prepayments	86,404	89,270
Restricted		
Stabilization by State Statute	576,701	622,756
Unassigned	<u>(12,933)</u>	<u>(217,048)</u>
Total fund balances	<u>650,172</u>	<u>494,978</u>
 Total liabilities, deferred inflows of resources and fund balances	 <u><u>\$ 1,102,718</u></u>	 <u><u>\$ 952,357</u></u>

CENTRALINA COUNCIL OF GOVERNMENTS**SCHEDULE 2**

GENERAL FUND

INDIRECT COST CENTER - COMPUTATION OF INDIRECT COST ALLOCATION RATE

Year Ended June 30, 2019

PERSONNEL EXPENDITURES

Salaries	\$ 631,997
Fringe benefits	344,112
	<u>976,109</u>

OPERATING EXPENDITURES

Audit	49,500
Auto expenditures	11,210
Contracted services	130,234
Equipment leases	35,095
Fleet maintenance	7,521
Insurance	76,106
Computers and software	5,616
Meeting related expenditures	13,052
Memberships and dues	23,862
Postage	5,008
Printing and publications	1,852
Repairs and maintenance	7,633
Rent	294,487
Retiree healthcare costs	7,001
Supplies	17,033
Telephone	35,441
Training	2,004
Travel	20,408
	<u>743,063</u>

Total indirect costs - unadjusted 1,719,172

Adjustment for depreciation expense 35,106

Total indirect costs - adjusted for depreciation expense \$ 1,754,278

Total personnel expenditures \$ 3,762,034

Less personnel expenditures in indirect cost pool 976,109

Total personnel expenditures earning indirect costs \$ 2,785,925

CENTRALINA COUNCIL OF GOVERNMENTS

GENERAL FUND

INDIRECT COST CENTER - COMPUTATION OF INDIRECT COST ALLOCATION RATE**SCHEDULE 2****(Continued)**

Year Ended June 30, 2019

	<u>Adjusted</u>
ALLOCATION RATE COMPUTATION	
Indirect costs	\$ 1,754,278
Carry Forward Adjustment FY16	<u>(85,410)</u>
Total Adjusted Indirect Cost	<u>\$ 1,668,868</u>
Divided by personnel expenditures earning indirect costs	<u>\$ 2,785,925</u>
Allocation rate - as computed	<u><u>60%</u></u>
INDIRECT COSTS COMPARED TO CALCULATED INDIRECT AMOUNT	
Personnel expenditures earning indirect costs	\$ 2,785,925
Personnel expenditures earning indirect costs	2,754,493
Federally approved rate	<u>61.69%</u>
Federally approved indirect amount	1,699,247
Personnel expenditures earning indirect costs - Annual	24,312
State University Grant Cap	<u>55.00%</u>
State University Grant Cap indirect amount - Annual	13,372
Personnel expenditures earning indirect costs - Annual	7,120
Private Foundation Grant Cap	<u>15.00%</u>
Private Foundation Grant Cap indirect amount - Annual	1,068
Total indirect costs calculated	1,713,687
Total indirect actual expense costs	<u>1,754,278</u>
Calculated indirect costs under adjusted indirect costs	<u><u>\$ (40,591)</u></u>



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Special Revenue Fund

CENTRALINA COUNCIL OF GOVERNMENTS
SPECIAL REVENUE FUND
COMPARATIVE BALANCE SHEETS

SCHEDULE 3

June 30, 2019

With Comparative Totals for June 30, 2018

	<u>2019</u>	<u>2018</u>
ASSETS		
Due from other governments	\$ 634,573	\$ 641,507
Due from general fund	<u>330</u>	<u>6,855</u>
Total assets	<u><u>\$ 634,903</u></u>	<u><u>\$ 648,362</u></u>
LIABILITIES		
Accounts and grants payable	\$ 634,903	\$ 648,346
Unearned revenue	<u>-</u>	<u>16</u>
Total liabilities	<u><u>\$ 634,903</u></u>	<u><u>\$ 648,362</u></u>



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Component Unit

CENTRALINA COUNCIL OF GOVERNMENTS

SCHEDULE 4

COMPONENT UNIT

CENTRALINA WORKFORCE DEVELOPMENT CONSORTIUM

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -

BUDGET AND ACTUAL

From Inception and for the Year Ended June 30, 2019

	Grant Award	Actual		
		Prior Years	Current Year	Total to Date
REVENUES				
WIA / WIOA GRANTS				
WIOA 16-4050 Business Services 2016	\$ 25,000	\$ -	\$ 25,000	\$ 25,000
WIOA 16- 4050 Infrastructure Cost 2016	72,225	2,500	69,725	72,225
WIOA 16-4050 DWS Brochures 2016	8,441	5,552	2,889	8,441
WIOA 16-4050 Enhancement Planning 2016	30,000	-	30,000	30,000
WIOA 17-4010 Administrative Cost Pool- 10% 2017	455,019	409,193	45,826	455,019
WIOA 17-4020 Adult Services 2017	1,772,164	1,710,977	61,187	1,772,164
WIOA 17-4030 Dislocated Worker 2017	960,078	755,208	204,870	960,078
WIOA 17-4040 Youth Services 2017	1,362,934	1,077,193	285,741	1,362,934
WIOA 17-4050 Business Services 2017	75,000	-	37,555	37,555
WIOA 17-4050 Finish Line Grant 2017	69,000	-	19,626	19,626
WIOA 18-4010 Administrative Cost Pool- 10% 2018	422,651	-	247,292	247,292
WIOA 18-4020 Adult Services 2018	2,088,670	-	2,024,500	2,024,500
WIOA 18-4030 Dislocated Worker 2018	426,418	-	376,745	376,745
WIOA 18-4040 Youth Services 2018	1,288,762	-	1,097,192	1,097,192
WIOA 18- 4050 Infrastructure Cost 2018	107,511	-	107,511	107,511
WIOA 18-4050 Finish Line Grant 2018	15,000	-	8,091	8,091
Total revenues	9,178,873	3,960,623	4,643,750	8,604,373
EXPENDITURES				
WIA / WIOA GRANTS				
WIOA 16-4050 Business Services 2016	\$ 25,000	\$ -	\$ 25,000	25,000
WIOA 16- 4050 Infrastructure Cost 2016	72,225	2,500	69,725	72,225
WIOA 16-4050 DWS Brochures 2016	8,441	5,552	2,889	8,441
WIOA 16-4050 Enhancement Planning 2016	30,000	-	30,000	30,000
WIOA 17-4010 Administrative Cost Pool- 10% 2017	455,019	409,193	45,826	455,019
WIOA 17-4020 Adult Services 2017	1,772,164	1,710,977	61,187	1,772,164
WIOA 17-4030 Dislocated Worker 2017	960,078	755,208	204,870	960,078
WIOA 17-4040 Youth Services 2017	1,362,934	1,077,193	285,741	1,362,934
WIOA 17-4050 Business Services 2017	75,000	-	37,555	37,555
WIOA 17-4050 Finish Line Grant 2017	69,000	-	19,626	19,626
WIOA 18-4010 Administrative Cost Pool- 10% 2018	422,651	-	247,292	247,292
WIOA 18-4020 Adult Services 2018	2,088,670	-	2,024,500	2,024,500
WIOA 18-4030 Dislocated Worker 2018	426,418	-	376,745	376,745
WIOA 18-4040 Youth Services 2018	1,288,762	-	1,097,192	1,097,192
WIOA 18- 4050 Infrastructure Cost 2018	107,511	-	107,511	107,511
WIOA 18-4050 Finish Line Grant 2018	15,000	-	8,091	8,091
Total expenditures	9,178,873	3,960,623	4,643,750	8,604,373
Revenues over expenditures	-	-	-	-
FUND BALANCES - JULY 1	-	-	-	-
FUND BALANCES - JUNE 30	\$ -	\$ -	\$ -	\$ -



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Compliance Section

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

To the Board of Delegates
Centralina Council of Governments
Charlotte, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the discretely presented component unit, and each major fund of Centralina Council of Governments (the "Council"), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Council's basic financial statements and have issued our report thereon dated October 24, 2019.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Channing R. Ricketts LLP

Charlotte, North Carolina
October 24, 2019

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

To the Board of Delegates
Centralina Council of Governments
Charlotte, North Carolina

Report on Compliance for Each Major Federal Program

We have audited the Centralina Council of Governments (the "Council"), compliance with the types of compliance requirements described in the OMB *Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the Council's major federal programs for the year ended June 30, 2019. The Council's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the Council complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

Report on Internal Control over Compliance

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

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

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

Purpose of this Report

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.

 LLP

Charlotte, North Carolina
October 24, 2019

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

To the Board of Delegates
Centralina Council of Governments
Charlotte, North Carolina

Report on Compliance for Each Major State Program

We have audited the Centralina Council of Governments (the "Council"), compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the Council's major State programs for the year ended June 30, 2019. The Council's major State programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major State Programs

In our opinion, the Council complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2019.

Report on Internal Control over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a State program on a timely basis. A material weakness in internal control over compliance is a deficiency, or 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 the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of this Report

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.

Chauney R. Ricketts LLP

Charlotte, North Carolina
October 24, 2019

CENTRALINA COUNCIL OF GOVERNMENTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2019

Section I—Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

- Material weakness identified? yes no
- Significant deficiency identified that is not considered to be material weakness yes none reported

Noncompliance material to financial statements noted: yes no

Federal Awards

Internal control over major federal programs:

- Material weakness identified? yes no
- Significant deficiency identified that is not considered to be material weakness yes none reported

Noncompliance material to federal awards yes no

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#</u>	<u>Program Name</u>
	Aging Cluster
93.044	Special Programs for the Aging - Title III B
93.045	Special Programs for the Aging - Title III C
93.053	Nutrition Services Incentive Program
93.052	Family Caregiving

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

Auditee qualified as low-risk auditee? yes no

CENTRALINA COUNCIL OF GOVERNMENTS
SUMMARY SCHEDULE OF PRIOR YEAR'S FINDINGS

Year Ended June 30, 2019

No findings were reported for the year ended June 30, 2018.

CENTRALINA COUNCIL OF GOVERNMENTS
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

Year Ended June 30, 2019

<u>Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State/ Pass-Through Grantor Number</u>	<u>Federal (Direct and Pass-through) Expenditures</u>	<u>State Expenditures</u>	<u>Pass-through to subrecipients</u>
FEDERAL GRANTS:					
CASH PROGRAMS					
U.S. DEPARTMENT OF COMMERCE					
Economic Development Administration					
Direct program					
Strategic Planning Grant	11.302	ED16ATL3020014	\$ 46,085	\$ -	\$ -
Strategic Planning Grant	11.302	ED19ATL3020016	22,151	-	-
Web-Portal Creation	11.307	04-79-07283	40,000	-	-
Total U.S. Department of Commerce			108,236	-	-
U.S. DEPARTMENT OF LABOR					
Employment and Training Administration					
Passed through North Carolina Department of Health and Human Services					
Division of Aging and Adult Services					
Senior Community Service Employment Program	17.235	36343	241,776	-	-
Total Senior Community Service Employment Program			241,776	-	-
Passed through Senior Service America, Inc.					
Senior Community Service Employment Program	17.235	331	346,391	-	-
Total Senior Service America, Inc.			346,391	-	-
Passed through North Carolina Department of Commerce					
Division of Employment and Training					
Workforce Innovation and Opportunity Act Cluster					
WIOA - Adult Programs	17.258,17.278	AA-30962-17-55-A-37	61,187	-	8,204
WIOA - Adult Programs	17.258,17.278	AA-32191-18-55-A-37	2,024,500	-	1,937,797
WIOA - Youth Activities	17.259	AA-30962-17-55-A-37	285,742	-	10,120
WIOA - Youth Activities	17.259	AA-32191-18-55-A-37	1,097,192	-	1,093,361
WIOA - Cost sharing DWS brochures	17.259	AA-28327-16-55-A-37	2,889	-	-
WIOA - Dislocated Workers	17.258,17.278	AA-30962-17-55-A-37	204,870	-	17,751
WIOA - Dislocated Workers	17.258,17.278	AA-32191-18-55-A-37	376,745	-	352,525
WIOA - Enhancement Planning Grant	17.258	AA-28327-16-55-A-37	30,000	-	-
WIOA - Finish Line Grant	17.278	AA-30962-17-55-A-37	27,717	-	27,717
WIOA - Infrastructure Cost	17.278	AA-28327-16-55-A-37	69,725	-	-
WIOA - Infrastructure Cost	17.259	AA-32191-18-55-A-37	107,511	-	107,511
WIOA - Business Services	17.278	AA-28327-16-55-A-37	25,000	-	-
WIOA - Business Services	17.259	AA-30962-17-55-A-37	37,555	-	-
WIOA - Administrative Cost Pool/Incentives/Capital and Special Grants	17.258,17.278	AA-30962-17-55-A-37	293,118	-	23,720
Total U.S. Department of Labor			4,643,751	-	3,578,706
			5,231,918	-	3,578,706
U.S. DEPARTMENT OF ENERGY					
Clean Cities Outreach, Education, and Performance Tracking	81.086	DE-EE0007448	65,241	-	-
NARC Fleets for the Future	81.086		2,000	-	-
Solutions for Curbside-Charging Electric Vehicles for Planned Urban Growth	81.086	DE-EE0008472	34,137	-	-
Total U.S. Department of Energy			101,378	-	-

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

Year Ended June 30, 2019

<u>Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State/ Pass-Through Grantor Number</u>	<u>Federal (Direct and Pass-through) Expenditures</u>	<u>State Expenditures</u>	<u>Pass-through to subrecipients</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES					
Administration on Aging					
Passed through North Carolina Department of Health and Human Services					
Division of Aging and Adult Services					
Special Programs for the Aging, Title VII, Chapter 3					
Programs for the Prevention of Elder Abuse, Neglect, and Exploitation	93.041	NC-06	21,418	1,260	-
Special Programs for the Aging, Title VII, Chapter 2					
Programs for Long-term Ombudsman Services for Older Individuals	93.042	NC-06	77,384	4,552	-
Social Service Block Grant					
In Home/Support SVC	93.667	NC-06	612,032	17,487	629,519
Special Programs for the Aging, Title III F					
Disease Prevention and Health Promotion Services	93.043	NC-06	126,704	7,453	29,835
Aging Cluster					
Special Programs for the Aging - Title III B					
Grants for Supportive Services and Senior Centers					
Legal services	93.044	NC-06	90,655	5,333	95,988
Ombudsman	93.044	NC-06	354,800	20,871	-
Access	93.044	NC-06	688,595	40,506	729,101
In Home Services	93.044	NC-06	1,417,873	82,837	1,359,842
Special Programs for the Aging - Title III C					
Nutrition Services-Planning and Administration					
Congregate Nutrition	93.045	NC-06	1,442,277	83,858	1,282,189
Home Delivered Meals	93.045	NC-06	779,348	45,844	825,192
Nutrition Services Incentive Program	93.053	NC-06	490,922	-	490,922
Total Aging Cluster			5,264,470	279,249	4,783,234
Special Programs for the Aging - Title III E					
National Family Caregiver Support Program	93.052	NC-06	807,326	52,733	485,530
MIPPA					
MIPPA	93.071	1701NCMIAA-01/1701NCMIDR-01	32,542	-	-
MIPPA	93.071	14AANCMSHI	30,000	-	-
MIPPA	93.071	1801NCMIAA-00/1801NCMIDR-00	28,517	-	-
Total MIPPA			91,059	-	-
Senior Medicare Patrol					
	93.048	90MPPG0043-01-00	5,000	-	-
Local Contact Agency					
	93.791	35899	45,000	-	-
Total U.S. Department of Health and Human Services			7,050,393	362,734	5,928,118
U.S. DEPARTMENT OF TRANSPORTATION					
Passed through North Carolina Department of Transportation					
Charlotte UZA Grant	20.513	2018000173	115,116	-	-
Concord UZA Grant	20.513	6288-2017-1-P2	15,661	-	-
CMAQ-Regional Passenger Rail Promotion Project	20.205		31,319	-	-
Nonurbanized Area Public Transportation Grant	20.513	17-ED-912	113,033	14,127	-
Passed through North Carolina State University					
Clean Fuels Advanced Technology 2014-2018	20.205	2017-1789-07	26,955	-	-
Clean Fuels Advanced Technology 2014-2018	20.205	2018-2835-01	13,032	-	-
Total U.S. Department of Transportation			315,116	14,127	-
Total Federal Awards			12,807,041	376,861	9,506,824

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

Year Ended June 30, 2019

<u>Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State/ Pass-Through Grantor Number</u>	<u>Federal (Direct and Pass-through) Expenditures</u>	<u>State Expenditures</u>	<u>Pass-through to subrecipients</u>
STATE GRANTS					
CASH AWARDS					
N. C. Department of Environment and Natural Resources					
Land Monitoring Services	N/A	6499	-	36,078	-
Total N. C. Department of Environment and Natural Resources			-	36,078	-
N. C. Department of Health and Human Services					
Division of Aging					
90% State Funds - Ombudsman		NC-06	-	116,854	-
90% State Funds - Access		NC-06	-	597,707	597,707
90% State Funds - In Home Services		NC-06	-	3,853,256	3,853,256
90% State Funds - Home Delivered Meals		NC-06	-	486,211	486,211
AAA Plan & Administration		NC-06	-	48,262	-
Fans Programs		NC-06	-	14,380	14,380
Senior Center General Purpose		NC-06	-	117,619	117,619
Total N.C. Department of Health and Human Services			-	5,234,289	5,069,173
Total State Awards			-	5,270,367	5,069,173
Total Federal and State Awards			<u>\$ 12,807,041</u>	<u>\$ 5,647,228</u>	<u>\$ 14,575,997</u>

CENTRALINA COUNCIL OF GOVERNMENTS

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

Year Ended June 30, 2019

1. **Basis of Presentation**

The accompanying schedule of expenditures of federal and State awards (SEFSA) includes the federal and state grant activity of Centralina Council of Governments under the programs of the federal government and the State of North Carolina for the year ended June 30, 2019. 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 Council, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Council.

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 the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

3. **Indirect Cost Rate**

The Centralina Council of Governments has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.