

CENTRALINA REGIONAL COUNCIL

FINANCIAL STATEMENTS AND COMPLIANCE REPORTS

As of and for the Year Ended June 30, 2020

And Report of Independent Auditor

CENTRALINA REGIONAL COUNCIL

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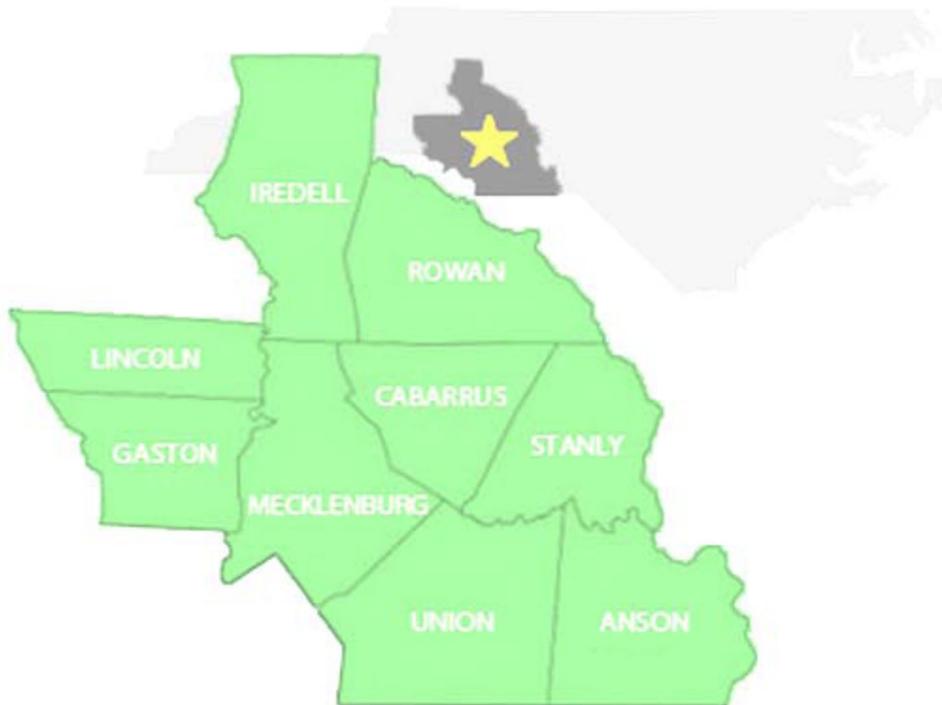
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Financial Section



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Report of Independent Auditor

To the Board of Delegates
Centralina Regional Council
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 Regional Council (“Centralina”) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively, comprise Centralina’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 Centralina’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 Centralina’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 Centralina as of June 30, 2020, 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 Centralina. 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* ("Uniform Guidance"), and the State Single Audit Implementation Act, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The 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 29, 2020, on our consideration of Centralina'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 Centralina's internal control over financial reporting and compliance.

Cheryl Behrnt LLP

Charlotte, North Carolina
October 29, 2020

CENTRALINA REGIONAL COUNCIL MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2020

This section of the financial report of Centralina Regional Council ("Centralina") represents discussion and analysis of the performance of Centralina for the year ended June 30, 2020. This information should be read in conjunction with the audited financial statements included in this report.

Since 1968, Centralina has been dedicated to serving the needs of the nine-county Greater Charlotte region. Centralina addresses area-wide issues and opportunities by offering planning, coordination, advocacy, and technical assistance services. Our neutral platform and regional framework allow local leaders to work together to create holistic solutions that will advance our region. Centralina's mission is to lead regional collaboration and sparks local action to expand opportunity and improve quality of life. We do this through creative problem solving, innovative service delivery, and support to our local governments. Centralina's programs and services are delivered by six departments:

- **Centralina Regional Planning** fosters collaboration and looks strategically at our region's interconnected systems of land use, transportation, and economy. It helps local governments create places of lasting value through comprehensive and mutually beneficial strategies and results.
- **Centralina Area Agency on Aging** identifies needs and delivers critical services to support older and disabled adults. Through programming, planning, technical assistance and direct services, it helps residents feel like valued members of their communities.
- **Centralina Community Economic Development** addresses regional economic opportunities and challenges. It offers technical assistance, staff, and expertise to communities and helps leverage resources to improve housing, public infrastructure and downtown revitalizations.
- **Centralina Workforce Development Board** solves the needs of employers and career seekers across our region to create a thriving workforce. Through services and programming, it ensures that the development and training needs of our area are met so that we remain a competitive player in the global economy.
- **Centralina Government Affairs and Member Engagement** helps us deliver value to member governments and regional stakeholders. It supports our departments and creates opportunities for relationship building, information exchange, advocacy, and strategic support.
- **Centralina Administration and Finance** oversees the coordination, implementation and monitoring of administrative and financial activities within Centralina and in consultation with the Board of Delegates.

Centralina's programs and services are guided by an annual workplan which is approved by the Executive Board; the workplan is organized by seven strategic goals, but the impact of the work is visible at the regional, local government, or community and individuals levels.

- **Regional:** identify regional opportunities, facilitate area-wide planning, and lead collaborative problem solving with regional, state, and federal partners.
- **Community:** support elected officials and local governments by providing essential technical support, training, and networking to help them best serve their communities
- **Individual:** deliver direct health, aging, and workforce services to individuals to create new opportunities and improve outcomes for people.

The following summary of activities for the year ended June 30, 2020 is organized by these levels of impact; the organization's annual report includes additional details about case study projects, maps, and photos to further illustrate the impact of Centralina's work over the fiscal year.

The global COVID-19 pandemic triggered significant health and economic repercussions across our region, leaving no aspect of society untouched. Centralina, like local governments and businesses across the region, confronted the stay-at-home order and the evolving "new normal" that followed. In March, Centralina shifted quickly to maintain continuity of service, transitioning to virtual networking, advocacy, and information exchange across our departments, boards, and committees. COVID-19 also required Centralina to pivot our approach to supporting individuals, local governments, and the region in relief and recovery efforts.

CENTRALINA REGIONAL COUNCIL MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2020

Leading the Region

Amidst the rapid change happening throughout our nine counties, regional planning and collaboration are essential if the Centralina region is to grow and thrive. When the region works together and leverages combined resources, we create better outcomes for individuals and our communities, inevitably attracting top talent and investment opportunities to our region.

FY2020 Highlights

- Managed over 25 boards, advisory committees and working groups—8 of which were established in the past fiscal year— that convened stakeholders to think and act regionally.
- Completed the 2020-24 Centralina Area Plan on Aging, a blueprint for how the Centralina Area Agency on Aging will respond to five statewide goals with programming and services specific to our region's needs.
- Launched CONNECT Beyond, a 12-county, bi-state mobility initiative led by Centralina Regional Planning to create a regional transit vision that will improve and inform mobility projects and priorities for decades to come. Secured \$1 million dollars in funding to support the Connect Beyond regional transit initiative from 10 different partners.
- Supported regional coordination and collaboration of Census 2020 complete count committees.
- Supported the hiring of 307 individuals at the Carvana Inspection Center in Concord, North Carolina.
- Administered an EDA public works grant for the \$2 million construction of the Advanced Technology Center at Rowan Cabarrus Community College.
- Launched an online data portal with accessible regional and county information that had over 3,000 new users in the first year.

Championing our Communities

This past year, Centralina expanded engagement, professional development training and technical services to counties and municipalities. Technical services enabled communities to receive expert support for reduce fees compared to private sector companies, saving money, and in some cases reducing the need for additional employees. Centralina's professional development offerings provide high-quality, locally available training that connects local government staff with emerging public policy topics and best practices.

FY2020 Highlights

- Managed 53 local government service and technical assistance contracts—a 2% increase in total number of contracts over last year, representing a 95% increase in associated revenue.
- Led 12 professional development training sessions for 325 local government professionals.
- Offered 43 hours of accredited professional development training for planners.
- Developed a COVID-19 resource library for regional managers and administrators to house important documents, templates, and guides produced by Centralina and other key sources. The site was visited over 2,000 times during the fiscal year.
- Connected regional managers with state decision makers and other experts to discuss emergency response, budgeting, personnel matters and economic recovery.
- Assisted Mecklenburg County in the creation and administration of a \$1 million microbusiness stabilization loan fund to support low and moderate--income businesses. Centralina Community Economic Development reviewed 161 loan applications and approved 26 loans by the close of the fiscal year.
- Designed Union County's COVID-19 relief fund compliance management system for its \$8 million allocation and assisted the county in administrating the program.
- Implemented a small-town purchase program to acquire no-cost personal protective equipment and sanitization supplies for nine of the region's smaller towns, saving those communities over \$3,000.
- Created a virtual meeting guide for planning boards and boards of adjustment and presented it to a statewide audience during the UNC School of Government webinar series Planning in a Pandemic.

**CENTRALINA REGIONAL COUNCIL
MANAGEMENT'S DISCUSSION AND ANALYSIS**

June 30, 2020

Caring for Constituents

In addition to leading area-wide planning and collaboration, Centralina provides ongoing workforce and aging services to individuals and businesses. These efforts are led by Centralina Area Agency on Aging and Centralina Workforce Development Board. The COVID-19 pandemic had specific impacts on services for older adults and job seekers, causing our departments to quickly pivot operations and respond to needs.

FY2020 Highlights

- Received \$4.6 million in federal COVID-19 funding to expand services for older and disabled adults, a 45% increase in pass-through funds from the previous year. Funding provided older and disabled adults with food, transportation and personal care and helped aging providers cover expenses during the pandemic.
- Transitioned all evidence-based health and wellness programs to a virtual platform to continue teaching individuals coping skills, healthy habits and how to manage long-term chronic conditions, resulting in reduced hospitalizations and increased compliance.
- Responded to the elimination of in-person access to long-term care facilities by pivoting Ombudsman services and advocacy to phone and online platforms to ensure that residents are safe and that their rights are protected.
- Increased the number of fall prevention workshop volunteer leaders and coaches by 40% (140 total volunteers). Workshop participants experienced increased activity levels and decreased emergency room visits and hospital stays, leading to a savings of over \$900 unplanned medical costs per Medicare beneficiary or \$2.5 million region-wide.
- Supported long-term care facilities by offering 35% more technical assistance and 12% more staff training opportunities through the Long-Term Care Ombudsman program, which promotes and protects the rights of 16,500 residents in facilities across the region.
- Launched Pride in Care NC, a three-year initiative to develop and implement a LGBT sensitivity and awareness training curriculum for frontline workers in nursing facilities. (photos)
- Registered 91% more job seekers in NCWorks (10,795 registrants total).
- Offered 31% more job seekers workforce services (31,216 job seekers total).
- Engaged 18% more employers through NCWorks (615 employers total), and provided employers 31,513 distinct services including talent recruitment and screening, employee upskilling, labor market and wage information, talent pipeline development, and for companies impacted by downsizing, on-site outplacement services.
- Completed 46,098 job referrals matching job seekers with employer needs, increasing the number of hired NCWorks referrals.
- Awarded 97 Finish Line Grants that provide one-time financial assistance to help community college students complete their training when facing unforeseen challenges.
- Transitioned all NCWorks Career Centers and workforce services online to continue serving individuals and local businesses during the COVID-19 Pandemic.
- Created the Centralina Virtual Career Marketplace and held six events featuring 127 employers with 401 open positions that were attended by 466 career seekers.

**CENTRALINA REGIONAL COUNCIL
MANAGEMENT’S DISCUSSION AND ANALYSIS**

June 30, 2020

Centralina Operations & Services Summary

Centralina invested significant resources and time into enhancing internal systems and operations during the year. A cornerstone to this strategy was the implementation of a rebranding and website redesign project with the support of an external consultant group, Moonlight Creative, based in Charlotte. The interactive design process engaged all departments and the board over a six month period and will continue into next year. The initial outcomes of the process included:

- Change in the organization’s name to Centralina Regional Council (officially approved by Executive Board in June 2020 and by full Board of Delegates in August 2020)
- New logos for organization and departments
- Branding guidelines, new tag line, collateral marketing materials
- Redesigned website

In addition, Centralina invested in IT strategic planning to identify standards and enhancements to existing policies and procedures, including purchasing and equipment replacement cycles. Work in this area is ongoing and will continue into next year. Centralina also invested in enhanced employee engagement, professional development/training and a new performance management system. These operational activities also facilitated the communications and marketing of Centralina services to the region, which are summarized in the table below.

Centralina Regional Planning Services	
<ul style="list-style-type: none"> • Strategic planning and program administration • Board retreats and staff training programs • Community surveys and public engagement • Local government process improvement and capital improvement planning • Comprehensive land use planning and zoning • Housing strategies • Developer selection and administration • GIS mapping, scenario planning, and analysis 	<ul style="list-style-type: none"> • 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
Centralina Area Agency on Aging	
<ul style="list-style-type: none"> • Long-term Care Ombudsman Program • Senior Community Services Employment Program • Facility-based Options Counseling 	<ul style="list-style-type: none"> • Mobility Management • Wide range of certified Evidence-Based Health and Wellness Programs
Centralina Community Economic Development	
<ul style="list-style-type: none"> • 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 • Code enforcement and creation of residential and commercial ordinances 	<ul style="list-style-type: none"> • Drug and Alcohol employee testing • Downtown redevelopment and strategic visioning projects • Economic impact modeling • USDA/EPA grant preparation • Provide EDA Technical Assistance, Grant Preparation, and awarded Project Administration for local jurisdictions

**CENTRALINA REGIONAL COUNCIL
MANAGEMENT’S DISCUSSION AND ANALYSIS**

June 30, 2020

Centralina Workforce Development Board	
<ul style="list-style-type: none"> • 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 	<ul style="list-style-type: none"> • 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 Government Affairs and Member Engagement	
<ul style="list-style-type: none"> • Technical assistance to local governments and operational • Professional development, training, and peer networking • Intergovernmental coordination 	<ul style="list-style-type: none"> • Grant assistance • Region of Excellence Awards

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.

CENTRALINA REGIONAL COUNCIL MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2020

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.

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 Fund.

**CENTRALINA REGIONAL COUNCIL
MANAGEMENT'S DISCUSSION AND ANALYSIS**

June 30, 2020

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

Government-Wide Financial Analysis

**Table 1
Condensed Statement of Net Position for Government Activities
As of June 30, 2020 and 2019**

	2020	2019
Current and other assets	\$ 2,508,414	\$ 1,737,291
Capital assets	214,621	83,130
Total Assets	2,723,035	1,820,421
Deferred outflows of resources	639,703	781,409
Current Liabilities	1,967,780	1,080,259
Noncurrent Liabilities	1,506,428	1,737,599
Total Liabilities	3,474,208	2,817,858
Deferred inflows of resources	115,118	54,369
Net investment in capital assets	123,689	62,855
Restricted	861,720	576,701
Unrestricted net position	(1,211,997)	(909,953)
Total net position	\$ (226,588)	\$ (270,397)

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 \$226,588 and \$270,397 as of June 30, 2020 and 2019, respectively. Centralina's net position increased \$43,809 and \$87,775 for the fiscal years ended June 30, 2020 and 2019, respectively. The net position increase year over year is due to excess revenues over actual expenses.

**CENTRALINA REGIONAL COUNCIL
MANAGEMENT'S DISCUSSION AND ANALYSIS**

June 30, 2020

**Table 2
Centralina Changes in Net Position for Governmental Activities
For the Years Ended June 30, 2020 and 2019**

	<u>2020</u>	<u>2019</u>
Revenue		
Restricted intergovernmental revenues	\$ 14,703,574	\$ 14,880,641
Technical assistance contracts	1,270,769	645,043
Contracts and fees	36,237	18,000
Other program revenue	815,455	515,446
Interest and other earnings	4,014	141,522
Member dues and contributions	870,095	834,611
Total revenues	<u>17,700,144</u>	<u>17,035,263</u>
Expenses		
General government	415,911	184,801
Transportation	944,439	668,693
Environmental protection	157,633	115,035
Economic and physical development	1,387,943	1,293,305
Human services	13,768,718	13,616,629
Workforce development	981,691	1,069,025
Total expenses	<u>17,656,335</u>	<u>16,947,488</u>
Increase in net position	43,809	87,775
Beginning net position	(270,397)	(358,172)
Ending net position	<u>\$ (226,588)</u>	<u>\$ (270,397)</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 REGIONAL COUNCIL
MANAGEMENT’S DISCUSSION AND ANALYSIS**

June 30, 2020

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 (\$33,448), while total fund balance amounted to \$903,706. 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 fiscal year ending 2020 represents 14.56% of total General Fund expenditures which is an increase over fiscal year ending 2019 which was 11.01%.

General fund budgetary highlights: During the fiscal year, 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, technical and assistance contracts and other services; 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, 2020 totals \$214,621 (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

Next fiscal year, FY2020-FY2021, will be the second year of the three-year strategic roadmap approved in 2019; the organization will continue to focus on the seven strategic goals established for this period (see below). The Board-approved workplan outlines specific actions related to each goal that will be pursued by each Centralina department. To ensure alignment of strategy and resources, department workplans and budgets support the organizational workplan and budget. Progress on the workplan is reported quarterly, while success stories are document and shared throughout the year.

Three-Year Strategic Goals

- Growth: Manage cross-jurisdictional collaboration for coordinated regional growth
- Mobility: Expand regional mobility choices and connections
- Health: Improve the health and resilience of individuals, communities and our region
- Economic Development: Facilitate business and infrastructure investments in our local communities and regional economy
- Talent: Provide talent Tactics and solutions for a qualified and competitive workforce
- Innovation: Support and champion our local governments
- Operations: Enhance Centralina operations, infrastructure, and partnerships

Key Initiatives for FY2020-2021

- Continued regional response to and support of COVID-19 relief and recovery, including implementation of specific projects for local governments related to distribution of federal CARES Act funding and the state’s Coronavirus Relief Fund (CRF).
- Continued deployment of innovative service model for supporting older adults during COVID-19, including preparing for additional waves of the virus and monitoring federal CARES Act funding.
- Implementation of CONNECT Beyond, regional mobility initiative.
- Implementation of regional economic development activities related to resilience and recovery
- Supporting dislocated workers, career seekers and businesses in need of workforce services.
- Completing the rebranding and IT strategic planning projects, including the full legal name change to Centralina Regional Council.
- Enhancing employee engagement and professional development during the current remote work environment, including a specific emphasis on an organization-wide Diversity, Equity and Inclusion initiative.

**CENTRALINA REGIONAL COUNCIL
MANAGEMENT'S DISCUSSION AND ANALYSIS**

June 30, 2020

Request for Information

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

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

Basic Financial Statements



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Government-Wide Financial Statements

CENTRALINA REGIONAL COUNCIL
STATEMENT OF NET POSITION
June 30, 2020

	<u>Primary Government</u>	<u>Component Unit</u>
	<u>Governmental Activities</u>	<u>Workforce Development Consortium</u>
ASSETS		
Current assets:		
Cash and investments	\$ 796,976	\$ -
Receivables	22,341	-
Due from other governments	1,613,663	305,582
Prepayments	75,434	-
Total current assets	<u>2,508,414</u>	<u>305,582</u>
Noncurrent assets:		
Capital assets:		
Equipment, net of depreciation	<u>214,621</u>	<u>-</u>
Total assets	<u>2,723,035</u>	<u>305,582</u>
DEFERRED OUTFLOWS OF RESOURCES		
Contributions to pension plan in current fiscal year	251,568	-
Contributions to OPEB plan in current fiscal year	3,580	-
Pension deferrals	379,553	-
OPEB deferrals	<u>5,002</u>	<u>-</u>
Total deferred outflows of resources	<u>639,703</u>	<u>-</u>

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

EXHIBIT A

	Primary Government	Component Unit
	Governmental Activities	Workforce Development Consortium
LIABILITIES		
Current liabilities:		
Accounts and grants payable	\$ 1,101,724	\$ 305,582
Due to component unit	1,118	-
Accrued Payroll	190,047	-
Unearned revenue	309,861	-
Current portion of long-term obligations	365,030	-
Total current liabilities	1,967,780	305,582
Noncurrent liabilities:		
Net pension liability	967,019	-
Total OPEB liability	278,534	-
Noncurrent portion of long-term obligations	260,875	-
	1,506,428	-
Total liabilities	3,474,208	305,582
DEFERRED INFLOWS OF RESOURCES		
Deferred membership dues	1,958	-
Pension deferrals	6,198	-
OPEB deferrals	106,962	-
Total deferred inflows of resources	115,118	-
NET POSITION		
Net investment in capital assets	123,689	-
Restricted:		
Stabilization by State Statute	861,720	-
Unrestricted	(1,211,997)	-
Total net position	\$ (226,588)	\$ -

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

**CENTRALINA REGIONAL COUNCIL
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2020**

<u>Functions / Programs</u>	<u>Expenses</u>	<u>Indirect Expenses Allocation</u>
PRIMARY GOVERNMENT		
Governmental activities:		
General government	\$ 2,169,285	\$ (1,753,374)
Transportation	726,730	217,709
Environmental protection	97,915	59,718
Economic and physical development	982,140	405,803
Human services	13,043,106	725,612
Workforce development	637,159	344,532
	<u>\$ 17,656,335</u>	<u>\$ -</u>
COMPONENT UNIT		
Workforce Development Consortium	\$ 4,444,448	\$ -
	<u>\$ 4,444,448</u>	<u>\$ -</u>

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
\$ 56,370	\$ -	\$ (359,541)	\$ -
720,038	163,056	(61,345)	-
12,573	88,716	(56,344)	-
880,706	185,771	(321,466)	-
452,774	13,286,763	(29,181)	-
-	979,268	(2,423)	-
<u>\$ 2,122,461</u>	<u>\$ 14,703,574</u>	<u>(830,300)</u>	<u>-</u>
<u>\$ -</u>	<u>\$ 4,444,448</u>	<u>-</u>	<u>-</u>
<u>\$ -</u>	<u>\$ 4,444,448</u>	<u>-</u>	<u>\$ -</u>
General revenues			
Member dues and contributions		870,095	-
Unrestricted investment earnings		4,014	-
Total general revenues		<u>874,109</u>	<u>-</u>
Change in net position		43,809	-
Net position - beginning		<u>(270,397)</u>	<u>-</u>
Net position - ending		<u>\$ (226,588)</u>	<u>\$ -</u>

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



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Fund Financial Statements

CENTRALINA REGIONAL COUNCIL
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2020

EXHIBIT C

	<u>Major Funds</u>		<u>Total Governmental Funds</u>
	<u>General</u>	<u>Special Revenue Fund</u>	
ASSETS			
Cash and investments	\$ 796,976	\$ -	\$ 796,976
Receivables	22,341	-	22,341
Due from other governments	839,379	774,284	1,613,663
Prepayments	75,434	-	75,434
	<u>796,976</u>	<u>774,284</u>	<u>1,613,663</u>
Total assets	<u>\$ 1,734,130</u>	<u>\$ 774,284</u>	<u>\$ 2,508,414</u>
LIABILITIES			
Accounts and grants payable	\$ 327,440	\$ 774,284	\$ 1,101,724
Due to component unit	1,118	-	1,118
Accrued Payroll	190,047	-	190,047
Unearned revenue	309,861	-	309,861
	<u>327,440</u>	<u>774,284</u>	<u>1,101,724</u>
Total liabilities	<u>828,466</u>	<u>774,284</u>	<u>1,602,750</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred membership dues	1,958	-	1,958
	<u>1,958</u>	<u>-</u>	<u>1,958</u>
Total deferred inflows of resources	<u>1,958</u>	<u>-</u>	<u>1,958</u>
FUND BALANCES			
Nonspendable:			
Prepayments	75,434	-	75,434
Restricted:			
Stabilization by State Statute	861,720	-	861,720
Unassigned	(33,448)	-	(33,448)
	<u>75,434</u>	<u>-</u>	<u>75,434</u>
Total fund balances	<u>903,706</u>	<u>-</u>	<u>903,706</u>
	<u>903,706</u>	<u>-</u>	<u>903,706</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,734,130</u>	<u>\$ 774,284</u>	<u>\$ 2,508,414</u>

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

CENTRALINA REGIONAL COUNCIL
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
June 30, 2020

EXHIBIT D

Amounts reported for governmental activities in the Statement of Net Position are different because:

Ending fund balance - governmental funds	\$ 903,706
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	214,621
Contributions to pension plans in the current fiscal year are deferred outflows of resources on the Statement of Net Position.	251,568
Contributions to OPEB plans in the current fiscal year are deferred outflows of resources on the Statement of Net Position.	3,580
Pension related deferrals	373,355
OPEB related deferrals	(101,960)
Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	
Net pension liability	(967,019)
Total OPEB liability	(278,534)
Obligations under capital lease	(123,689)
Accrued vacation and sick leave	(424,774)
Other long-term liability	<u>(77,442)</u>
Net position of governmental activities	<u>\$ (226,588)</u>

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

CENTRALINA REGIONAL COUNCIL
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
For the Year Ended June 30, 2020

EXHIBIT E

	<u>Major Funds</u>		<u>Total Governmental Funds</u>
	<u>General</u>	<u>Special Revenue Fund</u>	
REVENUES			
Restricted intergovernmental revenues	\$ 3,463,663	\$ 11,239,911	\$ 14,703,574
Technical assistance contracts	1,270,769	-	1,270,769
Contracts and fees	36,237	-	36,237
Other program revenue	815,455	-	815,455
Interest and other	4,014	-	4,014
Member dues and contributions	870,095	-	870,095
Total revenues	<u>6,460,233</u>	<u>11,239,911</u>	<u>17,700,144</u>
EXPENDITURES			
General government	206,186	-	206,186
Transportation	944,439	-	944,439
Environmental protection	157,633	-	157,633
Economic and physical development	1,387,943	-	1,387,943
Human services	2,528,807	11,239,911	13,768,718
Workforce development	981,691	-	981,691
Total expenditures	<u>6,206,699</u>	<u>11,239,911</u>	<u>17,446,610</u>
Revenues over expenditures and net change in fund balance	<u>253,534</u>	<u>-</u>	<u>253,534</u>
FUND BALANCES - JULY 1	<u>650,172</u>	<u>-</u>	<u>650,172</u>
FUND BALANCES - JUNE 30	<u>\$ 903,706</u>	<u>\$ -</u>	<u>\$ 903,706</u>

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

CENTRALINA REGIONAL COUNCIL**EXHIBIT F****RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES****IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES****For the Year Ended June 30, 2020**

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

Net change in fund balances - total governmental funds	\$ 253,534
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.	131,491
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities.	251,568
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.	(442,884)
OPEB benefit payments made in current fiscal year are not included on the Statement of Activities	3,580
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.	(14,130)
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.	(103,414)
Recording of the net adjustment to the obligation for compensated absences	(40,936)
Payment on accrued litigation	5,000
Change in net position of governmental activities	<u>\$ 43,809</u>

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

CENTRALINA REGIONAL COUNCIL **EXHIBIT G**
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
ANNUAL BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended June 30, 2020

	<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	\$ 4,622,000	\$ 3,856,532	\$ 3,463,663	\$ (392,869)
Technical assistance contracts	600,000	1,417,581	1,270,769	(146,812)
Contracts and fees	18,000	46,905	36,237	(10,668)
Other program revenue	500,000	884,238	815,455	(68,783)
Fund Balance Appropriated and Transferred	-	13,613	-	(13,613)
Interest and other	150,000	5,000	4,014	(986)
Member dues and contributions	850,000	870,095	870,095	-
Total revenues	<u>6,740,000</u>	<u>7,093,964</u>	<u>6,460,233</u>	<u>(633,731)</u>
EXPENDITURES				
Current				
General government				
Member services, Board and committees	150,000	205,479	175,966	29,513
Management and business operations	1,800,000	1,794,490	1,679,175	115,315
Information technology and data service	110,000	136,741	104,419	32,322
Indirect costs representation	(1,750,000)	(1,874,783)	(1,753,374)	(121,409)
Total general government	<u>310,000</u>	<u>261,927</u>	<u>206,186</u>	<u>55,741</u>
Transportation				
Planning assistance and administration	960,000	1,100,454	944,439	156,015
Total transportation	<u>960,000</u>	<u>1,100,454</u>	<u>944,439</u>	<u>156,015</u>
Environmental protection				
Planning assistance and administration	140,000	170,448	157,633	12,815
Total environmental protection	<u>140,000</u>	<u>170,448</u>	<u>157,633</u>	<u>12,815</u>
Economic and physical development				
Planning assistance and administration	500,000	514,608	452,190	62,418
Economic program initiative	930,000	1,174,177	935,753	238,424
Total economic and physical development	<u>1,430,000</u>	<u>1,688,785</u>	<u>1,387,943</u>	<u>300,842</u>
Human services				
Area agency on aging	2,900,000	2,687,522	2,528,807	158,715
Workforce development	1,000,000	1,184,828	981,691	203,137
Total expenditures	<u>6,740,000</u>	<u>7,093,964</u>	<u>6,206,699</u>	<u>887,265</u>
Revenues over expenditures	<u>\$ -</u>	<u>\$ -</u>	253,534	<u>\$ 253,534</u>
FUND BALANCES - JULY 1			<u>650,172</u>	
FUND BALANCES - JUNE 30			<u>\$ 903,706</u>	

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

CENTRALINA REGIONAL COUNCIL **EXHIBIT H**
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
ANNUAL BUDGET AND ACTUAL - SPECIAL REVENUE FUND
For the Year Ended June 30, 2020

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Restricted intergovernmental revenues				
Aging pass-through funds				
HCC Block Grant	\$ 9,920,000	\$ 9,840,057	\$ 9,830,859	\$ (9,198)
USDA/NSIP Supplement	650,000	650,000	537,551	(112,449)
Title III-B legal	87,000	157,361	91,531	(65,830)
Family Caregiver	431,000	514,020	505,483	(8,537)
Disease Prevention/Health Promotion	36,500	35,685	29,415	(6,270)
State Senior Center General Purpose	160,000	119,834	117,716	(2,118)
Heat Fan Relief	20,000	15,000	14,417	(583)
Families First	-	633,440	112,939	(520,501)
CARES HCC Block Grant	-	50,000	-	(50,000)
Total Aging Revenue	11,304,500	12,015,397	11,239,911	(775,486)
EXPENDITURES				
Grant-related expenditures				
Aging pass-through funds				
HCC Block Grant	9,920,000	9,840,057	9,830,859	9,198
USDA/NSIP Supplement	650,000	650,000	537,551	112,449
Title III-B legal	87,000	157,361	91,531	65,830
Family Caregiver	431,000	514,020	505,483	8,537
Disease Prevention/Health Promotion	36,500	35,685	29,415	6,270
State Senior Center General Purpose	160,000	119,834	117,716	2,118
Heat Fan Relief	20,000	15,000	14,417	583
Families First	-	633,440	112,939	520,501
CARES HCC Block Grant	-	50,000	-	50,000
Total Aging Expenditures	11,304,500	12,015,397	11,239,911	775,486
Revenues over expenditures	\$ -	\$ -	-	\$ -
FUND BALANCES - JULY 1			-	
FUND BALANCES - JUNE 30			\$ -	

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

CENTRALINA REGIONAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

Notes to the Financial Statements

1. Summary of Significant Accounting Policies

The accounting policies of Centralina Regional Council (“Centralina”) and its discretely presented component unit conform to generally accepted accounting principles as applicable to governments. Significant accounting policies are as follows:

Reporting entity

Centralina Regional Council is a public authority which is governed by a Board of Delegates composed of 60 elected officials. Centralina was renamed Centralina Regional Council from Centralina Council of Governments subsequent to June 30, 2020 but the change has been retroactively applied throughout these financial statements.

As required by generally accepted accounting principles, these financial statements present Centralina and its component units, as legally separate entities for which Centralina is financially accountable. The Centralina Workforce Development Consortium, a discretely presented component unit, is reported in a separate column in Centralina’s financial statements in order to emphasize that it is legally separate from Centralina. 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 Centralina and offers no separate presentation as with the discrete method.

Centralina Workforce Development Consortium

Centralina does not appoint the governing board of the Centralina Workforce Development Consortium (the “Consortium”); however, the seven members of the Consortium are members of Centralina. Centralina 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 Centralina. If the Consortium were to dissolve, all assets and liabilities of the Consortium would revert back to Centralina. Also, the Consortium is for the benefit of the residents of seven of the nine counties comprising the geographic area served by Centralina. 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 Centralina. The other four are elected by the Board of Trustees and include civic leaders from many walks of life. The Foundation contracts with Centralina 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 Centralina. 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 is a nonprofit corporation organized to coordinate and work with volunteers and funding streams

CENTRALINA REGIONAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

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 does not issue separate financial statements.

Basis of presentation

Government-wide 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 Centralina. Governmental activities generally are financed through assessments, intergovernmental revenues, and other non-exchange transactions.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of Centralina'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 Centralina's funds. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column.

Centralina reports the following major governmental funds:

General Fund

The General Fund is the general operating fund of Centralina. 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 Centralina 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. Non-exchange transactions, in which Centralina 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.

CENTRALINA REGIONAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

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 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

Centralina'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 Office of Management and Budget Circular A-87. 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 accounting principles generally accepted in the United States of America 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 Centralina are made in board-designated official depositories and are secured as required by state law [G.S. 159-31]. Centralina may designate, as an official depository, any bank or savings association whose principal office is located in North Carolina. Also, Centralina may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts, and certificates of deposit.

CENTRALINA REGIONAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

State law [G.S. 159-30(c)] authorizes Centralina to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the state of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high-quality issues of commercial paper and banker's acceptances; and the North Carolina Capital Management Trust ("NCCMT"). Centralina's investments are generally reported at fair value. The NCCMT Government Portfolio, a SEC-registered (2a-7) money market mutual fund, is measured at fair value. Because the NCCMT Government Portfolio has a weighted average maturity of less than 90 days, they are presented as an investment with a maturity of less than 6 months.

Allowances for doubtful accounts

Receivables are reported a 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.

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 Centralina 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.

CENTRALINA REGIONAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

Compensated absences

The vacation policy of Centralina 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.

Centralina’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.

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. Centralina has two items that meet the criterion for this category, contributions made to the pension and OPEB plan in the 2020 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. Centralina 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)].

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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 \$903,706 at June 30, 2020, all of which was restricted leaving nothing available for appropriation.

Centralina 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 and local Centralina 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 Centralina.

Centralina has also adopted a minimum fund balance policy for the General Fund which instructs management to conduct the business of Centralina 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, Centralina'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.

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. Centralina's employer contributions are recognized when due and Centralina 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 Centralina'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 Centralina's agent in Centralina'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 Centralina, these deposits are considered to be held by Centralina's agent in Centralina'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 Centralina or the escrow agent. Because of the inability to measure the exact amount of collateral pledged for Centralina 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. Centralina 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. Centralina complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2020, Centralina's deposits had a carrying amount of \$690,512 and a bank balance of \$1,932,986. 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.

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3. Investments

At June 30, 2020, Centralina had \$106,464 invested with the North Carolina Capital Management Trust's Government Portfolio, which carried a credit rating of AAAm by Standard and Poor's and are reported at fair value using Level 1 measurement. Centralina has no policy on credit risk.

All investments are measured using the market approach: using prices and other relevant information generated by market transactions involving identical or comparable assets or a group of assets.

Level of fair value hierarchy: Level 1 debt securities are valued using directly observable, quoted prices (unadjusted) in active markets for identical assets.

Interest Rate Risk – Centralina does not have a formal policy to limit interest rate risk.

Credit Risk - Centralina 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 (NRSROs); however, Centralina 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, Centralina will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Centralina has no policy on custodial risk.

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

4. Receivables

Receivables at the government-wide level consisted of the following at June 30, 2020:

	Due from Other Governments	Other
Government activities:		
General	\$ 839,379	\$ 22,341
Special Revenue	774,284	-
	<u>\$ 1,613,663</u>	<u>\$ 22,341</u>
Workforce Development Consortium	<u>\$ 305,582</u>	<u>\$ -</u>

Due from other governments consisted of the following at June 30, 2020:

	Governmental Activities	Workforce Development Consortium
Receivables under expenditure-driven grants	\$ 1,221,437	\$ 305,582
Technical assistance contracts	392,226	-
	<u>\$ 1,613,663</u>	<u>\$ 305,582</u>

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5. Capital Assets

The following is a summary of capital asset activity for the year ended June 30, 2020:

	<u>Balance</u> <u>June 30, 2019</u>	<u>Increased</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2020</u>
Capital assets being depreciated				
Furniture, fixtures, and equipment and leasehold improvements	\$ 886,397	\$ 179,696	\$ -	\$ 1,066,093
Less accumulated depreciation	803,267	48,205	-	851,472
Government activities capital assets, net	<u>\$ 83,130</u>	<u>\$ 131,491</u>	<u>\$ -</u>	<u>\$ 214,621</u>

Depreciation expense was charged to indirect cost in the amount of \$48,205.

6. Accounts and Grants Payable

Accounts and grants payable at the government-wide level consisted of the following at June 30, 2020:

	<u>Vendors</u>	<u>Subrecipients</u>	<u>Total</u>
Government activities:			
General	\$ 327,440	\$ -	\$ 327,440
Special revenue	-	774,284	774,284
	<u>\$ 327,440</u>	<u>\$ 774,284</u>	<u>\$ 1,101,724</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, 2020 consisted of accrued salaries and salary related accounts in the amount of \$190,047.

7. Pension Plan Obligations

Local governmental employees' retirement system

Plan description. Centralina Regional 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 (LEOs) of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members - nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The 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.

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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.

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Centralina 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, 2020, was 8.95% 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 \$251,568 for the year ended June 30, 2020.

Refunds of contributions. Centralina 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, 2020, Centralina reported a liability of \$967,019 for its proportionate share of the net pension asset. The net pension liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2018. The total pension liability was then rolled forward to the measurement date of June 30, 2019 utilizing update procedures incorporating the actuarial assumptions. Centralina's proportion of the net pension asset was based on a projection of Centralina'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, 2020 (measured at June 30, 2019), Centralina's proportion was 0.03541%, which was a decrease of 0.00305% from its proportion at June 30, 2019 (measured at June 30, 2018).

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For the year ended June 30, 2020, Centralina recognized pension expense of \$442,884. At June 30, 2020, Centralina 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	\$ 165,578	\$ -
Changes of assumptions	157,608	-
Net difference between projected and actual earnings on pension plan investments	23,587	-
Changes in proportion and differences between Council contributions and proportionate share of contributions	32,780	6198
Total contributions subsequent to the measurement date	251,568	-
Total	\$ 631,121	\$ 6,198

At June 30, 2020, \$251,568 was reported as deferred outflows of resources related to pensions, resulting from Centralina contributions subsequent to the measurement date, will be recognized as a decrease of the net pension liability in the year ended June 30, 2021. 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:

2021	\$ 183,800
2022	65,205
2023	98,910
2024	25,440
Total	\$ 373,355

Actuarial assumptions. The total pension liability in the December 31, 2018 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, 2018 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 (“COLA”) amounts are not considered to be substantively automatic and are therefore not included in the measurement.

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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, 2017 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%
Total	<u>100.0%</u>	

The information above is based on 30-year expectations developed with the consulting actuary for the 2018 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 3.05%. 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.

Sensitivity of Centralina's proportionate share of the net pension liability to changes in the discount rate. The following presents Centralina's proportionate share of the net pension liability calculated using the discount rate of 7.0%, as well as what Centralina'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% Decrease (6.0%)</u>	<u>Discount Rate (7.0%)</u>	<u>1% Increase (8.0%)</u>
Centralina's proportionate share of the net pension liability (asset)	<u>\$ 2,211,750</u>	<u>\$ 967,019</u>	<u>\$ (67,604)</u>

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.

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8. Supplemental Retirement Income Plan

Plan description. Centralina 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 Centralina 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. Centralina 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 Centralina for the year ended June 30, 2020 amounted to \$208,337.

9. Deferred Compensation Plan

Plan description. Centralina 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. Centralina 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, 2020 amounted to \$24,470.

10. Postemployment Healthcare Benefits

Plan description. Under the terms of Centralina's personnel policy manual, Centralina administers a single employer defined benefit Healthcare Benefits Plan (“HCB Plan”). The HCB Plan provides postemployment healthcare benefits to qualified retirees of Centralina. 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:

Centralina 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 (\$425).

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 (2%) percent for each full year of completed service in excess of fifteen (15) years with a maximum benefit of eighty (80%) percent (the resulting amount is the “Enhanced Premium Supplement”).

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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 (28) dollars, Centralina will pay fourteen (14) dollars, or 50% towards an active employee’s coverage. A retiree with 15 years of service to Centralina will receive 50% of the active employee’s covered amount or seven (7) dollars.
- 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 (2%) percent for each full year of completed service in excess of fifteen (15) years with a maximum benefit of eighty (80%) percent.

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.

Membership of the HCB Plan consisted of the following at June 30, 2019, the date of the latest actuarial valuation:

	General Employees
Retirees and dependents receiving benefits	4
Active plan members	43
Total	47

Total OPEB liability

Centralina’s total OPEB liability of \$278,534 was measured as of June 30, 2019 and was determined by an actuarial valuation as of that date.

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Actuarial assumptions and other inputs. The total OPEB liability on the June 30, 2019 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	3.89%
Measurement Date	3.50%

The discount rate used to measure the Total OPEB Liability was based on the last Thursday of June 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, 2019	<u>\$ 338,641</u>
Changes for the year	
Service cost	18,979
Interest	13,038
Differences between expected and actual experience	(80,795)
Changes in assumptions or other inputs	(4,327)
Benefit payments	<u>(7,002)</u>
Total change	<u>(60,107)</u>
Total OPEB Liability at June 30, 2020	<u><u>\$ 278,534</u></u>

There was a change in the Total OPEB Liability arising from the change in the Discount Rate from 3.89% on the Prior Measurement Date to 3.50% 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.

The demographic actuarial assumptions for retirement, disability incidence, withdrawal, and salary increase used in the June 30, 2019 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, 2019 valuation were based on a review of recent plan experience done concurrently with the June 30, 2019 valuation.

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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 3.50%, 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 (2.50%) or 1-percentage-point higher (4.50%) than the current discount rate:

	<u>1% Decrease (2.50%)</u>	<u>Discount Rate (3.50%)</u>	<u>1% Increase (4.50%)</u>
Total OPEB liability	\$ 304,483	\$ 278,534	\$ 254,670

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:

	<u>1% Decrease</u>	<u>Current</u>	<u>1% Increase</u>
Total OPEB liability	\$ 244,319	\$ 278,534	\$ 319,019

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

For the year ended June 30, 2020, Centralina recognized OPEB expense of \$14,129. At June 30, 2020, Centralina reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 5,002	\$ 74,672
Changes of assumptions	-	32,290
Benefit payments made subsequent to the measurement	3,580	-
Total	<u>\$ 8,582</u>	<u>\$ 106,962</u>

\$3,580 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, 2021. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in OPEB expense as follows:

Years Ending June 30:

2020	\$ 17,888
2021	17,888
2022	17,888
2023	16,305
2024	12,515
Thereafter	19,476
	<u>\$ 101,960</u>

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11. Deferred Outflows/Inflows of Resources

Deferred outflows of resources are comprised of contributions to the pension plan and OPEB of \$251,568 and \$3,580, respectively, and other pension and OPEB deferrals in the current fiscal year in the amount of \$379,553 and \$5,002, respectively.

The following is a summary of deferred inflows of resources at June 30, 2020:

	Governmental Activities	Workforce Development Consortium
Deferred membership dues	\$ 1,958	\$ -
Pension deferrals	6,198	-
OPEB deferrals	106,962	-
	<u>\$ 115,118</u>	<u>\$ -</u>

12. Risk Management

Centralina 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. Centralina 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, Centralina 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. Centralina'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.

Centralina 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.

In accordance with G.S. 159-29, Centralina's employees that have access to \$100 or more at any given time of Centralina'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

Centralina 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 September 30, 2019 and requires 60 monthly payments of \$2,543 each. Another lease agreement for a copier began on January 27, 2017 and requires 60 monthly payments of \$652 each.

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The following is a summary of assets recorded under capital leases at June 30, 2020:

	<u>Accumulated Cost</u>	<u>Net Book Depreciation</u>	<u>Value</u>
Copier	\$ 128,427	\$ 19,264	\$ 109,163
Copier	33,725	23,045	10,680
	<u>\$ 162,152</u>	<u>\$ 42,309</u>	<u>\$ 119,843</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2020 were as follows:

Year Ending June 30,

2021	\$ 38,340
2022	35,080
2023	30,516
2024	30,516
2025	7,629
Total minimum lease payments	<u>142,081</u>
Less amount representing interest	(18,392)
Present value of minimum lease payments	<u>\$ 123,689</u>

Changes in long-term liabilities

	<u>Balance July 1, 2019</u>	<u>Increased</u>	<u>Decreases</u>	<u>Balance June 30, 2020</u>	<u>Current Portion of Balance</u>
Government activities:					
Net pension liability (LGRS)	\$ 912,403	\$ 54,616	\$ -	\$ 967,019	\$ -
Total OPEB liability	338,641	-	60,107	278,534	-
Capital leases	20,275	128,427	25,013	123,689	30,741
Accrued vacation and sick leave	383,838	370,225	329,289	424,774	329,289
Other liabilities	82,442	-	5,000	77,442	5,000
	<u>\$ 1,737,599</u>	<u>\$ 553,268</u>	<u>\$ 419,409</u>	<u>\$ 1,871,458</u>	<u>\$ 365,030</u>

14. Operating Leases

Centralina 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. Centralina has an option to renew the lease agreement for an additional five years.

CENTRALINA REGIONAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

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, 2020.

<u>Years Ending June 30,</u>	<u>Minimum Payments</u>
2021	\$ 312,421
2022	239,549
Total	<u>\$ 551,970</u>

Total rental expenditures for all operating leases except those with terms of one month or less amounted to \$303,321 for the year ended June 30, 2020.

15. Transactions with Component Unit

The Consortium focuses on developing a strong, trained, and effective workforce in its seven-county area. Centralina provides administrative functions to the Consortium under an agreement. The Consortium reported expenses of \$981,691 and Centralina reported revenues in the General Fund of the same amount for the year ended June 30, 2020.

16. Summary Disclosure of Significant Contingencies

Federal and State-assisted programs

Centralina 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”), Centralina contracts with other governments or local agencies to perform the specific services set forth in the grant agreements. Centralina 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. Centralina 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 Centralina or the delegate agency. Centralina generally has the right of recovery from the subcontractors.

For the year ended June 30, 2020, agency costs of various amounts were disbursed for which the audits have not been received. Based on prior experience, management believes that Centralina will not incur significant losses from possible grant disallowances.

COVID-19

During 2020 an outbreak of a novel strain of coronavirus (“COVID-19”) emerged globally. As a result of the spread of COVID-19, economic uncertainties have arisen that could negatively impact Centralina’s revenue and operations for an indeterminable time period. Other financial impacts could occur that are unknown at this time.



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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 Centralina's Proportionate Share of the Net Position
- Local Governmental Employees' Retirement System – Schedule of Centralina's Contributions

**CENTRALINA REGIONAL COUNCIL
SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS
REQUIRED SUPPLEMENTARY INFORMATION**

Last Three Fiscal Years*

Total OPEB Liability	2020	2019	2018
Service cost	\$ 18,979	\$ 19,542	\$ 22,933
Interest	13,038	11,719	10,363
Changes of benefit terms	-	-	-
Differences between expected and actual experience	(80,795)	(6,094)	9,115
Changes of assumptions	(4,327)	(9,988)	(39,235)
Benefit payments	(7,002)	(11,347)	(25,107)
Other	-	-	-
Net change in total OPEB liability	(60,107)	3,832	(21,931)
Total OPEB liability - beginning	338,641	334,809	356,740
Total OPEB liability - ending	\$ 278,534	\$ 338,641	\$ 334,809
Covered payroll	2,536,424	2,580,488	2,580,488
Total OPEB liability as a percentage of covered payroll	10.98%	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
2020 Municipal Bond Index Rate at Prior Measurement Date	3.89%
2020 Municipal Bond Index Rate at Measurement Date	3.50%

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

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

Last Seven Fiscal Years*

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Centralina's proportion of the net pension liability (asset) (%)	0.03541%	0.03846%	0.03761%	0.0360%	0.0390%
Centralina's proportion of the net pension liability (asset) (\$)	\$ 967,019	\$ 912,403	\$ 574,577	\$ 763,616	\$ 175,523
Centralina's covered-employee payroll	\$ 2,748,709	\$ 2,846,538	\$ 2,652,802	\$ 2,476,046	\$ 2,532,892
Centralina's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	35.18%	32.05%	21.66%	30.84%	6.93%
Plan fiduciary net position as a percentage of the total pension liability	90.86%	91.63%	94.18%	91.47%	98.09%
	<u>2015</u>	<u>2014</u>			
Centralina's proportion of the net pension liability (asset) (%)	0.0410%	0.0410%			
Centralina's proportion of the net pension liability (asset) (\$)	\$ (240,911)	\$ 490,591			
Centralina's covered-employee payroll	2,580,938	2,486,778			
Centralina's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	-9.33%	19.73%			
Plan fiduciary net position as a percentage of the total pension liability	102.64%	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 ten year schedule as more information becomes available.

**CENTRALINA REGIONAL COUNCIL
SCHEDULE OF CONTRIBUTIONS
LOCAL GOVERNMENT EMPLOYEE'S RETIREMENT SYSTEM
REQUIRED SUPPLEMENTARY INFORMATION**

Last Seven Fiscal Years*

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contribution	\$ 251,568	\$ 213,024	\$ 213,490	\$ 192,329	\$ 165,153
Contributions in relation to the contractually required contribution	<u>251,568</u>	<u>213,024</u>	<u>213,490</u>	<u>192,329</u>	<u>165,153</u>
Contribution deficiency (excess)	<u>\$ -</u>				
Centralina's covered employee payroll	\$ 2,810,818	\$ 2,748,709	\$ 2,846,538	\$ 2,652,802	\$ 2,476,046
Contributions as a percentage of covered employee payroll	8.95%	7.75%	7.50%	7.25%	6.67%
	<u>2015</u>	<u>2014</u>			
Contractually required contribution	\$ 181,071	\$ 182,472			
Contributions in relation to the contractually required contribution	<u>181,071</u>	<u>182,472</u>			
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>			
Centralina's covered employee payroll	\$ 2,532,892	\$ 2,580,938			
Contributions as a percentage of covered employee payroll	7.15%	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 ten year schedule as more information becomes available.

Individual Fund Schedules



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General Fund



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**CENTRALINA REGIONAL COUNCIL
GENERAL FUND
COMPARATIVE BALANCE SHEETS
June 30, 2020
With Comparative Totals for June 30, 2019**

SCHEDULE 1

	<u>2020</u>	<u>2019</u>
ASSETS		
Cash and investments	\$ 796,976	\$ 439,613
Receivables	22,341	32,351
Due from other governments	839,379	544,350
Prepayments	<u>75,434</u>	<u>86,404</u>
Total assets	<u>\$ 1,734,130</u>	<u>\$ 1,102,718</u>
LIABILITIES		
Liabilities:		
Accounts and grants payable	\$ 327,440	\$ 138,428
Accrued liabilities	-	164,792
Due to special revenue fund	-	330
Due to component unit	1,118	1,118
Accrued Payroll	190,047	-
Unearned revenue	<u>309,861</u>	<u>141,018</u>
Total liabilities	<u>828,466</u>	<u>445,686</u>
Deferred Inflows of Resources:		
Unavailable resources	-	-
Deferred membership dues	<u>1,958</u>	<u>6,860</u>
Total deferred inflows of resources	<u>1,958</u>	<u>6,860</u>
Fund balances:		
Nonspendable		
Prepayments	75,434	86,404
Restricted:		
Stabilization by State Statute	861,720	576,701
Assigned		
Unassigned	<u>(33,448)</u>	<u>(12,933)</u>
Total fund balances	<u>903,706</u>	<u>650,172</u>
Total liabilities and fund balances	<u>\$ 1,734,130</u>	<u>\$ 1,102,718</u>

**CENTRALINA REGIONAL COUNCIL
GENERAL FUND**

SCHEDULE 2

INDIRECT COST CENTER - COMPUTATION OF INDIRECT COST ALLOCATION RATE

For the Year Ended June 30, 2020

PERSONNEL EXPENDITURES

Salaries	\$ 531,092
Fringe benefits	297,412
	<u>828,504</u>

OPERATING EXPENDITURES

Audit	54,000
Auto expenditures	26,316
Contracted services	221,451
Equipment leases	39,678
Fleet maintenance	5,208
Insurance	79,990
Computers and software	30,661
Meeting related expenditures	-
Memberships and dues	27,991
Postage	5,028
Printing and publications	-
Repairs and maintenance	201
Rent	305,927
Retiree healthcare costs	3,580
Supplies	12,288
Telephone	32,322
Training	7,477
Travel	1,134
	<u>853,252</u>

Total indirect costs - unadjusted	1,681,756
Adjustment for depreciation expense	<u>48,205</u>

Total indirect costs - adjusted for depreciation expense	<u>\$ 1,729,961</u>
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Total personnel expenditures	\$ 3,682,137
Less personnel expenditures in indirect cost pool	<u>828,504</u>

Total personnel expenditures earning indirect costs	<u>\$ 2,853,633</u>
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**CENTRALINA REGIONAL COUNCIL
GENERAL FUND**

**SCHEDULE 2
(Continued)**

INDIRECT COST CENTER - COMPUTATION OF INDIRECT COST ALLOCATION RATE

For the Year Ended June 30, 2020

	<u>Adjusted</u>
ALLOCATION RATE COMPUTATION	
Indirect costs	\$ 1,729,961
Carry Forward Adjustment	-
Total Adjusted Indirect Cost	<u>1,729,961</u>
Divided by personnel expenditures earning indirect costs	<u>2,853,633</u>
Allocation rate - as computed	<u>61%</u>
INDIRECT COSTS COMPARED TO CALCULATED INDIRECT AMOUNT	
Personnel expenditures earning indirect costs	\$ 2,853,633
Personnel expenditures earning indirect costs	2,818,276
Federally approved rate	<u>61.67%</u>
Federally approved indirect amount	1,738,031
Personnel expenditures earning indirect costs - Annual	25,099
State University Grant Cap	<u>55.00%</u>
State University Grant Cap indirect amount - Annual	13,804
Personnel expenditures earning indirect costs - Annual	10,259
Private Foundation Grant Cap	<u>15.00%</u>
Private Foundation Grant Cap indirect amount - Annual	1,539
Total indirect costs calculated	1,753,374
Total indirect actual expense costs	<u>1,729,961</u>
Calculated indirect costs over (under) adjusted indirect costs	<u>\$ 23,413</u>



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Special Revenue Fund

**CENTRALINA REGIONAL COUNCIL
SPECIAL REVENUE FUND
COMPARATIVE BALANCE SHEETS
June 30, 2020
With Comparative Totals for June 30, 2019**

SCHEDULE 3

	<u>2020</u>	<u>2019</u>
ASSETS		
Due from other governments	\$ 774,284	\$ 634,573
Due from general fund	<u>-</u>	<u>330</u>
Total assets	<u>\$ 774,284</u>	<u>\$ 634,903</u>
LIABILITIES		
Accounts and grants payable	<u>\$ 774,284</u>	<u>\$ 634,903</u>
Total liabilities	<u>\$ 774,284</u>	<u>\$ 634,903</u>

Component Unit

CENTRALINA REGIONAL COUNCIL

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, 2020

	Grant Award	Actual		Total to Date
		Prior Years	Current Year	
REVENUES				
WIA / WIOA GRANTS				
WIOA 17-4050 Business Services 2017	\$ 75,000	\$ 37,555	\$ 37,445	\$ 75,000
WIOA 17-4050 Finish Line Grant 2017	71,500	19,626	51,874	71,500
WIOA 17-4050 One-Time Telework Grant	3,600	-	3,600	3,600
WIOA 18-4010 Administrative Cost Pool- 10% 2018	422,651	247,292	175,359	422,651
WIOA 18-4020 Adult Services 2018	2,088,670	2,024,500	64,170	2,088,670
WIOA 18-4030 Dislocated Worker 2018	426,418	376,745	49,673	426,418
WIOA 18-4040 Youth Services 2018	1,288,762	1,097,192	191,570	1,288,762
WIOA 18- 4050 Infrastructure Cost 2018	219,414	107,511	111,903	219,414
WIOA 18-4050 Finish Line Grant 2018	127,151	8,091	37,789	45,880
WIOA 18-4050 Business Services 2018	75,000	-	30,541	30,541
WIOA 18-4050 NCWorks Innovation Fund	200,000	-	110,269	110,269
WIOA 19-4010 Administrative Cost Pool- 10% 2019	400,596	-	191,853	191,853
WIOA 19-4020 Adult Services 2019	2,033,106	-	1,909,713	1,909,713
WIOA 19-4030 Dislocated Worker 2019	304,349	-	288,471	288,471
WIOA 19-4040 Youth Services 2019	1,267,885	-	1,076,431	1,076,431
WIOA 19-4031 Dislocated Worker Rapid Response 2019	200,000	-	99,510	99,510
WIOA 19-4050 Finish Line Grant 2019	37,000	-	14,278	14,278
Total revenues	9,241,102	3,918,512	4,444,448	8,362,959
EXPENDITURES				
WIA / WIOA GRANTS				
WIOA 17-4050 Business Services 2017	\$ 75,000	\$ 37,555	\$ 37,445	\$ 75,000
WIOA 17-4050 Finish Line Grant 2017	71,500	19,626	51,874	71,500
WIOA 17-4050 One-Time Telework Grant	3,600	-	3,600	3,600
WIOA 18-4010 Administrative Cost Pool- 10% 2018	422,651	247,292	175,359	422,651
WIOA 18-4020 Adult Services 2018	2,088,670	2,024,500	64,170	2,088,670
WIOA 18-4030 Dislocated Worker 2018	426,418	376,745	49,673	426,418
WIOA 18-4040 Youth Services 2018	1,288,762	1,097,192	191,570	1,288,762
WIOA 18- 4050 Infrastructure Cost 2018	219,414	107,511	111,903	219,414
WIOA 18-4050 Finish Line Grant 2018	127,151	8,091	37,789	45,880
WIOA 18-4050 Business Services 2018	75,000	-	30,541	30,541
WIOA 18-4050 NCWorks Innovation Fund	200,000	-	110,269	110,269
WIOA 19-4010 Administrative Cost Pool- 10% 2019	400,596	-	191,853	191,853
WIOA 19-4020 Adult Services 2019	2,033,106	-	1,909,713	1,909,713
WIOA 19-4030 Dislocated Worker 2019	304,349	-	288,471	288,471
WIOA 19-4040 Youth Services 2019	1,267,885	-	1,076,431	1,076,431
WIOA 19-4031 Dislocated Worker Rapid Response 2019	200,000	-	99,510	99,510
WIOA 19-4050 Finish Line Grant 2019	37,000	-	14,278	14,278
Total expenditures	9,241,102	3,918,512	4,444,448	8,362,959
Revenues over expenditures	-	-	-	-
FUND BALANCES - JULY 1	-	-	-	-
FUND BALANCES - JUNE 30	\$ -	\$ -	\$ -	\$ -

Compliance Section



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**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 Regional Council
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 Regional Council (“Centralina”), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Centralina’s basic financial statements and have issued our report thereon dated October 29, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Centralina’s internal control over financial reporting (“internal control”) as a basis for designing 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 Centralina’s internal control. Accordingly, we do not express an opinion on the effectiveness of Centralina’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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of Centralina’s financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Centralina’s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statement. 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 result of that testing, and not to provide an opinion on the effectiveness of Centralina's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Centralina's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Cheryl Behant LLP

Charlotte, North Carolina
October 29, 2020

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 Regional Council
Charlotte, North Carolina

Report on Compliance for Each Major Federal Program

We have audited the Centralina Regional Council (“Centralina”), 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 Centralina’s major federal programs for the year ended June 30, 2020. Centralina’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 Centralina’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 Administration 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 Centralina’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 Centralina’s compliance.

Opinion on Each Major Federal Program

In our opinion, Centralina 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, 2020.

Report on Internal Control over Compliance

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

Cheryl Behant LLP

Charlotte, North Carolina
October 29, 2020

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 Regional Council
Charlotte, North Carolina

Report on Compliance for Each Major State Program

We have audited the Centralina Regional Council (“Centralina”), 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 Centralina’s major State programs for the year ended June 30, 2020. Centralina’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 Centralina’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 Centralina’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 Centralina’s compliance.

Opinion on Each Major State Programs

In our opinion, Centralina 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, 2020.

Report on Internal Control over Compliance

Management of Centralina 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 Centralina'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 Centralina's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses 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.

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 results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Cherry Behant LLP

Charlotte, North Carolina
October 29, 2020



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CENTRALINA REGIONAL COUNCIL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2020

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

Noncompliance material to financial statements noted: ___ yes X no

Federal Awards

Internal control over major federal programs:

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

Noncompliance material to federal awards ___ yes X 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 X 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
	Workforce Investment Act Cluster
17.258	WIA/WIOA - Adult Program
17.259	WIA/WIOA - Youth Activities
17.278	WIA/WIOA - Dislocated Worker Formula Grants

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

Auditee qualified as low-risk auditee? X yes no

CENTRALINA REGIONAL COUNCIL
SUMMARY SCHEDULE OF PRIOR YEAR'S FINDINGS

Year Ended June 30, 2020

No findings were reported for the year ended June 30, 2019.



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CENTRALINA REGIONAL COUNCIL
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2020

Grantor/Pass-through Grantor/Program Title	CFDA Number	Pass-Through Grantor Number	Federal (Pass-Through) Expenditures	State Expenditures	Pass-through to subrecipients
FEDERAL GRANTS:					
CASH PROGRAMS					
U.S. DEPARTMENT OF COMMERCE					
Economic Development Administration					
Direct program					
Strategic Planning Grant	11.302	ED19ATL3020016	\$ 82,849	\$ -	\$ -
Disaster Relief Coordinator	11.307	04-79-07426	2,894	-	-
Total U.S. Department of Commerce			85,743	-	-
U.S. DEPARTMENT OF LABOR					
Employment and Training Administration					
Passed through Senior Service America, Inc.					
Senior Community Service Employment Program	17.235	331	420,454	-	-
Total Senior Service America, Inc.			420,454	-	-
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-32191-18-55-A-37	64,170	-	-
WIOA - Adult Programs	17.258,17.278	AA-33241-19-55-A-37	1,909,713	-	1,858,281
WIOA - Youth Activities	17.259	AA-32191-18-55-A-37	191,570	-	-
WIOA - Youth Activities	17.259	AA-33241-19-55-A-37	1,076,431	-	973,231
WIOA - Dislocated Workers	17.258,17.278	AA-32191-18-55-A-37	49,673	-	-
WIOA - Dislocated Workers	17.258,17.278	AA-33241-19-55-A-37	288,471	-	190,351
WIOA - Dislocated Workers Rapid Response	17.278	AA-33241-19-55-A-37	99,510	-	99,510
WIOA - Finish Line Grant	17.278	AA-30962-17-55-A-37	51,874	-	51,874
WIOA - Finish Line Grant	17.259	AA-32191-18-55-A-37	37,789	-	37,789
WIOA - Finish Line Grant	17.278	AA-32241-19-55-A-37	14,278	-	14,278
WIOA - Infrastructure Cost	17.259	AA-32191-18-55-A-37	111,903	-	111,903
WIOA - Business Services	17.259	AA-30962-17-55-A-37	37,445	-	-
WIOA - Business Services	17.278	AA-32191-18-55-A-37	30,541	-	-
WIOA - NCWorks Innovation Fund	17.259,17.278	AA-32191-18-55-A-37	110,269	-	100,269
WIOA - One-Time Telework Grant	17.258	AA-30962-17-55-A-37	3,600	-	-
WIOA - Administrative Cost Pool/Incentives/Capital and Special Grants	17.258,17.278	AA-32191-18-55-A-37	175,359	-	27,695
	17.258,17.278	AA-33241-19-55-A-37	191,853	-	-
Total Workforce Innovation and Opportunity Act Cluster			4,444,449	-	3,465,181
Total U.S. Department of Labor			4,864,903	-	3,465,181
U.S. DEPARTMENT OF ENERGY					
Clean Cities Outreach, Education, and Performance Tracking Solutions for Curbside-Charging Electric Vehicles for Planned Urban Growth	81.086	DE-EE0007448	56,128	-	-
	81.086	DE-EE0008472	56,748	-	-
Total U.S. Department of Energy			112,876	-	-

**CENTRALINA REGIONAL COUNCIL
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS (CONTINUED)
For the Year Ended June 30, 2020**

<u>Grantor/Pass-through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Pass-Through Grantor Number</u>	<u>Federal (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	\$ 21,412	\$ 1,260	\$ -
Special Programs for the Aging, Title VII, Chapter 2					
Programs for Long-term Ombudsman Services for Older Individuals	93.042	NC-06	132,822	7,813	-
Social Service Block Grant					
In Home/Support SVC	93.667	NC-06	524,962	14,999	539,961
Special Programs for the Aging, Title III F					
Disease Prevention and Health Promotion Services	93.043	NC-06	129,968	7,645	29,415
Aging Cluster					
Special Programs for the Aging - Title III B					
Grants for Supportive Services and Senior Centers					
Legal services	93.044	NC-06	86,446	5,085	91,531
Ombudsman	93.044	NC-06	230,330	13,549	-
Access	93.044	NC-06	656,993	38,647	695,640
In Home Services	93.044	NC-06	1,574,382	92,009	1,508,539
Special Programs for the Aging - Title III C					
Nutrition Services-Planning and Administration					
Congregate Nutrition	93.045	NC-06	1,329,223	77,147	1,133,012
Home Delivered Meals	93.045	NC-06	1,162,911	68,407	1,231,318
Families First Coronavirus Response Act Grant					
Congregate Nutrition	93.045	NC-06	45,875	-	45,875
Home Delivered Meals	93.045	NC-06	67,064	-	67,064
Nutrition Services Incentive Program	93.053	NC-06	537,551	-	537,551
Total Aging Cluster			5,690,775	294,844	5,310,530
Special Programs for the Aging - Title III E					
National Family Caregiver Support Program	93.052	NC-06	799,033	52,113	748,349
MIPPA	93.071	1801NCMIAA-00/1801NCMIDR-00	38,459	-	-
MIPPA	93.071	1801NCMIAA-01/1801NCMIDR-01	37,323	-	-
			75,782	-	-
Senior Medicare Patrol	93.048	90MPPG0043	5,000	-	-
Local Contact Agency	n/a	35899	15,102	-	-
Total U.S. Department of Health and Human Services			7,394,856	378,674	6,628,255

**CENTRALINA REGIONAL COUNCIL
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS (CONTINUED)
For the Year Ended June 30, 2020**

<u>Grantor/Pass-through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Pass-Through Grantor Number</u>	<u>Federal (Pass-Through) Expenditures</u>	<u>State Expenditures</u>	<u>Pass-through to subrecipients</u>
FEDERAL AWARDS (Continued)					
CASH PROGRAMS (Continued)					
U.S. DEPARTMENT OF TRANSPORTATION					
Passed through North Carolina Department of Transportation					
Charlotte UZA Grant	20.513	2018000173	\$ 103,140	\$ -	\$ -
CMAQ-Regional Passenger Rail Promotion Project	20.205		40,124	-	-
Nonurbanized Area Public Transportation Grant	20.521	20-NF-912	19,792	-	-
Passed through North Carolina State University					
Clean Fuels Advanced Technology 2014-2018	20.205	2018-2835-01	31,968	-	-
Total U.S. Department of Transportation			<u>195,024</u>	<u>-</u>	<u>-</u>
Total Federal Awards			<u>12,653,402</u>	<u>378,674</u>	<u>10,093,436</u>
STATE GRANTS					
CASH AWARDS					
N. C. Department of Environment and Natural Resources					
Land Monitoring Services	N/A	6499	-	28,900	-
Total N. C. Department of Environment and Natural Resources			<u>-</u>	<u>28,900</u>	<u>-</u>

**CENTRALINA REGIONAL COUNCIL
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS (CONTINUED)
For the Year Ended June 30, 2020**

<u>Grantor/Pass-through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Pass-Through Grantor Number</u>	<u>Federal (Pass-Through) Expenditures</u>	<u>State Expenditures</u>	<u>Pass-through to subrecipients</u>
STATE GRANTS (Continued)					
CASH AWARDS (Continued)					
N. C. Department of Health and Human Services					
Division of Aging					
90% State Funds - Ombudsman		NC-06	\$ -	\$ 189,999	\$ -
90% State Funds - Access		NC-06	-	593,666	593,666
90% State Funds - In Home Services		NC-06	-	3,774,350	3,774,350
90% State Funds - Home Delivered Meals		NC-06	-	354,568	354,568
AAA Plan & Administration		NC-06	-	48,261	-
Fans Programs		NC-06	-	14,363	14,363
Senior Center General Purpose		NC-06	-	117,720	117,720
Total N.C. Department of Health and Human Services			-	5,092,927	4,854,667
Total state awards			-	5,121,827	4,854,667
Total federal and state awards			\$ 12,653,402	\$ 5,500,501	\$ 14,948,103

CENTRALINA REGIONAL COUNCIL

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

Year Ended June 30, 2020

1. Basis of Presentation

The accompanying schedule of expenditures of federal and State awards (SEFSA) includes the federal and state grant activity of Centralina Regional Council (the "Centralina") under the programs of the federal government and the State of North Carolina for the year ended June 30, 2020. 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 Centralina, it is not intended to and does not present the financial position, changes in net position, or cash flows of Centralina.

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

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